Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 14

MEETING DATE: **March 16, 2022**

SUBJECT: **Fixed Income Manager Recommendations**

SUBMITTED FOR: __ **Consent** _X__ **Deliberation and Action** ___ **Receive and File**

RECOMMENDATION

Staff recommends the Board:

- Terminate the existing global fixed income mandate with Brandywine Global (global fixed income was eliminated from SCERS' revised strategic asset allocation);
- Equal weight the total 12% target core plus fixed income allocation across four investment managers (25% each), including the two existing managers and two new managers;
- Invest approximately $360 million with new core plus manager Brandywine Global (U.S. Fixed Income strategy) and $360 million with new core plus manager Reams Asset Management (Core Plus Fixed Income strategy), and authorize Staff to execute necessary documents and agreements for each mandate;
- Reduce the exposure to existing core plus fixed income managers TCW and PGIM by $135 million and $129 million, respectively; and,
- Authorize Staff to determine the most effective method for transitioning the assets and execute any necessary documents or agreements to effectuate the transition of assets.

PURPOSE

This item provides a recommendation for the core plus fixed income mandate that the Board authorized Staff and Verus to conduct an investment manager search. This item complies with SCERS' Diversifying asset category Investment Policy Statement implementation protocols for public fixed investment managers to have Staff and Consultant perform due diligence and make investment manager recommendations to the Board for consideration and approval.

BACKGROUND

The investment objectives of the Fixed Income asset class, which resides within the Diversifying asset category, include the following:

- Moderate income and cash flow generation
- Diversification for SCERS' portfolio, and in particular, as an "anchor to safety" in periods such as a recession, when growth/risk assets fall

- A source of return enhancement
- Liquidity

At the October 2021 Board meeting, the Board approved a revised Fixed Income asset class within the Diversifying asset category, which includes a 12% core plus fixed income target allocation and a 4% U.S. Treasury target allocation. The revised structure also eliminated a 3% global fixed income allocation, which is managed by Brandywine Global Investment Management.

Fixed Income	Target Allocation %	Range
	16%	12% - 20%
Core Plus	12%	9% - 15%
U.S. Treasury	4%	3% - 5%

Also at the October 2021 Board meeting, the Board approved initiating an investment manager search to fill a third core plus fixed income mandate to complement SCERS two existing core plus managers, Prudential (PGIM) and TCW.

Fixed Income Sub-Strategy	Recommended Target %
U.S. Treasury - Neuberger Berman	25%
Core Plus 1 - TCW	25%
Core Plus 2 - Prudential	25%
Core Plus 3 - *to be determined*	25%
	100%

As discussed during the October Board meeting, the additional core plus mandate is expected to serve as a complement to SCERS' two existing core plus mandates. Core plus strategies have meaningful latitude to earn active returns versus the passive/core Bloomberg Barclays Aggregate Index benchmark. While a core plus strategy's foundation is to the core bond sectors (treasuries, agency government bonds, investment grade credit), it can also allocate in moderate amounts to the 'plus' sectors, including high yield, bank loans, mortgage-backed securities, and non-U.S. securities. Investment managers take very different approaches to implementing a core plus mandate. Among SCERS' existing core plus managers, TCW is considered a more defensive strategy that tends to differentiate itself within the mortgage markets when opportunity exists. SCERS' other core plus manager, Prudential (PGIM), tends to be more yield focused, and will generally hold higher allocations to the spread and credit sectors. Both managers have generated strong returns for SCERS relative to the benchmark index.

Some core plus strategies allocate less to the spread sectors, and instead place a greater focus on managing interest rate risk by having greater flexibility to adjust duration, which was the focus of this manager search. A strategy like this typically holds lower levels to credit and spread sectors, but will add credit exposure opportunistically when spreads widen. In a low interest rate environment like the one we are in now, these strategies have greater flexibility to manage duration and interest rates, which could serve to reduce risk within SCERS' Fixed Income portfolio in a rising interest rate environment, as well as being a greater source for active returns. This additional core plus mandate will be expected to serve as a diversifier and anchor to safety, particularly within stressed market environments, while also having enough flexibility to move toward yield and enhanced returns opportunistically when warranted.

MANAGER SEARCH SUMMARY

For the core plus fixed income manager search, Staff and Verus performed extensive due diligence, which included screening the core plus manager universe through various investment manager databases and leveraging Verus' resources to help construct an initial list of potential candidates. In addition to reviewing available materials on investment manager databases, Staff and Verus also reviewed presentations and materials provided directly from the managers. This evaluation process took the following criteria into consideration: appropriate style (interest rate/duration and credit management), a minimum amount of assets under management, differentiated investment philosophy and process, and performance track record.

The following managers were selected to interview with Staff and Verus (via videoconference) in December:

- Brandywine Global Investment Management
- Reams Asset Management
- Capital Group
- PIMCO
- SLC Management

Following the interviews, Staff and Verus continued the due diligence process, which included additional data requested from the managers and follow-up communications via call or email. Staff and Verus also had multiple conversations to evaluate the managers being considered.

RECOMMENDATION

Based on extensive analysis, Staff and Verus recommend adding two new core plus managers, rather than one. The two managers include Brandywine Global and its U.S. Fixed Income strategy (Brandywine currently managers SCERS' global fixed income mandate through their Global Opportunity Fixed Income strategy), and Reams Asset Management and its Core Plus Fixed Income strategy. Both managers run unique strategies that take an active approach to duration and interest rate management and opportunistically allocate to the spread sectors, which has translated to consistently strong returns, but which can also run at higher volatility. Staff and Verus believe it is prudent to split the allocation across two managers given the size of the mandates.

Staff and Verus also recommend equal weighting all four managers within the core plus fixed income portfolio (the two existing managers (TCW and PGIM) and the two new managers (Brandywine and Reams)) at 25% of the total 12% core plus fixed income target allocation. This rebalance will create greater diversification for SCERS' core plus portfolio given the large size of these mandates. The rebalance would involve reducing the two existing mandates by the amounts shown below, and adding new capital to the two new managers in the amounts shown below. Staff and Verus also recommend redeeming from the Brandywine global mandate, which was eliminated from SCERS' revised strategy asset allocation, when implementing the core plus mandates.

Core Plus FI Portfolio	Relationship	Target %*	Current % Allocation**	Target % Allocation**	Current Value (millions)	Target Value (millions)	Transition Amount (millions)
Core Plus 1 - TCW	Existing Manager	25%	4%	3%	$495	$360	-$135
Core Plus 2 - PGIM	Existing Manager	25%	4%	3%	$489	$360	-$129
Core Plus 3 - Brandywine	New Manager	25%	0%	3%	$0	$360	$360
Core Plus 4 - Reams	New Manager	25%	0%	3%	$0	$360	$360
		100%		12%			$456

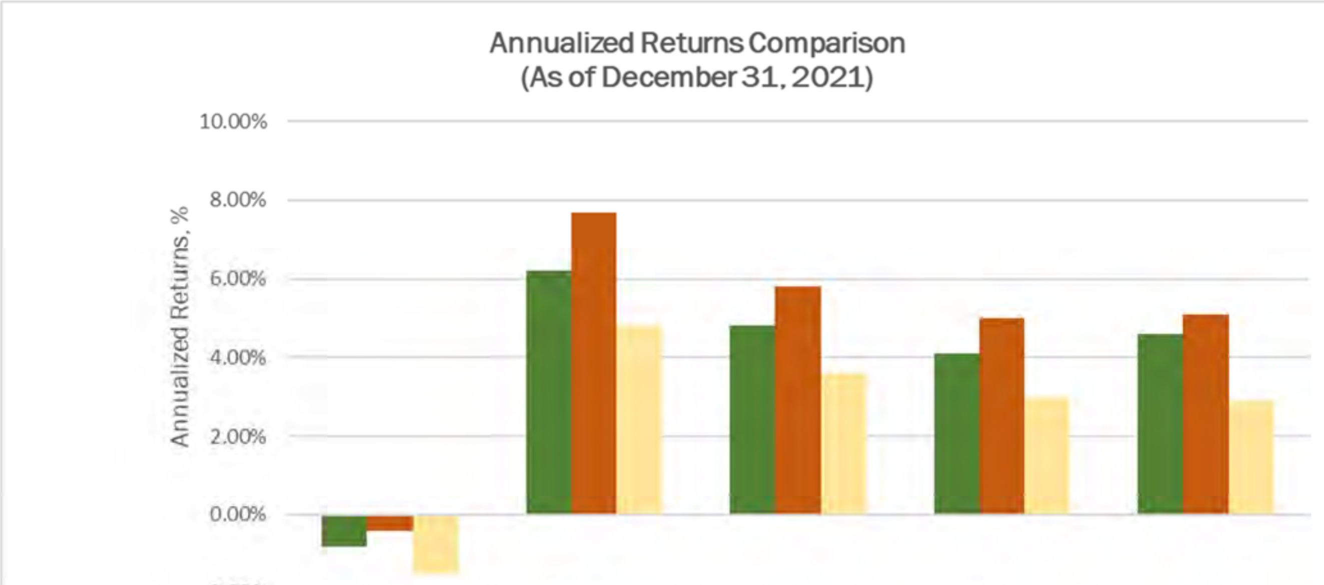
* As a percentage of the Fixed Income portfolio

** As a percentage of SCERS' total portfolio

Based on SCERS' estimated portfolio value of $12.0 billion, as of March 7, 2022, the new mandates with Brandywine and Reams would receive allocations of approximately $360 million, and the two existing mandates with TCW and PGIM would be reduced by approximately $135 million and $129 million, respectively, after which each strategy would have a value of approximately $360 million. In addition, Staff will issue a full redemption from the Brandywine Global Fixed Income mandate, which is a commingled fund, and which has a value of approximately $272 million (as of 2/28/22). Aggregating all of these cash movements equates to an overall cash outflow of $184 million, which will be funded from SCERS' cash account. SCERS recently conducted a meaningful rebalance within the Domestic Equity portfolio, raising $334 million in cash, in anticipation of this Fixed Income transition. The actual amount allocated/subtracted to/from each strategy will vary based on fluctuations in market values prior to the eventual funding/transition date.

While all manager candidates were highly qualified, this memo will focus on the recommendation of Brandywine and Reams, and the factors that differentiated these firms from the other managers.

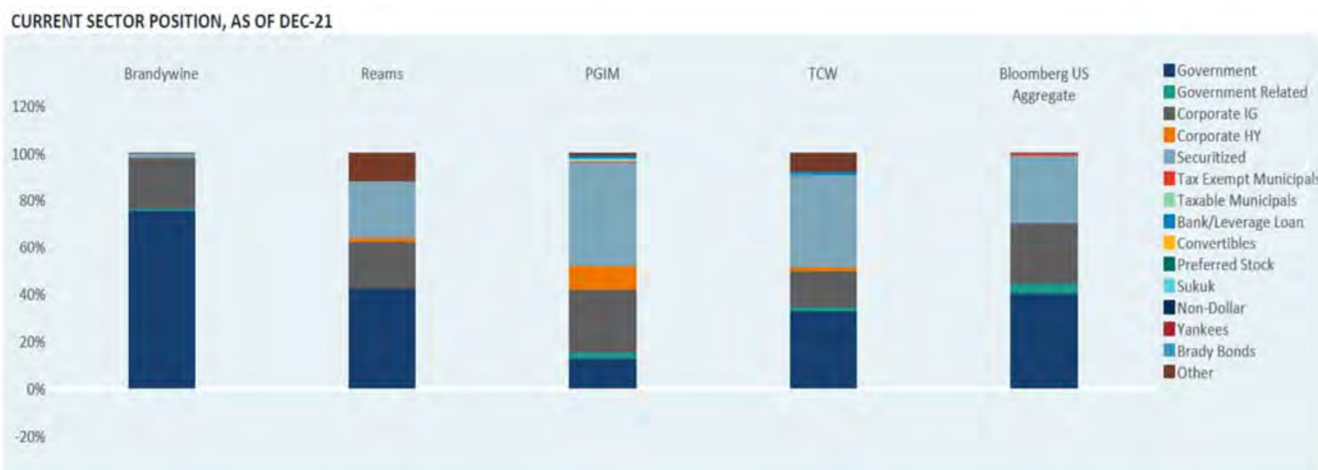
SCERS' current mix of core plus mandates has historically outperformed the Bloomberg U.S. Aggregate Index; however, the proposed four core plus manager combination improves the risk/return metrics of the core plus fixed income portfolio meaningfully, versus the two manager structure of TCW and PGIM only, based on analysis conducted by Verus. Adding Brandywine and Reams to the core plus portfolio adds consistently higher returns over all measured time-periods.



	1 year	3 year	5 year	7 year	10 year
Portfolio 1 (Current)	-0.80%	6.20%	4.80%	4.10%	4.60%
Portfolio 2 (Proposed)	-0.40%	7.70%	5.80%	5.00%	5.10%
BbgBarc US Agg Index	-1.50%	4.80%	3.60%	3.00%	2.90%

Both new strategies have a higher upside capture ratio and lower downside capture ratio, meaning that they have historically (over the past 5 years) outperformed the benchmark in both up markets and in down markets (i.e., captured less downside during dislocated markets). The current two manager structure is more susceptible to the downside with a 118% downside capture ratio vs. only 80% by adding in the Brandywine and Reams strategies, due to higher allocations to the spread sectors (particularly with PGIM), which tend to underperform in risk off environments.

In addition, both Brandywine and Reams tend to have higher exposure to government bonds and less exposure to the spread sectors (i.e., credit), particularly high yield bonds, than TCW and PGIM, and relative to the benchmark, but will rotate into these sectors in a more opportunistic fashion when they believe that they will be rewarded for taking on more risk. This provides greater diversification for SCERS' core plus portfolio.



Source: Verus

Staff has initiated the review of potential investment management agreements (IMA) with both Brandywine and Reams. If the Board approves the selection of these managers, funding will be contingent on successful negotiation of the legal terms and agreements.

MANAGER REVIEWS

The Verus report has detailed review of each manager. Below is summay review of each manager by Staff.

BRANDYWINE:

Firm and Team:

Brandywine Global Investment Management (Brandywine or the firm) was founded in 1986 and is based in Philadelphia, Pennsylvania. Brandywine is a publicly-held global asset management company that offers a wide-array of equity, fixed income, and balanced portfolio solutions globally, and is a subsidiary of Franklin Templeton. The firm has approximately $69 billion of assets under management (AUM) as of September 30, 2021. Brandywine's fixed income platform has $49.9 billion in AUM across a range of strategies that allocate to government bonds, credit, and currencies, some of which are U.S. centric while others are global.

Brandywine is very familiar to SCERS, as they currently manage the global fixed income mandate that SCERS has been invested in since 2013. While the global mandate from Brandywine is a compelling strategy, the global fixed income segment was eliminated as part of the revised strategic asset allocation, as it did fit within the objectives of the Diversifying asset category.

The recommended Brandywine U.S. Fixed Income strategy for the core plus fixed income mandate is managed by a portfolio management team of four individuals, including Jack McIntyre, Anujeet Sareen, Brian Kloss, and Tracy Chen. The portfolio management team is supported by broad Brandywine resources, including 45 individuals across its investment strategy committee, investment research and analysis, portfolio compliance, implementation and trading, and modeling and analytics.

A consideration with this strategy is that, while Brandywine manages close to $50 billion across fixed income strategies, the U.S. Fixed Income strategy's AUM is on the lower end, at approximately $2.2 billion, and SCERS' investment could potentially be a higher portion of the strategy than a typical public markets strategy. However, it would still be within the guidelines of SCERS' Diversifying investment policy statement. Brandywine communicated that the strategy is generating a lot of interest among institutional investors, and that the firm holds U.S. Fixed Income strategy securities (government bonds and corporate credit) across many of their other strategies.

Investment Strategy:

Brandywine's proposed strategy, U.S. Fixed Income, was incepted in October 1995 and is one of the simpler strategies employed at the firm. The strategy takes a top-down, macroeconomic portfolio construction approach where the team primarily invests between U.S. government bonds and investment-grade corporate bonds. Overall, the strategy takes a core fixed income approach and avoids the plus fixed income sectors (i.e., high yield bonds); however, given the strategy's higher volatility and tracking error relative to the Bloomberg U.S. Aggregate Bond Index benchmark (mostly due to an active duration approach), the firm considers the strategy as a core plus strategy.

The objective of the strategy is to maximize total return through active management, allocating among U.S. government, corporate bonds, and securitized bonds while mitigating downside risk. In addition to maximizing returns, Brandywine's philosophy is driven by its skepticism in constructing a core plus portfolio that exhibits similar characteristics, and risk and return profile, as the Bloomberg U.S. Aggregate Bond Index. Brandywine believes that traditional fixed income indices, like the Bloomberg U.S. Aggregate Bond Index, can be structurally flawed due to their bias toward holding chronically high levels of equity sensitive credit risk, and instead prefers an approach that relies more heavily on dynamically managing the duration of the portfolio, and less on maintaining high levels of credit exposure. The strategy prefers to leg in and out of investment grade credit opportunistically, where Brandywine believes they it will be rewarded for taking on credit risk. This type of flexibility has historically provided Brandywine with the ability to both preserve capital during risk off environments, while also generating strong relative returns.

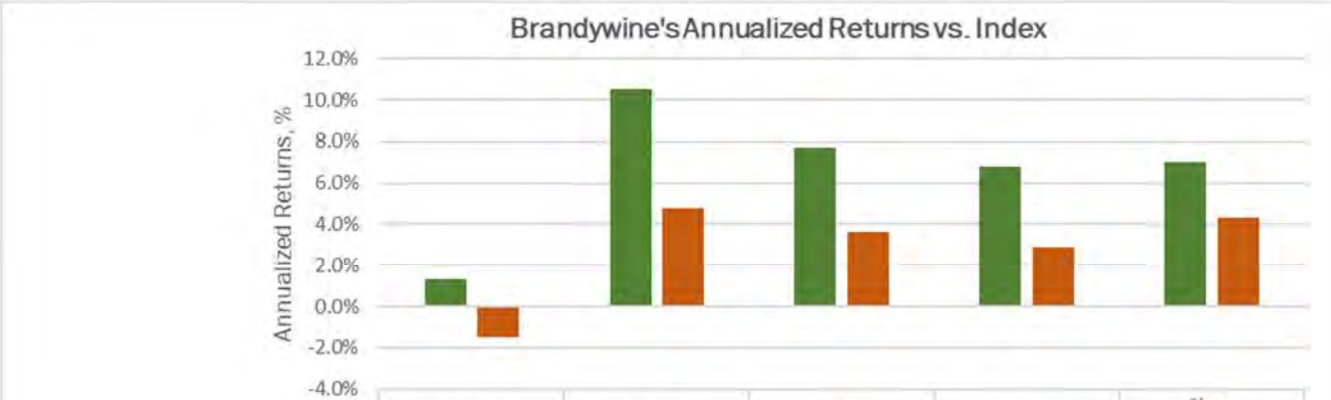
The firm views the investment process through a framework that stems from three key tenets: a global macro approach, value approach, and high conviction. Each investment thesis begins with a top-down perspective in which the team analyzes global macro factors such as U.S. and global business and liquidity cycles, inflation, monetary and fiscal policies, and secular factors, to develop a big picture perspective of the overall economic environment to support its investment thesis. Once an opportunity has been identified, Brandywine determines any fundamental valuation anomalies within Treasury and credit assets. Within this process, Brandywine aims to determine where there is price risk and potential valuation opportunities based on internal valuation models. The firm also analyzes factor variables such as real yield and inflation expectations, option adjusted spreads, and credit asset components (capital structure, covenant quality, and credit default probabilities). In addition, understanding investments from both a macro and bottom-up valuation view, Brandywine aims to only take informed investment actions that are considered high conviction and supported by research. The three tenets described above is Brandywine's overall playbook to seeking value and anticipating risk in order to actively outperform the benchmark.

Portfolio Construction:

Through active duration management, Brandywine aims to generate attractive alpha while maintaining diversification and low correlations to the equity market. Out of all of the managers interviewed, the Brandywine strategy has the lowest correlations to broad equity markets, having historically run at a negative correlation. The strategy adds value through active treasury duration management across the spectrum of U.S. Treasury bonds, from short duration U.S. T-Bills all the way up to long duration 30-year bonds. Exposure to U.S. T-Bills is increased when appetite for risk and duration is low, while exposure to longer duration bonds is increased when there is greater appetite for taking on risk to potentially generate higher returns. When appropriate, Brandywine will also access spread products to enhance returns, primarily through adding investment grade corporate bonds during market dislocation spread widening events.

The guidelines to the proposed strategy can be modified to better suit clients with varying active risk budgets and appetites for duration ranges versus the benchmark. The base strategy typically has a duration band between 1-10 years, but many clients modify the duration parameter to +/- 3 to 4 years. Staff and Verus believe that +/- 4 years duration is an appropriate parameter. Guidelines allow the strategy to have a broad exposure range of 0-100% for U.S. treasury, government-related securities, and investment-grade corporates. The strategy's guidelines state that exposure to mortgage-backed securities/asset-backed securities (MBS/ABS) shall not exceed 50% of the portfolio at the time of purchase. At a more granular level, asset-backed securities, commercial mortgage-backed securities (CMBS), or non-agency residential MBS shall not exceed 25% of the portfolio at the time of purchase. Although duration parameters may be adjustable, Brandywine notes that maintaining flexibility in the guidelines to rotate between U.S. Treasuries and Investment-grade corporates is the most important component of the strategy. These wide ranges, in addition to the duration flexibility, translates to a strategy that will have higher tracking error to the Bloomberg Aggregate Bond Index benchmark, even though it doesn't allocate to the plus sectors. From a holdings-based perspective, the portfolio tends to hold about 20-40 securities across the bond sectors.

Performance:



	1 Year	3 Year	5 Year	10 Year	Since Inception
Brandywine	1.3%	10.5%	7.7%	6.8%	7.0%
BbgBarc U.S. Aggregate Index	-1.5%	4.8%	3.6%	2.9%	4.3%

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Brandywine	1.3%	16.7%	14.1%	4.1%	3.3%	11.6%	-0.9%	14.5%	-2.3%	7.0%
BbgBarc U.S. Aggregate Index	-1.5%	7.5%	8.7%	0.0%	3.5%	2.6%	0.5%	6.0%	-2.0%	4.2%

Brandywine has consistently outperformed the Bloomberg U.S. Aggregate Index, as shown in the charts above, as of December 31, 2021. The firm's ability to actively manage duration, and rotate between Treasuries and investment-grade securities, has allowed them to generate strong relative performance compared to the benchmark index throughout the life of the strategy. This includes a since inception return of 7.0% compared to the index's return of 4.3%, and consistent relative outperformance across all time-periods. Historically, Brandywine has outperformed the benchmark across most calendar years, with the exception of 2013, 2015, and 2017 where they slightly lagged the index. The underperformance within these years was driven by generally being too early in the cycle when extending the duration of the portfolio, which later paid off in subsequent years. Overall, the strategy has been able to provide a risk-return profile that is uncorrelated to the benchmark, other core plus strategies evaluated, and SCERS' existing core plus investment managers. For instance, the strategy has an up market capture ratio of 128% and an impressive down market capture ratio of only 8% over a 5-year period. From a risk perspective, the strategy has a 5-year annualized standard deviation of 4.4% and a tracking error of 3.0%. Although the tracking error is on the higher end, the information ratio is 1.5 and is a good indication of the strategy being compensated for taking on higher tracking error. The strategy's active Treasury duration movements is a risk consideration; however, the team has displayed discipline and the ability to manage the situation by unwinding securities quickly if needed. The securities that are held in the portfolio are typically liquid securities (mostly U.S. Treasuries and investment grade corporate bonds) even during illiquid environments, which allows the team to eliminate most market execution risk when adjusting the portfolio.

REAMS:

Firm and Team:

Reams Asset Management is a wholly owned subsidiary of Raymond James Financial. It was founded in 1981 and is headquartered in Columbus, Indiana. The firm is a division of Scout Investments, which is a registered investment advisor. Overall, the firm has eight fixed income strategies with an AUM of $23.6 billion, including the core plus fixed income strategy that it has managed since its inception.

The investment team consists of 12 individuals across portfolio managers and analysts, in which there are six portfolio managers that are supported by five analysts and a co-founder that is a member of the investment committee. Mark Egan is the Chief Investment Officer and a managing director, and the primary portfolio manager of the strategy. The investment committee is responsible for ensuring that Reams adheres to its investment philosophy and process, and consists of Mark Egan, Todd Thompson (portfolio manager), and Bob Crider (Co-founder and Managing Director).

Investment Strategy:

Reams is a top-down, bottom-up investor that deploys a fundamental and quantitative investment approach. Reams' Core Plus Fixed Income strategy has an AUM of approximately $7.2 billion and combines active duration management with bottom-up securities selection, focusing on undervalued opportunities. The investment objective of the firm is to maximize total return given its investment guidelines. Reams' investment philosophy is based on the belief that risk is not defined as tracking error, consistently and accurately developing forecasts can be difficult, and portfolios should seek to maximize total return and protect against permanent impairment of capital. Reams believes that risk should not be defined as tracking error against the Bloomberg U.S. Aggregate Index, as this assumes that the index is an arbitrager of value, and Reams believes that will not hold true going forward. Reams also believes that constructing a portfolio that tracks the index will not help meet its investment objective, which is to maximize total return, which is the core of its investment philosophy and objective. This guides Reams to focus on long-term value over short-term returns, because it believes that prices can deviate significantly from fair value in the short term. Reams also believes that there are too many core plus fixed income managers that overweight the spread sectors, and that these sectors should be added to tactically on an opportunistic basis.

To achieve its investment objective, Reams combines active duration management with bottom-up analysis to identify undervalued opportunities. It tends to be more reactionary and opportunistic to market dislocations, and looks at volatility as an opportunity to uncover unique attractive investments. A cornerstone of the Reams investment objective is to avoid permanent impairment by focusing on downside risk and maintaining a value discipline at all times, and taking risk when the risk to reward profile is attractive. The strategy is typically comprised of Treasuries and investment grade corporate credit, and will shift into plus sectors for short-term tactical opportunities. From a duration management standpoint, the portfolio's duration will be managed using a long-term valuation framework rather than based on predictions. Reams has internal models that help evaluate and determine the neutral nominal interest rate, which is an inflation-adjusted interest rate. Active duration position management occurs when neutral interest rates appear mispriced at which point the team will look to capitalize on yield curve opportunities.

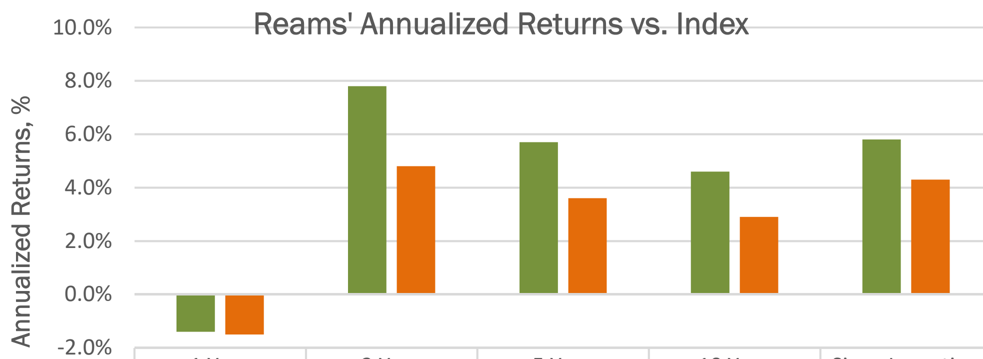
Reams will also tactically manage the portfolio's exposure to credit securities when the risk to reward profile is attractive. Bottom-up issue selection is based on quantitative and qualitative analysis of monetary conditions, the capital market environment, and credit cycles. Scenario analysis is utilized to help the manager identify the most attractive performing bonds under various interest rates and credit scenarios, while also avoiding securities that are vulnerable to risks in the market. This same process is also performed on securitized assets, which is a segment that Reams will also shift into to help generate alpha. Avoiding impairment of capital is important to Reams, and is the core belief of their risk management process. Risk management for the firm includes avoiding backward looking risk measures, performing scenario analysis to understand the impact of different interest rate and credit cycles, and managing risk on a bond-to-bond basis.

Portfolio Construction:

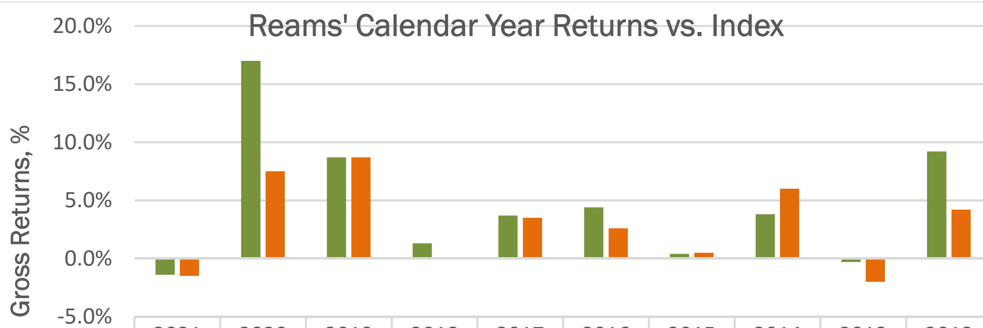
The portfolio is constructed with an emphasis on top-down duration and yield curve positioning, while also incorporating a bottom-up sector and individual security perspective. The strategy maintains a duration range of +/- 2 years around the benchmark, and will adjust duration using Treasuries with high liquidity. As market conditions become more attractive, opportunistic investments in plus sectors such as mortgage-backed and asset-back securities, high yield credit, and bonds outside of the U.S. are added on a tactical basis to complement the core government bond and investment grade corporate holdings. Opportunistic investments are added to the portfolio on a reactionary basis when volatility presents the most attractive value-oriented investments.

In constructing and managing the portfolio, several risk measures are monitored real time, including portfolio duration, portfolio convexity, ratings, and contribution to duration by yield curve position. Reams monitors these risk measures real time and will adjust accordingly to stay within investment guidelines.

Performance:



	1 Year	3 Year	5 Year	10 Year	Since Inception
Reams	-1.4%	7.8%	5.7%	4.6%	5.8%
BbgBarc U.S. Aggregate Index	-1.5%	4.8%	3.6%	2.9%	4.3%



	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Reams	-1.4%	17.0%	8.7%	1.3%	3.7%	4.4%	0.4%	3.8%	-0.3%	9.2%
BbgBarc U.S. Aggregate Index	-1.5%	7.5%	8.7%	0.0%	3.5%	2.6%	0.5%	6.0%	-2.0%	4.2%

Reams has generated relatively strong performance across all time-periods. Since inception, the strategy has generated a return of 5.8% compared to the Bloomberg U.S. Aggregate Index benchmark return of 4.3% as of September 30, 2021. The strategy has also outperformed on an annual basis over the 3-year, 5-year, and 10-year time-periods. From a calendar year perspective, the strategy has also outperformed across all years except for 2014 and 2015. Going farther back, it should be noted that the strategy had a meaningful drawdown during the global financial crisis (GFC), significantly underperforming the benchmark for calendar year 2008 (-9.9% vs. +5.2%), as it was early rotating back into dislocated sectors of the bond market late in 2008. However, the rotation paid off in 2009 when markets experienced an inflection rally in the spring, and the Reams strategy outperformed the benchmark across the aggregated 2008/2009 period (+8.8% vs. +5.6%). From this experience, Reams gained a greater appreciation for the evaporation of liquidity during a crisis, and the value of patience and taking a measured approach to building positions during periods of forced liquidations and indiscriminate selling.

While Reams' overall performance has been strong, the strategy has slightly higher volatility with an annualized 5-year standard deviation of 3.9%, though the 5-year tracking error is reasonable at 1.7%. Despite the higher volatility, Reams' active duration strategy fits the mandate of providing downside diversification while still generating additional alpha. The 5-year down market capture ratio for Reams is 85%, which means that Reams' strategy only captured about 85% of a down market. On the flip side, Reams has been able to capture an additional 23% during bull markets, with an up market capture ratio of 123%. The Reams strategy has also tended to outperform the benchmark index during rising interest rate environments, which is when the Bloomberg U.S. Aggregate Index tends to generate negative returns.

MANAGEMENT FEES

Brandywine and Reams have each proposed a tiered based management fee structure for SCERS, with the fee declining for higher levels of assets. Based on an estimated initial account value of approximately $360 million for each manager, the average annual fee would be 0.23% (23 basis points for Brandywine), and 0.19% (19 basis points) for Reams. Both fee structures are in-line with the range of fees proposed by managers within the search. SCERS' current core plus managers, TCW and Prudential have effective fees of 18 bps and 19 bps, respectively. SCERS' fee with TCW is calculated based on a large asset discount (assets of at least $400 million), and SCERS would drop below that threshold by reducing the assets in the account; however, TCW has agreed to maintain the discount over the next four quarters. If SCERS' account with TCW does not meet the $400 million asset threshold after that time, the fee would revert to TCW's standard fee schedule, which would equate to an effective fee of 23 bps (at $360 million in assets). While management fees are an important consideration, the primary goal is to select the manager(s) that SCERS is most confident will be able to deliver the highest risk adjusted returns, net of management fees, over the long term.

ACCOUNT STRUCTURE AND TRANSITION

Staff and Verus recommend a separate account structure (rather than investing in a commingled fund) be initiated for both of the Brandywine and Reams mandates, subject to SCERS' typical Investment Management Agreement (IMA) terms and conditions. Staff and Verus will work with both managers to formulate a set of guidelines that enable the firm to most effectively manage their respective portfolios on behalf of SCERS, while maintaining common core plus constraints. The separate account structure allows for assets to be held at SCERS' custodian, State Street, with managers able to trade and manage the portfolio.

As mentioned earlier, there are several components to this transition, as shown below.

Mandate	Strategy	Account Structure	Relationship	Current % Allocation	Target % Allocation	Current Value (millions)	Target Value (millions)	Transition Amount (millions)
TCW	Core Plus Fixed Income	Separate Account	Partial Reduction	4%	3%	$495	$360	-$135
PGIM	Core Plus Fixed Income	Separate Account	Partial Reduction	4%	3%	$489	$360	-$129
Brandywine (Core Plus)	Core Plus Fixed Income	Separate Account	New Manager	0%	3%	$0	$360	$360
Reams	Core Plus Fixed Income	Separate Account	New Manager	0%	3%	$0	$360	$360
Brandywine (Global)	Global Fixed Income	Commingled Fund	Full Redemption	2%	0%	$272	$0	-$272
					12%			$184

Based on SCERS' estimated portfolio value of $12.0 billion, as of March 7, 2022, the new mandates with Brandywine and Reams would receive allocations of approximately $360 million, and the two existing mandates with TCW and PGIM would be reduced by approximately $135 million and $129 million, respectively, to levels of $360 million. In addition, Staff will issue a full redemption from the Brandywine Global Fixed Income mandate, which was eliminated from the revised strategic asset allocation, which has a value of approximately $272 million (as of 2/28/22). Aggregating all of these cash movements equates to an overall cash outflow of $184 million, which will be funded from SCERS' cash account. SCERS recently conducted a meaningful rebalance within the Domestic Equity portfolio of $334 million, in anticipation of this Fixed Income transition. The actual amount allocated/subtracted to/from each strategy will vary based on fluctuations in market values prior to the eventual funding date.

Staff requests that the Board authorize Staff to determine the most effective method for transitioning the assets and execute any necessary documents or agreements to effectuate the transition of assets. Staff will evaluate the most cost effective and efficient method for transitioning the separate account fixed income assets. This includes either having each manager invest or raise capital on their own, or utilize the services of a transition manager. Fixed income transitions are typically less cost effective using a transition manager therefore, the expectation is that SCERS will provide capital directly to Brandywine and Reams to invest, and will ask TCW and PGIM to each raise the referenced amount of capital. However, Staff will also evaluate the effectiveness of utilizing a transition manager as well. Staff will issue a full redemption from the Brandywine global strategy, given that it is a commingled fund. The expectation is that transition of assets will take place during the second quarter of 2022. Staff will also work with the Overlay Program manager, State Street Global Advisors (SSGA), to adjust overlay exposures as the Fixed Income transition is taking place.

SUMMARY

Staff and Verus believe that adding investments with Brandywine and Reams, to complement SCERS' existing core plus mandates, will add value to SCERS Fixed Income asset class. Both managers implement unique core plus investment strategies, that have delivered strong returns, including outperformance versus the benchmark in both up and down markets.

The Board will have the opportunity to hear from both Brandywine and Reams directly at the March Board meeting and ask any questions, prior to considering the recommendations.

Pending Board approval, and the successful negotiation of investment management agreements, Staff would target a transition of assets, which will include adding capital to Brandywine and Reams. It will also include reducing the exposure to TCW and PGIM, and redeeming from Brandywine's global fixed income fund. The transition of assets is expected to take place during the second quarter of 2022. Staff also seeks Board approval to determine the most effective method for transitioning assets and executing any necessary documents or agreements to effectuate the transition.

ATTACHMENTS

- Board Order
- Verus Core Plus Fixed Income Manager Search and Recommendation Report
- Staff/Verus presentation

- Reams Asset Management Presentation
- Brandywine Global Investment Management Presentation

Prepared by:

/S/

Steve Davis
Chief Investment Officer

/S/

Michael Vang
Investment Analyst

Reviewed by:

/S/

Eric Stern
Chief Executive Officer

Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
March 16, 2022

AGENDA ITEM:

Fixed Income Manager Recommendations

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff and Verus to approve the following recommendations within the Fixed Income asset class:

- Terminate the existing global fixed income mandate with Brandywine Global (global fixed income was eliminated from SCERS' revised strategic asset allocation);
- Equal weight the total 12% target core plus fixed income allocation across four investment managers (25% each), including the two existing managers and two new managers;
- Invest approximately $360 million with new core plus manager Brandywine Global (U.S. Fixed Income strategy) and $360 million with new core plus manager Reams Asset Management (Core Plus Fixed Income strategy), and authorize Staff to execute necessary documents and agreements for each mandate;
- Reduce the exposure to existing core plus fixed income managers TCW and PGIM by $135 million and $129 million, respectively; and,
- Authorize Staff to determine the most effective method for transitioning the assets and execute any necessary documents or agreements to effectuate the transition of assets.

I HEREBY CERTIFY that the above order was passed and adopted on March 16, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

____
Richard B. Fowler II
Board President

____
Eric Stern
Chief Executive Officer and
Board Secretary

Fixed Income Manager Recommendations

March 16, 2022

Introduction

- Core Plus Fixed Income manager recommendation
  - Recommending two managers rather than one, and recommending revisions to the overall core plus manager lineup
  - Global fixed income redemption recommendation

- Both recommended managers, Brandywine and Reams, will be presenting today

- Prior to manager presentations, summary of the search and transition plan

Fixed Income Objectives

- Objective of Fixed Income
    - Moderate income and cash flow generation
    - Diversification for SCERS' portfolio, and in particular, as an "anchor to safety" in periods such as a recession, when growth/risk assets fall
    - A source of return enhancement
    - Liquidity

Fixed Income Definitions

- **Core Plus**
  - Combines core fixed income with moderate flexibility to allocate to higher returning, higher yielding, and higher risk “plus” sectors

  - Core - diversified mix of dollar denominated, liquid investment grade bonds across government bonds (treasuries), government agency bonds, and investment grade corporate credit

  - Plus - high yield, bank loans, non-U.S., non-agency mortgage bonds

Fixed Income Definitions

- **Duration**
  - How long in years a bond investor is repaid a bond's price, and the sensitivity of the price of a bond to a change in interest rates
    - The longer the maturity, the higher the duration and the greater the sensitivity to interest rates

- **Spread Sectors**
  - Non-governmental fixed income investments with higher yields than governmental bonds, and which trade at a spread to government bonds
    - Ex: corporate credit
    - The higher the risk, the greater the spread

Revised Fixed Income Structure

Fixed Income	Target Allocation %	Range
	16%	12% - 20%
Core Plus	12%	9% - 15%
U.S. Treasury	4%	3% - 5%

- Reduced U.S. Treasury from 5% to 4%
- Eliminated 3% Global Fixed Income Mandate
- Increased Core Plus Fixed Income from 10% to 12%
    - Board authorized core plus manager search

Recommendations

- Terminate existing global fixed income mandate with Brandywine Global (global fixed income was eliminated from SCERS' revised strategic asset allocation);
- Equal weight the total 12% target core plus fixed income allocation across four investment managers (25% each), including the two existing managers and two new managers;
- Invest approximately $360 million with new core plus manager Brandywine Global (U.S. Fixed Income strategy) and $360 million with new core plus manager Reams Asset Management (Core Plus Fixed Income strategy), and authorize Staff to execute necessary documents and agreements for each mandate;

Recommendations

- Reduce the exposure to existing core plus fixed income managers TCW and PGIM by $135 and $129 million, respectively; and,

- Authorize Staff to determine the most effective method for transitioning the assets and execute any necessary documents or agreements to effectuate the transition of assets.

Fixed Income Actions

Sub-Strategy/Manager	Strategy	Prior Target Allocation	New Target Allocation
U.S. Treasuries		**5.0%**	**4.0%**
Neuberger Berman	*U.S. Treasuries*	*100.0%*	*100.0%*
Global Fixed Income		**3.0%**	**0.0%**
Brandywine	*Global Opportunity Fixed Income*	*100.0%*	*0.0%*
Core Plus Fixed Income		**10.0%**	**12.0%**
TCW	*Core Plus*	*50.0%*	*25.0%*
PGIM	*Core Plus*	*50.0%*	*25.0%*
Brandywine	*Core Plus*	-	*25.0%*
Reams	*U.S. FI*	-	*25.0%*

- Redeem from Brandywine global commingled fund
- Equal weight four core plus managers
  - Hire and invest with Brandywine and Reams
  - Reduce allocations to TCW and PGIM

Core Plus Search Objectives

- Complement SCERS' two existing core plus mandates, which are more spread sector oriented

- Evaluate strategies that include duration management and yield curve positioning as a component of their value-add, in addition to spread sector exposures
  - Managers that actively position their portfolio around anticipated moves in rates or the yield curve to mitigate interest rate risk
  - Opportunistically allocate to spread sectors
  - Lower correlation to risk assets (i.e., equities)

Search Process

- Evaluated universe of core plus managers
  - 9 managers met initial search criteria

- Reviewed quantitative and qualitative information, and identified 5 managers for interviews
  - Virtual meetings conducted by Staff and Verus
  - Focused on understanding organization, team structure, investment strategy, portfolio construction, decision making process, and performance attribution

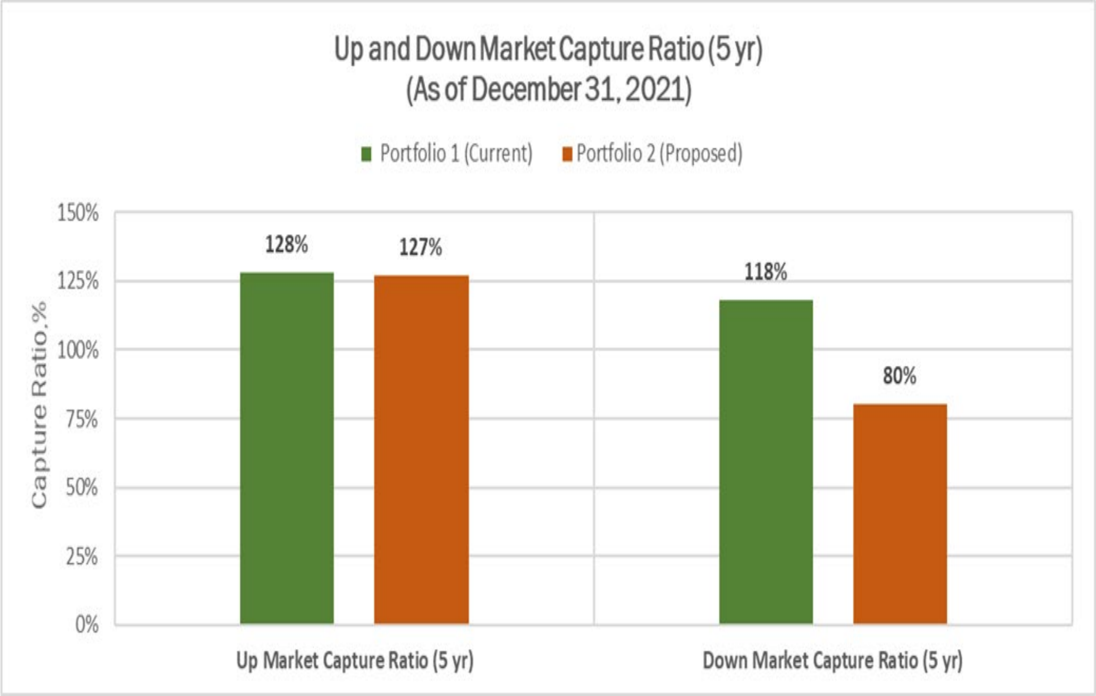
- Follow-up discussions, meetings, and evaluation led to recommendation of Brandywine and Reams
  - Both implement unique and differentiated strategies
  - Actively employ duration/interest rate management and opportunistically allocate to the spread sectors
  - Run lower correlations and risk profile

Performance Attribution

	1 year	3 year	5 year	7 year	10 year
Portfolio 1 (Current)	-0.80%	6.20%	4.80%	4.10%	4.60%
Portfolio 2 (Proposed)	-0.40%	7.70%	5.80%	5.00%	5.10%
BbgBarc US Agg Index	-1.50%	4.80%	3.60%	3.00%	2.90%

- Proposed four manager lineup improves risk-return metrics of aggregate core plus fixed income portfolio
  - Higher returns across all measured time periods

Performance Attribution



- Proposed four manager lineup improves risk-return metrics of aggregate core plus fixed income portfolio
  - Similar participation in up markets (upside capture ratio)
  - Significant outperformance in down markets (downside capture ratio decreases from 118% to 80%)

Transition Plan

Mandate	Strategy	Current % Allocation	Target % Allocation	Current Value (millions)	Target Value (millions)	Transition Amount (millions)
TCW	Core Plus Fixed Income	4%	3%	$495	$360	-$135
PGIM	Core Plus Fixed Income	4%	3%	$489	$360	-$129
Brandywine (Core Plus)	Core Plus Fixed Income	0%	3%	$0	$360	$360
Reams	Core Plus Fixed Income	0%	3%	$0	$360	$360
Brandywine (Global)	Global Fixed Income	2%	0%	$272	$0	-$272
			12%			$184

- Target $360 million for each core plus mandate
    - Add capital to Brandywine and Reams; partially reduce TCW and PGIM
- Fully redeem from Brandywine global mandate

Transition Plan

- Net cash outflow flow: ~$184 million
  - Funded from SCERS’ cash account – recently conducted large domestic equity rebalance
  - Overlay manager will adjust overlay exposures as transition takes place
- Authorize Staff to determine most effective method to transition assets and execute any necessary documents and agreement
  - Expectation is to have each manager invest/reduce capital, but will evaluate transition managers as well

Verus

Memorandum

To: **Sacramento County Employees' Retirement System (SCERS) Board**
From: John Nicolini Managing Director, Senior Consultant
Brian Kwan, Senior Consultant
Garrett Dinsmore, Associate Director
Date: March 16th, 2022
RE: **Core Plus Fixed Income Manager Search and Recommendation**

Executive Summary

On October 20, 2021, the SCERS Board approved an increase to the Core Plus Fixed Income allocation from 10% to 12%. Recall that the primary objective for this search was to seek out one or more managers that had a history of successfully managing interest rate exposure as a core component of their value-add. Given our concerns around rising interest rates, having fixed income managers that actively position their portfolio around anticipated moves in rates or the yield curve is one strategy to mitigate some of SCERS' interest rate risk. The current Core Plus portfolio is made up of 50% TCW Core Plus Fixed income and 50% PGIM Core Plus Fixed Income. Staff and Verus are proposing to add two additional managers to the portfolio and equal weight all managers at 25% each of the core plus allocation.

SCERS Public Fixed Income	Current Allocation	Proposed Allocation
U.S. Treasuries	5.0%	5.0%
Neuberger Berman	*100.0%*	*100.0%*
Core Plus Fixed Income	10.0%	12.0%
PGIM Core Plus	*50.0%*	*25.0%*
TCW Core Plus	*50.0%*	*25.0%*
Reams Core Plus		*25.0%*
Brandywine US FI		*25.0%*

Over the past four months, Staff and Verus, together, initiated and completed a comprehensive search process for two new core plus fixed income managers for the SCERS portfolio which included interviews and detailed due diligence on 5 finalist candidates, and a final recommendation to the SCERS Board to commit ~$360million to Brandywine Global Investment Management in their US Fixed Income strategy and ~$360 million to Reams Asset Management in their Core Plus Fixed Income strategy.

Search Process

1) Initial search screen criteria were identified based on benchmark objective/manager style, investment process, track record, and minimum AUM. Nine managers met the initial criteria for further analysis.

2) Staff and Verus prepared and reviewed both quantitative, as well as qualitative information on each strategy including the manager's investment approach and process, organization, team stability and alignment of interests. Based on additional data and analysis, and through a series of internal meetings and discussions, 5 managers were identified and agreed upon for further consideration and additional due diligence:

   a. Brandywine Global Investment Management, LLC – US Fixed Income
   b. Reams Asset Management – Core Plus Fixed Income
   c. Capital Group – Core Plus Total Return
   d. PIMCO – Core Plus – Total Return Full Authority
   e. SLC Management – U.S. Core Fixed Income

3) Supplemental information was requested from each of the finalists including additional performance and attribution information. SCERS Staff and Verus further reviewed and discussed the additional information and developed an agenda and process for conducting virtual interviews with the portfolio managers for each of the strategies. Online interviews were held with each of the managers with a focus on better understanding the organization and team structure, investment strategy, decision making process and attribution of performance over different market environments.

4) Given the current portfolio was comprised of spread-sector oriented managers who add value mostly through issue selection and sector allocations, the decision was made to recommend diversifying the portfolio with strategies that include duration management and yield curve positioning as a component of their value-add, in addition to spread sector exposures.

5) SCERS' staff and Verus reviewed due diligence materials, followed by meetings to discuss the finalists, and agreed Brandywine and Reams stood out among the other finalists as having the most consistent attributes that SCERS was seeking for this mandate.

Verus Summary and Recommendation
Verus and staff have performed and completed a thorough review of each of the core plus fixed income finalists and are recommending to the SCERS Board an investment of 6% of the total fund, or roughly $720 million split evenly between Brandywine Global Investment Management in their US Fixed Income strategy and Reams Asset Management in their Core Plus Fixed Income strategy.

Brandywine Global Investment Management, LLC
US Fixed Income

AS OF: 01/25/2022

Asset Class:	Fixed Income	**ESG Rating:**	C
Sub-Asset Class:	Core Plus	**ESG Characteristics:**	N/A
Strategy Inception:	10/1/1995	**ESG Methods:**	N/A
Benchmark:	Bloomberg US Aggregate	**Emerging | Diverse:**	N/A
Performance Objective:	Outperform benchmark by 200 bps annually over rolling 5-year periods	**Risk Objective:**	Since inception tracking error has been roughly 300 bps

Executive Summary

The Brandywine U.S. Fixed Income ("USFI") strategy embodies a value-driven, active, strategic approach that emphasizes duration management as a key alpha driver, supplemented by trigger-based allocations to investment grade credit when spreads have widened. To avoid the inefficiencies of multi-sector U.S. bond benchmarks, the team takes a benchmark-agnostic approach that limits investment to only the few sectors and issues considered most attractive.

We view Brandywine's U.S. Fixed Income strategy as a differentiated approach in the core plus space that has historically shown low excess correlations to peers in the eVestment Core Plus universe. While we believe it is difficult to consistently generate alpha through duration management and timing of interest rate moves, the team has demonstrated the ability to add value over numerous market cycles utilizing their top-down, macroeconomic-driven investment approach.

While we view Brandywine as an autonomous business unit with control over management, investment, and employment decisions, they are a subsidiary of Franklin Templeton. Franklin Templeton is a large publicly traded investment firm with numerous lines of business. As with any large financial organization, there is a level of headline risk that potential investors should be aware of.

The primary objective of the U.S. Fixed Income strategy is to outperform the Bloomberg U.S. Aggregate Bond Index by at least 2% annually over rolling five-year periods in differentiated ways than peers while preserving the diversification benefits of core bonds. Given the tendency to overweight Treasuries, we would expect the strategy to outperform peers during periods of market stress. In addition, the strategy has tended to outperform after significant spread widening events. The strategy could potentially lag peers in latter stages of credit cycles, particularly when momentum drives credit spreads to extreme tights.

Firm Assets:	$70,113.89MM	**Separate Accounts:**	Available
Strategy Assets:	$2,209.36MM	**Commingled Vehicles:**	Available
Location:	1735 Market Street Philadelphia Pennsylvania, 19103	**Mutual Funds:**	Not Available
Key Persons:	Team-Approach	**Status (Open/Closed):**	Active

Alignment - The investment product is supported by a robust and stable organizational and team structure.

Description

Brandywine Global (Brandywine) was founded by a group of investment professionals in 1986. At the time of its founding, a business plan was created with the objective of providing top-quality investment management strategies, accountable investment teams and outstanding client service. The firm is focused exclusively on investment management activities across fixed income and equity asset classes. Global fixed income is one of the firm's main capabilities.

In 1998, Legg Mason acquired Brandywine, easing the transition for a new stage of growth. Brandywine previously operated as a wholly owned but independently operated subsidiary of Legg Mason, retaining complete investment autonomy and control over management, investment, and employment decisions. In 2020, Franklin Templeton announced their intention to acquire 100% of Legg Mason for $4.5 billion in an all-cash deal. Franklin rationalized the parent company and integrated Legg Mason's distribution with Franklin's existing operations. The transaction affected eight of the nine affiliates of Legg Mason (with the exception of Entrust).

The members of the fixed income investment team earn a base salary and bonus tied to investment performance, firm, and team profitability. The performance bonus is awarded based on peer group outperformance on a one-quarter, one-year, three-year, and five-year basis. The performance calculation is weighted to place more emphasis on longer-term outperformance, and less emphasis on the short-term. There is an additional sharing component with the other investment teams at Brandywine in an effort to smooth income and to promote cross-team collaboration and cooperation. Brandywine has found that this form of compensation aligns the interests of investment professionals with clients and leads to accountability and low turnover among Brandywine's staff. In essence, the portfolio management teams own all of the residual profits of the firm. The percentage of bonus compensation derived from each of the above components may change over time. In general, the more successful product teams receive higher levels of bonus compensation.

Justification

We view Brandywine as a solid and stable organization, evidenced by the continuity and tenure of the investment team. While there have been some organization changes at the parent firm level (Legg Mason being purchased by Franklin Templeton), we believe that Brandywine will continue to be an autonomous affiliate and essentially experience a seamless transition in terms of investment team stability.

Edge - The manager has articulated an inefficiency or market-based belief that informs its process.

Description

Brandywine Global's U.S. Fixed Income philosophy embodies a value-driven, active, strategic approach. The team believes that their top-down, macroeconomic-driven investment approach to seeking value and anticipating risk, can consistently outperform the Bloomberg U.S. Aggregate Index. Strategic portfolio decisions, including duration, yield curve exposure, credit exposure, and sector weightings, are based upon the broad investment themes of their global macroeconomic research platform as they apply to U.S. markets. The portfolio management team develops a viewpoint on the business cycle and positions the strategy’s duration, sector weighting, and credit exposures accordingly.

Given the size of the U.S. economy and its deep interconnectedness with the global economy via trade, financial, central bank, and USD dependency, Brandywine seeks to understand the U.S. business and monetary cycles in relation to the broader global macro-economic picture as opposed to solely in isolation. This acute awareness of the U.S. as the epicenter of the global economic cycle has allowed the investment team to make effective duration and corporate credit calls across their fixed income franchise since the early 1990s. At the core of its investment philosophy, the team believes that rates are regulators of economic activity. When they reach extremes, they trigger behavior and/or policy responses that create an inherent mean-reverting tendency.

Interest rates govern the behavior of market participants. When they rise too fast or to an unsustainable level, they slow economic growth and activity. Set too low, they spur economic development. This predictable pattern rarely exists in a state of equilibrium, and the economic ripple effects created when interest rates drift away from their natural rate cause valuation anomalies to form. These anomalies are often accompanied by a macro catalyst that directs interest rates back to "fair value." The understanding of this feedback loop within interest rates forms the backbone of the team's ability to make effective duration and corporate credit calls.

Brandywine finds traditional bond indices to have structural inefficiencies, such as a relatively fixed duration profile and a static allocation split between treasuries, corporates, and securitized debt. This fixed allocation to credit risk heightens equity sensitivity during market volatility and dampens the diversification benefits of bonds when they are needed most. In addition, many core plus managers seek to enhance core fixed income returns by adding spread sector exposure, particularly high yield, which tends to increase the equity sensitivity of portfolios. This elevated equity sensitivity increases drawdown risk during equity market stress as well as reduced liquidity at inopportune times.

The U.S. Fixed Income strategy attempts to differentiate itself by avoiding packaging spread sector betas (high yield and emerging markets debt) with core index exposures. Instead, the team looks to add value via active Treasury duration management and only rotate into credit when valuations make sense, particularly after spread widening events. The team believes this approach allows the strategy to maintain core bond diversification characteristics (low/inverse correlation to equity and spread product) while still providing the potential to meaningfully outperform the U.S. Aggregate Index.

Justification

We view Brandywine's U.S. Fixed Income Strategy as a differentiated approach in the core plus space that has historically shown low excess correlations to peers in the eVestment Core Plus universe. Core plus managers tend to rely mostly on security and sector selection as well as allocations to off benchmark high yield and emerging market debt sectors for alpha generation. In contrast, the U.S. Fixed Income strategy relies on active duration with targeted shifts to overweight investment grade credit only after significant spread-widening events. While we believe it is difficult to consistently generate alpha from timing interest rate moves, the team has demonstrated the ability to add value over numerous market cycles utilizing their top-down, macroeconomic-driven investment approach.

Implementation - The manager has described an investment approach which is sensible, repeatable.

Description

Brandywine's investment process is primarily driven by a top-down analysis of macroeconomic conditions combined with bottom-up fundamental analysis following spread widening events to determine where the most attractive valuations exist in the context of the business cycle. The team starts with a review of the macro environment, coupled with a high-level valuation analysis of fixed income sectors. Fundamental analysis is conducted to evaluate sector- and issuer-specific criteria and identify securities trading far enough below their intrinsic value. The process is non-linear, with each component—macro, valuation, and fundamental—refining the other analyses in a constant and dynamic exchange of information. Brandywine will continually evaluate the portfolio and the macro environment and rotate portfolio exposures at both the duration, sector, and individual issuer levels as new opportunities arise. Risk management is holistic and responsive, incorporating both macroeconomic and fundamental analysis and prudently adjusting the portfolio's risk profile as the market environment evolves. Risk management is primarily focused on absolute return and avoidance of default, rather than minimizing tracking error.

The director of global macro research leads a formal process of reviewing global data for valuation opportunities and risks using empirical data. This data is contained within an internally developed and proprietary web-based research platform and is maintained by two dedicated global macro research specialists. Additionally, strategy updates are published between quarterly portfolio reviews with the goal of monitoring the evolution of asset prices and the macro environment relative to the strategy. Also, specific asset market studies are conducted by the firm's research staff at the request of portfolio managers. These reports are archived on the firm's web-based research platform for reference by the team.

The team believes the process of combining macro and fundamental research with relative valuation analysis is both unique and comprehensive, resulting in a true active and value-driven track record of strong risk-adjusted returns. The process reflects a disciplined incorporation of valuation analysis, risk assessment, and an understanding of the business cycle to construct and manage the optimal portfolio based on client needs.

U.S. Fixed Income portfolios invest primarily in U.S. Treasuries and corporates; therefore, size, quality, and liquidity are maintained at very high levels. In periods where the team does not perceive value within investment grade credit, it is not uncommon for the portfolio to maintain Treasury allocations in excess of 70% of the portfolio. The strategy does not invest in securities that are below investment-grade at acquisition. Investments tend to be concentrated in 25-75 securities, rather than building portfolios that attempt to replicate index-like distribution.

The investment process begins by identifying those sectors within the strategies investable universe offering the greatest value. Next, the team identifies the most attractive maturities on the yield curve based on their view for the underlying economy. As for specific security selection, the team may buy cheaper "off-the-run" bonds given the relatively low turnover and typically lengthy holding period. Finally, when corporate bond spreads are sufficiently wide, the team will often buy BBB-rated or A-rated corporate debt. Position sizing for corporate bonds will typically be 1% to 3%, depending on liquidity conditions for each bond.

Within corporate bonds the team takes a margin of safety approach, incorporating factors such as default probability and deviation from intrinsic value. The team seeks to buy securities that are trading far enough below their intrinsic value to embed a "margin of safety," which is a key element of Brandywine's risk management process. Credit securities tend to be sold for one of two reasons: either the security's spread has narrowed to a degree that in its assessment makes further gains unlikely or insignificant, or the fundamentals change enough to create risks that it believes outweigh rewards

Portfolio duration will typically range from 1 to 10 years in the least constrained application of the strategy but may exceed this range meaningfully at times. The team has the flexibility to reduce portfolio duration should they believe duration risk poses a significant threat to capital preservation. Duration and yield curve exposure are informed by two aspects: (1) an evaluation of intrinsic value informed by the firm's U.S. Treasury models; and (2) the U.S. components of the firm's broad investment themes established by their global macroeconomic research platform.

Typically, the U.S. Fixed Income strategy has not employed the use of derivatives. However, standard guidelines would allow the option to use futures to adjust duration within the normal guideline bands. Similarly, the team would encourage investors to allow the use of derivatives in investment guidelines, particularly swaps (CDX/CDS), to accommodate changing liquidity conditions in fixed income markets.

Justification

The team's investment process is top-down in nature which is differentiated from most core plus peers who rely on bottom-up security selection and sector allocation to drive returns. The team has developed their process of leveraging the broad global macroeconomic research platform as well as experience and understanding of the business cycles over several decades. While the process has been and continues to be refined, we believe the team has been consistent in its approach over various market environments since the inception of the strategy.

Optimal use of risk - The manager has an effective framework to assess and manage risk inherent in its process.

Description

Brandywine believes their mandate is to intelligently evaluate and assume risk on behalf of their clients in order to meet and exceed objectives. As such, they focus on the absolute value of the markets and securities they purchase. Brandywine views risk in absolute terms as the probability of the permanent loss of capital and believes this probability is based upon the relationship between price risk and information risk.

-Price Risk: when assets are at a significant premium relative to their intrinsic value, especially where the information supporting their price level is well known and completely discounted

-Information Risk: when the macro and/or micro information embedded in a discounted asset price lacks clarity

When information risk is low, price risk tends to be high – investors are bidding up the price of an asset believing they understand the associated risk. Conversely, when information risk is high, price risk tends to be low – asset prices are discounted as investors avoid stories perceived as "risky". This perception creates opportunities for value-driven, contrarian investors and Brandywine believes their ability to assess information risk has been a key driver in delivering superior returns over time.

A key tenet to Brandywine's value driven process requires that the team takes a longer-term approach to risk with the understanding that near-term volatility is a potential side effect. At times the mean-reversion process can take time and the team believes their ability to allow the process to play out has been critical to their success. Therefore, some positions may be out of favor for certain periods of time. During these periods, the team will continually re-evaluate the investment thesis as they try to understand whether their macro view is incorrect or whether it is simply misaligned with current market sentiment. For these reasons, Brandywine does not embed automatic stop loss triggers or other similar quantitative tools into the process as they believe these could produce timing decisions that may ultimately impair long-term returns, not improve them. The team finds that relative risk measures, like ex-ante tracking error, are measures of past price change, not risk of capital loss, and therefore, deemphasize their role in the risk management process. In fact, Brandywine believes it would be antithetical to their value process to abandon risk at moments of predicted heightened volatility looking backward as they believe that those instances are where value is pursued, not jettisoned. However, they maintain awareness of the portfolio's traditional relative risk measures, like tracking error, but again typically do not manage to these measures unless explicitly mandated by client guidelines and risk appetite.

The investment team has ultimate responsibility for identifying, monitoring, and managing price and information risk across the portfolios. It employs a variety of tools and techniques to monitor and analyze portfolio performance and risk as part of process feedback. Intraday, real-time bond information on customized Bloomberg screens allows the team to monitor markets and interpret effects on portfolio positions. The team uses the proprietary GFI Dashboard system to review the country, sector, credit, curve, and duration positioning of each portfolio when analyzing portfolio performance reports against their respective benchmarks. These dynamic reports can compare exposures over time, versus benchmarks, and between accounts. The team also uses GFI Dashboard-generated risk summary and duration breakdown reports to monitor exposures of the portfolios and their respective benchmarks on an ongoing basis. It is important to note that investment time horizon, alpha target as well as the teams risk framework all focus on the intermediate- to long-term.

Justification

The risk management for the strategy managed withing the investment team. While we would prefer that there was a dedicated team charged with risk oversight, we view the team as experienced and capable of assessing and managing the risks within the strategy. It is important for potential investors to be cognizant that the team does not manage to a tracking error target and manages risk using an intermediate- to long-term framework. The team's willingness to look past short-term volatility can lead to significant increases in tracking error over shorter periods, particularly when markets experience stress. While the since inception tracking error has been roughly 300 basis points, annual tracking error following volatile periods in 2008 and 2015 increased to over 600 bps.

Understandable Performance - Historical and future performance sensitivities are consistent with the manager's process.

Description

The primary objective of the U.S. Fixed Income strategy is to outperform the Bloomberg U.S. Aggregate Bond Index by at least 2% annually over rolling five-year periods in differentiated ways than peers while preserving the diversification benefits of core bonds (e.g. minimizing domestic equity correlations during periods of heightened market volatility). While the team does maintain awareness of tradition relative risk measures, like tracking error, they do not have an explicit tracking error target. Since inception, the tracking error for the strategy has been roughly 300 basis points but would be expected to be higher during periods of market stress.

The strategy seeks to outperform over the intermediate- to long-term in various market environments. Given the tendency to overweight Treasuries, we would expect the strategy to outperform peers during periods of market stress. In addition, the strategy has tended to outperform after significant spread widening events, when credit spreads return to levels more in line with historical norms. The strategy could potentially lag peers in later stages of credit cycles, particularly when momentum drives credit spreads to extreme tights resulting in strong performance. During these late cycle credit rallies, Brandywine has the potential to be early to position the portfolio defensively as their macroeconomic outlook is often times contrarian to broader market thinking. Historically, this late-cycle underperformance has been short-term and followed by periods of significant outperformance.

Justification

We have observed that the strategy has been able to exceed the performance target over nearly all five-year rolling periods since the GFC, consistently falling in the top decile in the eVestment Core Plus Universe with more modest outperformance prior to the financial crisis. Over the past 15 years, we have also observed that more than three quarters of the excess returns have resulted from positions in U.S. Treasury and government related securities with less than a quarter of excess performance coming from credit-related positions. This reliance on Treasury positioning to drive excess performance leads the strategy to have low excess return correlations with most core plus peers, generally between 0 and 0.25 over longer five- and ten-year periods. As such, we believe the U.S. Fixed Income strategy has the potential complement core plus managers that may focus primarily on spread sectors.

The manager has described an integration of ESG into their investment philosophy.

Justification

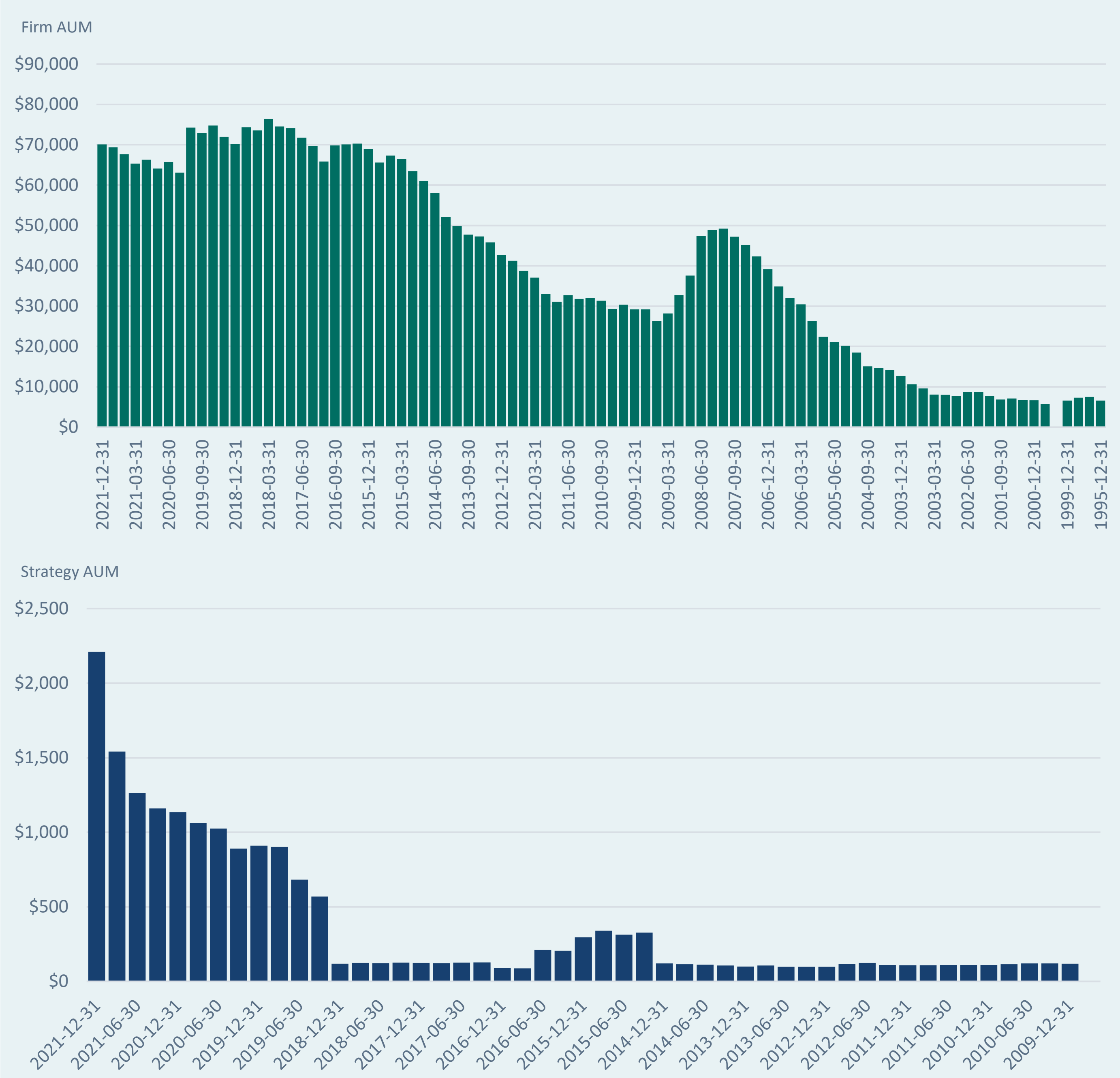
While the team does consider ESG issues within the corporate bond research and security selection process, we do not consider ESG to be a meaningful part of the overall investment process.

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	-0.84	-	-	-	-	-	-	-	-	-	-	-
2021	-0.37	0.75	-0.39	0.51	0.13	0.49	0.13	0.11	-0.00	-0.01	0.12	-0.16
2020	1.32	-0.02	-0.03	3.73	1.69	1.88	3.59	-1.06	-0.01	0.52	3.29	0.80
2019	1.18	-0.38	3.14	-0.84	4.02	1.51	0.17	5.15	-1.15	0.19	0.31	0.22
2018	0.13	0.06	0.35	0.12	0.12	0.10	0.33	0.23	0.18	-0.14	-0.02	2.60
2017	0.37	0.67	-0.34	0.62	0.66	0.44	0.21	0.12	0.05	0.18	0.04	0.29
2016	4.36	1.86	1.16	0.64	0.10	2.48	1.38	0.40	-0.21	-0.35	-1.10	0.43
2015	6.58	-3.05	0.61	-2.01	-1.28	-2.72	2.69	-0.92	0.77	0.07	-0.74	-0.56
2014	4.77	0.48	0.70	1.73	2.21	-0.03	0.16	1.40	-0.78	0.16	1.51	1.43
2013	0.05	0.31	0.09	0.25	-0.18	-0.39	0.05	-0.28	0.21	0.85	-1.77	-1.53

Author: Pete McConville
Reviewer: Maggie Hoy

AUM Growth ($Millions)



Author: *Pete McConville*
Reviewer: *Maggie Hoy*

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Reams Asset Management, a Division of Scout Investments Core Plus Fixed Income

AS OF: 01/14/2022

Asset Class:	Fixed Income	**ESG Rating:**	B
Sub-Asset Class:	Core Plus	**ESG Characteristics:**	N/A
Strategy Inception:	6/1/1981	**ESG Methods:**	N/A
Benchmark:	Bloomberg US Aggregate	**Emerging | Diverse:**	N/A
Performance Objective:	Outperform Bloomberg US Aggregate by 75-125 bps gross of fees over a full market cycle	**Risk Objective:**	No tracking error target but tracking error has been ~175 bps over the past 10 years

Executive Summary

Reams' Core Plus strategy seeks to maximize total return, minimize risk, and preserve capital utilizing all sectors of the fixed income market. Core Plus portfolios are diversified, and consist of high-quality investment grade, high yield, and non-dollar securities, with portfolio duration within +/- 30% of the benchmark. The firm will incorporate top-down perspectives on yield curve and duration management to enhance yield and/or minimize risk.

We believe that Reams' approach driven by value with a focus on volatility to drive long-term total returns is differentiated in the market and has the potential to create an excess return pattern that is uncorrelated from yield-based and benchmark-aware strategies. In addition, given the firm's aversion to risk of principal loss, the team tends to be more contrarian in their willingness to purchase bonds when valuations are rich.

It is notable that Mark Egan, current CIO and one of three investment committee members, is one of the original managing directors of the firm and has over 35+ years of industry experience. While Egan has no immediate plans to step away from day-to-day portfolio management operations, given his tenure and position as a key decision maker, eventual succession planning is a relevant consideration for potential investors.

For the Core Plus strategy, Reams anticipates exceeding a broad market benchmark return by 75 to 125 bps, gross of fees annually over a full market cycle. Reams estimates that 30% of their value add should be driven by issuer selection, another 35% from sector selection and the remaining 35% is expected to be driven by duration and yield curve structure. During periods of low volatility and tight historical valuations, the strategy could underperform as the team is likely to maintain a lower yielding, more liquid portfolio than the benchmark and other core plus peers. The strategy will likely outperform after periods of volatility and market stress when valuations return closer to historical norms.

Firm Assets:	$23,461.31MM	**Separate Accounts:**	Yes
Strategy Assets:	$7,164.74MM	**Commingled Vehicles:**	No
Location:	227 Washington Street Columbus Indiana, 47202-0727	**Mutual Funds:**	Yes
Key Persons:	Mark Egan	**Status (Open/Closed):**	Active

Alignment - The investment product is supported by a robust and stable organizational and team structure.

Description

Reams Asset Management, a Division of Scout Investments, was founded as Reams Asset Management Company in 1981 by several members of the in-house pension group at Cummins, Inc. Scout Investments is a wholly owned subsidiary of Carillon Tower Advisers (CTA), which in turn is a wholly owned subsidiary of Raymond James Financial.

The firm was previously defined as UMB Institutional Asset Management, a subsidiary of UMB Bank, which managed both institutional and high net worth, trust, and estate assets. In 2009 the firm transitioned from UMB Bank and became a subsidiary of UMB Financial Corporation in order to focus on institutional investment management. In 2010, the firm acquired the advisory business of Reams Asset Management Company, LLC and the firm changed its name from Scout Investment Advisors to Scout Investments. In 2017, Scout Investments was acquired by Carillon Tower Advisers. The Reams leadership team continues to manage the business in the roles, locations, and utilizing the investment philosophy and process in place prior to the acquisition.

Since its inception, Reams has focused on the management of core plus fixed income portfolios for institutional clients. Overtime Reams has grown its product offering and now maintains a fixed income complex with domestic strategies focused across the curve.

Reams' original managing directors and investment committee members were Mark Egan, Tom Fink and Bob Crider. At the time of the CTA acquisition, each were given employment contracts through 2022. In April of 2020, Tom Fink retired from the firm for personal reasons. Bob Crider remains on the investment committee but has stepped back from day-to-day portfolio management. He continues to be actively involved with the investment process through the economic analysis and theme establishment. Mark Egan remains on the investment committee and is the CIO and main decision marker at the firm. Todd Thompson is the third member of the investment committee and replaced Fink after his retirement.

The firm has 12 investment professionals including those noted above. Every investment professional is portfolio manager, analyst and trader. They rotate sectors to ensure they all remain generalists. CTA provides distribution support.

Reams' compensation policy is designed to align the interests of all stakeholders. As such compensation packages consist of a base salary, participation in a bonus pool funded via a revenue share agreement between Reams and its parent firm, and a comprehensive benefits package. Senior investment professionals have their incentive compensation directly tied to firm revenues, while junior investment team members are incentivized via discretionary bonuses to continue growing the firm by delivering top-tier performance and client service.

Justification

While there have been a number of changes to the ownership structure since the inception of the firm, Reams has continued to operate relatively autonomously with a stable team, process and philosophy throughout its history. It is notable that two of the investment committee members, Egan and Crider, are original managing directors of the firm with over 35+ years of industry experience. While Egan has no immediate plans to step away from day-to-day portfolio management operations, given his tenure and position as a key decision maker, eventual succession planning is a relevant consideration for potential investors. While there have been no formal announcements regarding succession planning, Todd Thompson as well as Steve Vincent, the securitized team leader, who both have over 20 years with Reams, are logical choices to play a role in any future management transitions.

Author: Pete McConville
Reviewer: Maggie Hoy

Edge - The manager has articulated an inefficiency or market-based belief that informs its process.

Description

Reams' investment philosophy is based on the premise that volatility is a key driver of performance in the fixed income market. Volatility is usually higher than commonly perceived and is often mispriced in the marketplace. This core belief leads the firm to focus on long-term value and "total return," employ macro and bottom-up strategies to uncover unique opportunities, and react opportunistically to valuation discrepancies and volatility in the bond market.

Reams believes fixed income markets are inherently volatile from both an interest rate and credit perspective and, as a result, strives to construct portfolios that will not only withstand, but also benefit from, periods of higher market volatility. Reams does not look to build portfolios for yield or maintain active risk positions at all times. While the team acknowledges that in periods of low interest rates and low volatility, this approach can be successful, a "reach" for yield (by going lower in quality or in a bond's capital structure) introduces risk to the portfolio that is likely to be magnified during volatile markets. In contrast, Reams takes a total return viewpoint, striving to construct portfolios that perform well in dynamic environments. During periods of low market volatility, Reams' portfolios are likely to have a higher level of liquidity, when compared to other managers, as the investment team patiently waits for opportunities to surface and then react. Reams believes this reactionary discipline is unique among bond managers and has been a distinct driver of performance.

The firm will place an emphasis on downside protection throughout the investment process and in particular will focus on identifying securities that will perform well in volatile market conditions. This guides investments towards the most senior positions of a bond's capital structure with a focus on the underlying asset value. This minimizes the temptation to reach for yield by investing in lower levels of the capital structure which have significant downside risks.

Reams is furthered differentiated from larger fixed income peers by their size, which enables them to operate in smaller opportunities in both structured and corporate credit. In addition, the team is able to take advantage of volatility and adjust portfolios quickly and efficiently in order to capture mispricing in the marketplace.

Justification

We believe that Reams' approach driven by value with a focus on volatility to drive long-term total returns is differentiated in the market and, as a result, has the potential to create an excess return pattern that is uncorrelated from yield-based and benchmark-aware strategies. In addition, due to the firm's aversion to risk of principal loss, the team tends to be more contrarian in their willingness to purchase bonds when valuations are rich. We appreciate the team's disciplined approach and willingness to maintain high levels of liquidity when they perceive valuations to be tight, even if it means their portfolio's average yield is less than the benchmark. In periods where markets are less volatile, this lower yield can translate to underperformance. However, this conservative positioning allows Reams to opportunistically position portfolios in stressed markets and capitalize when valuations become more favorable. The firm's relatively small size also enables them to efficiently rotate portfolios when opportunities arise in the marketplace.

Implementation - The manager has described an investment approach which is sensible, repeatable.

Description

Reams manages fixed income portfolios using three basic steps, which are best described as a combination of top-down and bottom-up. The first step is the duration decision, which is based on a model in which current inflation-adjusted interest rates are evaluated relative to historical norms. With this step, the portfolio's overall duration and yield curve characteristics are established. Reams approaches the duration decision as a valuation problem, utilizing below-benchmark or short-duration portfolios when the market is unattractive or overvalued and above-benchmark or long-duration portfolios when the market is attractive or undervalued. Depending on Reams' assessment of relative values along the yield curve, portfolios may be barbelled, bulleted, or laddered.

The second step of the investment process is to consider sector exposures. A bottom-up issue selection process is the major determinant of sector exposure, as the availability of attractive securities in each sector determines their underweighting or overweighting in the portfolio subject to sector exposure constraints. The team analyzes securities on a risk/return or upside/downside basis and will pay attention to which sectors are producing the most attractive securities. When a number of the most attractive securities are coming from a certain sector, the team will research this area further to determine whether to consciously overweight that sector. Conversely, underweighting might result from a predominance of relatively unattractive issues within a sector. In this manner, security selection will tend to determine sector selection, with top-down objectives used mostly for risk control to avoid over concentration. However, for the more generic parts of the portfolio, such as agency notes and mortgage pass-throughs, top-down considerations will drive the sector allocation process on the basis of overall measurements of sector value such as yield spreads or price levels.

The third step in the investment process is individual security selection. Bottom-up issue selection is based on a scenario analysis to identify which bonds might perform best under possible interest rate and credit scenarios. The investment team then compares investment opportunities and the portfolio is assembled from the best values.

Adherence to the Reams' investment philosophy and process is the primary responsibility of the investment committee, consisting of managing directors, Egan, Thompson, and Crider. The investment committee establishes and reviews portfolio strategy and structure. The portfolio management team, composed of Egan, Thompson and senior members of the investment team, reviews portfolios, cash flows, economic releases, and security recommendations. Approval by a member of the investment committee is required for all new purchases. Fixed income portfolio managers and analysts work as a team and are in constant communication with each other regarding all aspects of the investment process. The majority of Reams' research is conducted internally with the entire fixed income investment team participating in the effort.

Reams' security selection process is split into two parts: a credit selection process and a mortgage selection process. The credit selection process is applied to all securities with credit risk, while the mortgage selection process is applied to all other securities, typically including MBS, ABS, CMBS, and CMOs. For both types of security selection, the key component of Reams' investment process, as well as the primary risk management tool, is the scenario analysis approach. In this approach, any investment is analyzed by examining its possible outcomes and rejecting any security with unacceptable possible downside risk. Both interest rate and credit scenarios are considered in this manner. Reams attempts to probability-weight the possible scenarios of any security in order to further rank its attractiveness and suitability based on its expected return.

Justification

While we believe that Reams' investment process is not necessarily unique given that most core plus managers use a similar toolkit to add value (duration management, yield curve positioning, sector allocation and security selection), we have observed the process being implemented consistently through numerous market cycles. We appreciate the value oriented discipline that Reams has displayed as well as their emphasis on down-side protection when selecting securities for inclusion in portfolios. While the team's willingness to hold portfolios with lower yields than the benchmark by maintaining overweights to cash and treasuries when spread market valuations are tight has resulted in extended periods of underperformance, the discipline has tended to benefit investors over the long term.

Author: Pete McConville
Reviewer: Maggie Hoy

Optimal use of risk - The manager has an effective framework to assess and manage risk inherent in its process.

Description

Reams defines investment risk as the loss of principal or permanent impairment and, therefore, views default/impairment as the primary risk factor for their portfolios. Risk parameters at the portfolio level include duration, yield curve, convexity and sector positioning relative to a benchmark. Scenario analysis is used to determine how a portfolio and individual securities within the portfolio will perform in various economic environments. Recognizing the asymmetrical pay-off in fixed income securities (limited upside and significant downside), Reams attempts to limit downside risk by selecting bonds that, for example, are senior in the capital structure, are first lien positions, or have substantial subordination. While risk parameters such as standard deviation or tracking error are monitored, the primary focus of the investment process is downside risk protection and the avoidance of permanent impairment.

Reams has developed a portfolio risk management system that includes a forward-looking scenario analysis, an active risk monitor, and a backward-looking return attribution model. All three components were built in-house through a collaborative effort involving portfolio managers and systems programmers and designed to match the specifications of the investment management team. A brief description of each component is as follows:

Scenario analysis: The key component of Reams' investment process, as well as its primary risk management tool, scenario analysis is used to evaluate securities under consideration and reject those with unacceptable downside risk exposure. The downside risk assessment includes a stress analysis of the underlying asset value and potential impairment of the issuer. Reams attempts to probability-weight the possible scenarios of a security in order to further rank its attractiveness and suitability based on its expected return. Reams analyzes portfolios across multiple scenarios, giving the manager valuable insights into not only the expected return of portfolios but also the potential returns under various investment and economic conditions. Reams believes the multiple scenario approach is advantageous relative to contemporary, volatility-based models that primarily account for the historical movement of asset prices as opposed to their prospective movement under various investment and economic conditions.

Risk monitor: The risk monitor system quantifies the active risks in a given mandate relative to a predetermined benchmark. These risk factors encompass the major drivers of portfolio returns, which include duration, yield curve, sector, issuer, counterparty, and currency exposures. The convexity of a portfolio is also measured against its benchmark. The risk monitor shows a portfolio's sensitivity to changes in interest rates, sector and issuer spreads, and currency valuations. The system also aggregates exposure to counterparties from derivative positions, corporate bonds, currency forwards, and mortgage TBA positions. Indirect exposure to counterparties from structured products is also aggregated. The system is integrated with Reams' trade order management and accounting systems, thereby, allowing changes to the portfolio to be updated periodically throughout the day.

Return attribution: The return attribution system is a valuable feedback loop to the portfolio management team regarding what is working well in the portfolio and what is not. The system can quantify performance relative to a predetermined benchmark (if applicable) with exceptional granularity, a backward-looking decomposition of excess performance in duration, curve, sector, and security selection components.

A proprietary data warehouse provides the foundation for Reams' information systems with data provided by Bloomberg Financial Markets, Bloomberg trading system, and PORTIA accounting system. Proprietary tools that have been developed that are generally Excel-based and utilize the above information.

In addition, systems and tools purchased from vendors to evaluate and manage risk and return at the security level include Bloomberg, Trepp Analytics, Creditsights, Moody's, Standard & Poor's, and Barclays Live. Sources of company-level financial data include Bloomberg, Edgar, and company websites. Information is also gathered from the MarketAxess trading system.

Given full discretion in a core plus mandate, Reams would implement these guidelines:

-Duration: +/- 30% of the benchmark duration

-Portfolio quality: Minimum of 80% of portfolio holdings rated investment grade by one of the major ratings agencies at time of purchase. Minimum average portfolio quality shall be A-.

-Diversification: No single issuer shall exceed 5% of portfolio at time of purchase (excluding government and agency issuers). No single credit shall exceed 15% of the portfolio at time of purchase.

-Non-Dollar: Maximum of 15% of the portfolio in non-U.S dollar holdings at purchase.

-Derivatives: Futures, forwards, options, and swaps (including credit default swaps) may be used to enhance returns, increase liquidity and/or gain exposure to certain instruments or markets in a more efficient way. Investments in derivatives will only be used to gain exposure to underlying assets that are otherwise permitted by the investment guidelines.

Justification

We view the risk framework at Reams as adequate to assess and manage the risks inherent in the Core Plus Strategy. We appreciate the use of multiples lenses in the risk process. We believe the scenario analysis component, which utilizes more forward-looking inputs, and the more customary risk monitor component, used to measure active risk versus the benchmark, serve as good compliments and have the potential to provide a more complete picture of portfolio risk.

Understandable Performance - Historical and future performance sensitivities are consistent with the manager's process.

Description

For the Core Plus strategy, Reams anticipates exceeding a broad market benchmark return by 75 to 125 bps, gross of fees annually over a full market cycle. Reams estimates that 30% of their value add should be driven by issuer selection, and another 35% from sector selection. The remaining 35% should be driven by duration and yield curve structure as they incorporate macro views in their portfolio construction. Realized attribution shows that duration and yield curve has contributed roughly 15% over the medium- and longer-term periods which the firm believes has resulted from heavy Fed intervention muting opportunities for active duration and yield curve management.

The team does have a specific target for tracking error versus the benchmark. Since inception the tracking error has been roughly 400 basis points, but over the past ten years the strategy has maintained a more modest tracking error of roughly 175 basis points.

During periods of low volatility and tight historical valuations, the strategy could underperform as the team is likely to maintain a lower yielding, higher quality portfolio than the benchmark and other core plus peers. In addition, the strategy could underperform initially during risk off environments as the team has the potential to enter trades early as they perceive value in the marketplace. The strategy will likely outperform after periods of volatility and market stress when valuations return closer to historical norms.

Justification

Given Reams' approach that focuses on volatility to drive long term results, we view performance as in line with expectations. Reams has met is performance objective over all relevant trailing periods, experiencing significant outperformance in post GFC and post COVID periods. Performance between the two major market dislocation events was more modest with performance in number of calendar years falling near the bottom third and fourth quartiles of the core plus universe. We appreciate that Reams has demonstrated discipline in times where they have not perceived value in the marketplace and shown a willingness to maintain more liquid portfolios as they wait patiently for volatility and value to return. We also note that the excess return profile for the strategy tends to exhibit a low correlation to more yield-based and benchmark aware strategies. The low correlation implies a differentiated approach, which could make the strategy a good complement in portfolios that utilize multiple core plus managers.

The manager has described an integration of ESG into their investment philosophy.

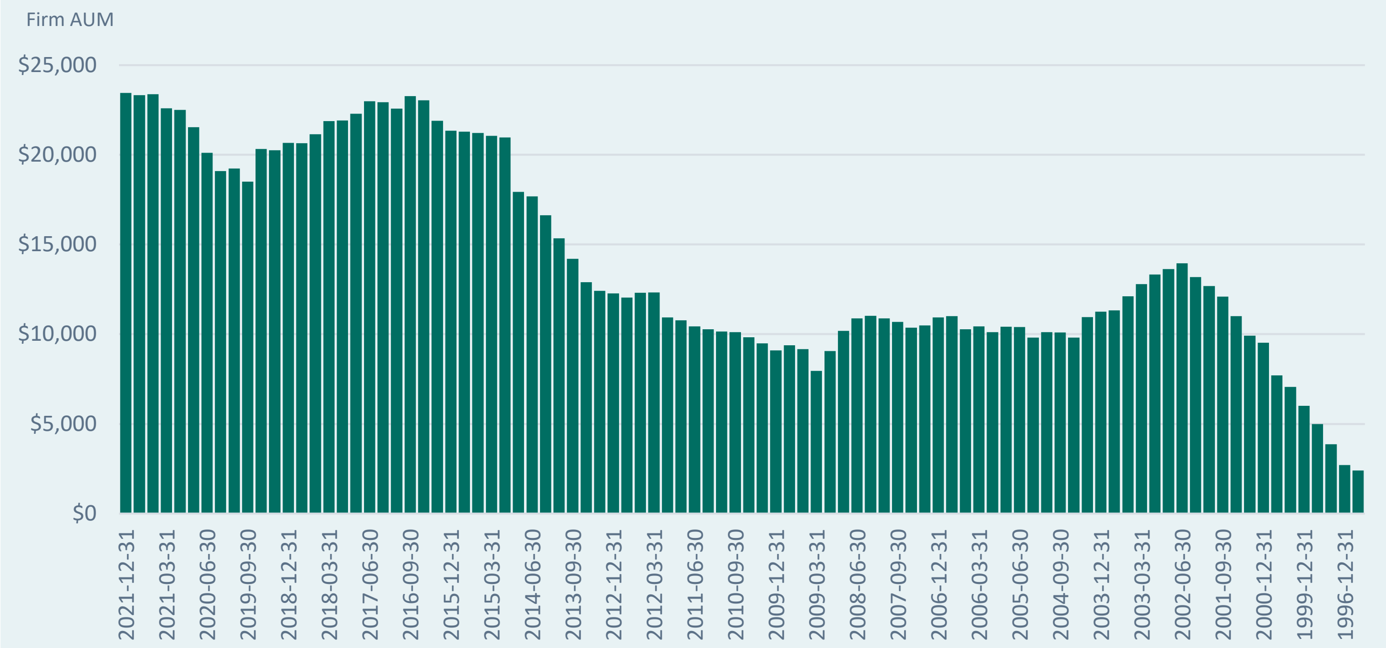
Reams employs a flexible, qualitative approach to ESG integration that focuses on identifying ESG risk factors and assessing their potential impact. These include long term ESG risks that might erode an issuer's business prospects, competitive position, credit rating, refinancing capacity, and borrowing costs over time. In addition, ESG analysis can be used to highlight issuers with exposure to event risk with the potential to meaningfully impact the price of its securities in the short term. In addition to understanding ESG risks, Reams seeks to determine if these risks are material to the specific bond under consideration and whether or not the prevailing risk premium provides appropriate compensation for bearing them. Issuers with significant ESG risks may be considered un-investable in some circumstances, and in others the team would require a sufficiently high level of expected return to compensate for the incremental risk. The presence of material ESG risks might prompt the team, for example, to prefer a shorter maturity bond over a longer maturity bond from the same issuer. Within the same industry, all else being equal, we may select a bond issued by a company with best-in-class ESG risk management practices over a bond issued by a company with a poor track record of managing its ESG risks.

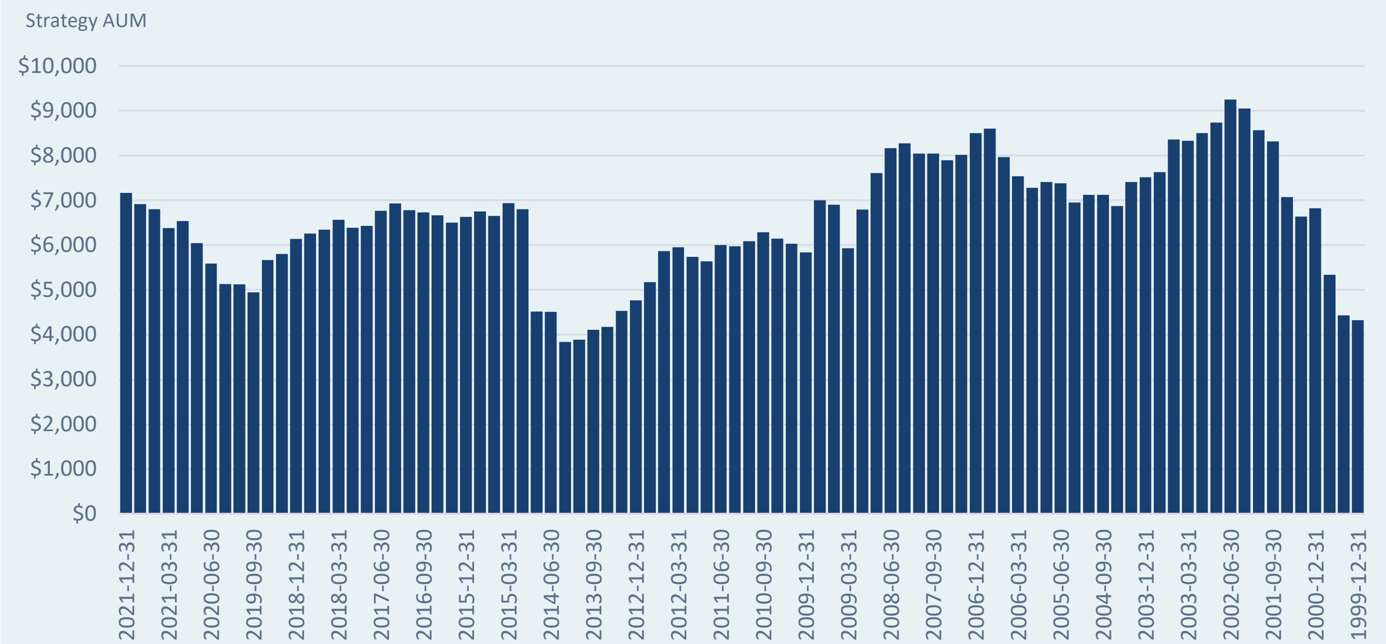
Historically, Reams has focused identifiable governance and social issues; however, environmental considerations have taken on greater significance as the investment landscape has evolved.

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	-1.88	-	-	-	-	-	-	-	-	-	-	-
2021	-0.84	-1.26	-1.45	0.94	0.36	0.56	0.77	-0.16	-0.61	-0.24	0.58	-0.01
2020	1.82	1.48	0.69	4.61	1.66	1.94	1.93	-0.03	0.02	-0.18	1.57	0.38
2019	1.00	-0.14	2.10	-0.18	2.20	1.06	0.06	2.68	-0.41	0.26	-0.05	-0.14
2018	-1.00	-0.78	0.85	-0.74	0.84	-0.04	-0.31	0.76	-0.85	-0.58	1.01	2.23
2017	0.27	0.59	0.06	0.76	0.64	-0.07	0.30	1.12	-0.40	-0.05	-0.10	0.50
2016	0.68	1.13	2.10	0.92	-0.13	1.87	0.46	-0.01	0.13	-0.60	-2.22	0.09
2015	1.46	-0.45	0.42	0.12	0.28	-1.09	0.69	-0.21	0.48	0.47	-0.64	-1.12
2014	1.32	0.24	-0.05	0.38	0.62	0.04	-0.17	0.64	-0.31	0.63	0.50	-0.11
2013	-0.19	0.54	-0.06	0.68	-0.96	-1.42	-0.03	-0.13	0.73	1.07	0.06	-0.57

AUM Growth ($Millions)





Author: *Pete McConville*
Reviewer: *Maggie Hoy*

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

February 2022

Core Plus Fixed Income Search

Sacramento County Employees Retirement System

Manager overview

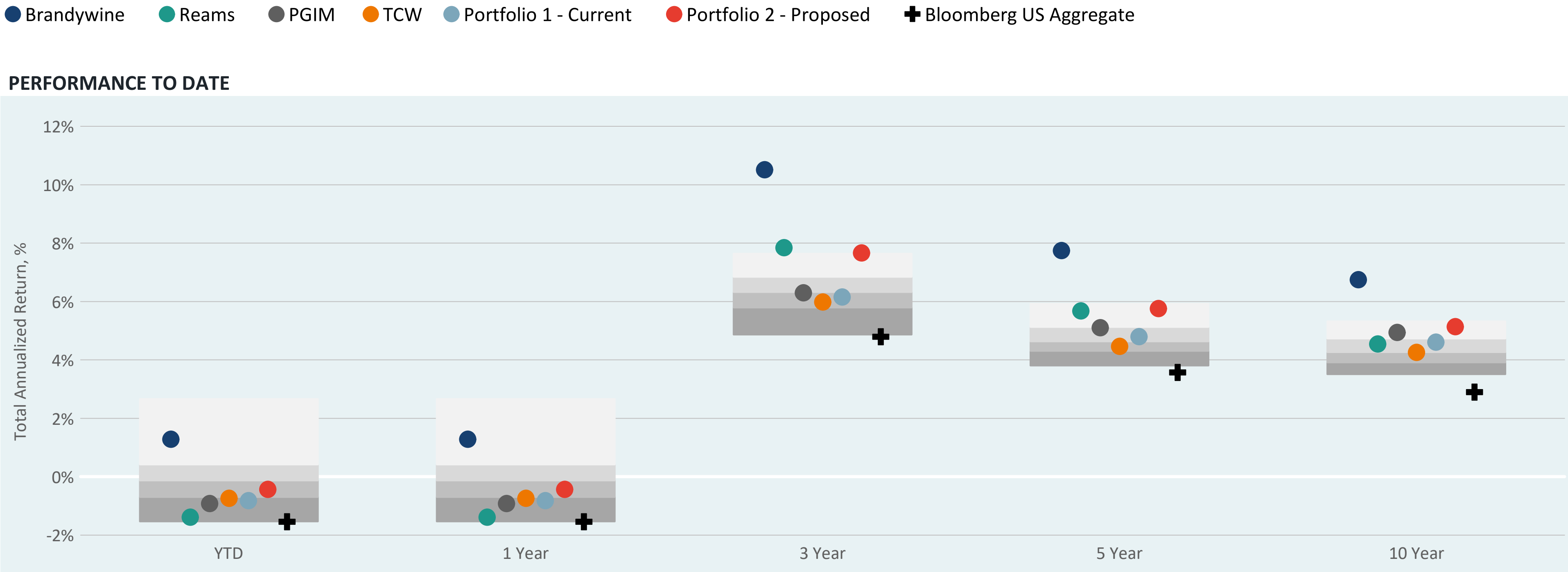
Manager comparison

	Brandywine	Reams	PGIM	TCW
FIRM OWNERSHIP	100% Parent owned (Franklin Resources)	Wholly owned subsidiary of Raymond James Financial	Publicly traded (NYSE: PRU)	44% employee owned: 31% owned by Carlyle Group; 25% owned by Nippon Life
FIRM NAME	Brandywine Global Investment Management, LLC	Reams Asset Management, a Division of Scout Investments	PGIM Fixed Income	The TCW Group, Inc.
PRODUCT NAME	US Fixed Income	Core Plus Fixed Income	PGIM Fixed Income Core Plus Fixed Income	TCW Core Plus Fixed Income
FIRM TOTAL AUM ($MM)	$70,114	$23,461	$957,444	$264,472
STRATEGY AUM ($MM)	$2,209	$7,165	$109,973	$128,336
INCEPTION DATE	Oct-95	Jun-81	Jan-96	Aug-96
PREFERRED BENCHMARK	Bloomberg US Aggregate	Bloomberg US Aggregate	Bloomberg US Aggregate	Bloomberg US Aggregate
INVESTMENT APPROACH	Fundamental	Fundamental Quantitative	Fundamental Quantitative	Fundamental
SCREENING APPROACH	Top-Down	Top-Down Bottom-Up	Top-Down Bottom-Up	Bottom-Up

Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Performance Analysis

Performance comparison - as of December 2021

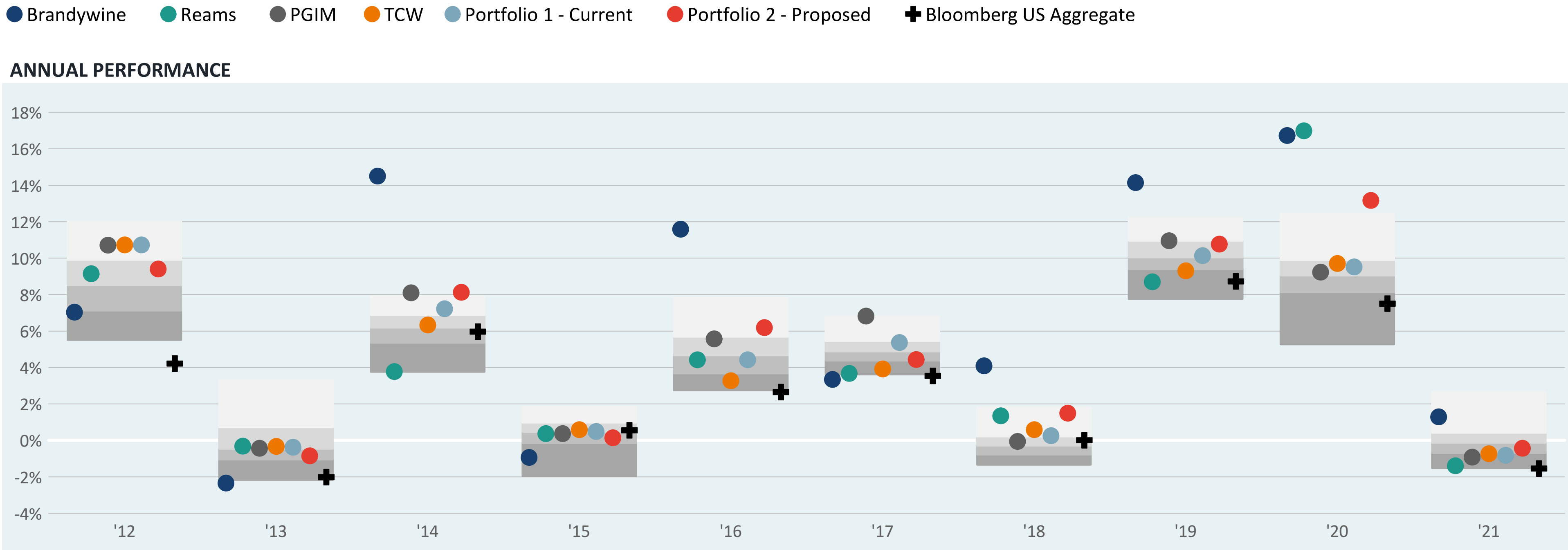


EXCESS ANNUALIZED RETURN TO DATE, %	YTD	1 Year	3 Year	5 Year	10 Year
Brandywine	2.8	2.8	5.7	4.2	3.9
Reams	0.2	0.2	3.1	2.1	1.7
PGIM	0.6	0.6	1.5	1.5	2.0
TCW	0.8	0.8	1.2	0.9	1.4
Portfolio 1 - Current	0.7	0.7	1.4	1.2	1.7
Portfolio 2 - Proposed	1.1	1.1	2.9	2.2	2.2

Performance for TCW and PGIM reflects the performance of the SCERS separate accounts as reported by the custodian. Prior to account inception in 7/2014 PGIM performance reflects core plus composite performance.

Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Calendar year performance



ANNUAL PERFORMANCE + RANKING	2013	2014	2015	2016	2017	2018	2019	2020	2021
Brandywine	-2.3	14.5	-0.9	11.6	3.3	4.1	14.1	16.7	1.3
Rank	*96*	*0*	*90*	*0*	*98*	*0*	*2*	*3*	*12*
Reams	-0.3	3.8	0.4	4.4	3.7	1.3	8.7	17.0	-1.4
Rank	*45*	*95*	*52*	*56*	*93*	*7*	*87*	*2*	*94*
PGIM	-0.4	8.1	0.4	5.6	6.8	0.0	11.0	9.2	-0.9
Rank	*49*	*4*	*52*	*27*	*5*	*38*	*25*	*44*	*82*
TCW	-0.3	6.3	0.6	3.3	3.9	0.6	9.3	9.7	-0.7
Rank	*45*	*45*	*43*	*85*	*87*	*16*	*78*	*28*	*76*
Portfolio 1 - Current	-0.4	7.2	0.5	4.4	5.4	0.3	10.1	9.5	-0.8
Rank	*46*	*17*	*49*	*56*	*29*	*21*	*46*	*37*	*80*
Portfolio 2 - Proposed	-0.8	8.1	0.1	6.2	4.4	1.5	10.8	13.2	-0.4
Rank	*65*	*4*	*63*	*17*	*69*	*6*	*28*	*4*	*61*
Bloomberg US Aggregate	-2.0	6.0	0.5	2.6	3.5	0.0	8.7	7.5	-1.5
Rank	*93*	*57*	*47*	*96*	*96*	*35*	*87*	*85*	*95*

Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Performance summary - as of December 2021

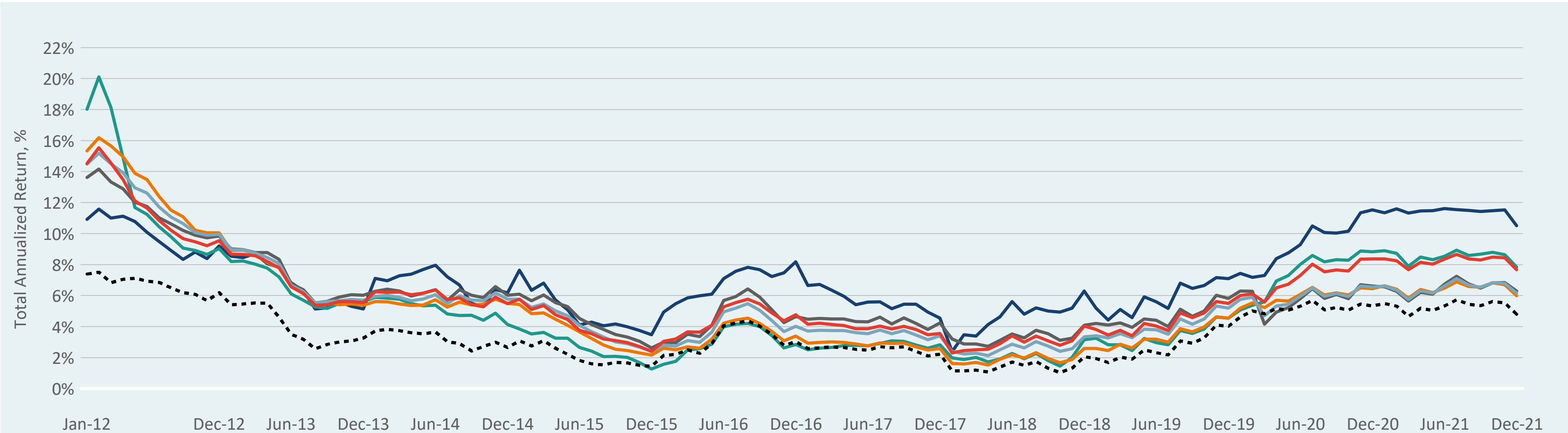
	Brandywine	Reams	PGIM	TCW	Portfolio 1 - Current	Portfolio 2 - Proposed	Bloomberg US Aggregate
PERFORMANCE ANALYSIS - (5 Years)							
Alpha %	4.0	1.8	0.6	0.9	0.7	1.8	0.0
Beta	1.0	1.1	1.4	1.0	1.2	1.1	1.0
R-squared %	50.9	79.3	69.7	97.9	84.9	86.0	100.0
Sharpe Ratio	1.5	1.2	0.8	1.1	0.9	1.3	0.8
Treynor Ratio	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Tracking Error %	3.0	1.7	3.0	0.4	1.6	1.4	0.0
Annualized Std Dev %	4.3	3.7	5.0	3.1	3.9	3.7	3.1
Information Ratio	1.3	1.2	0.5	2.0	0.7	1.5	---
Max Drawdown %	-1.2	-3.5	-5.9	-2.9	-3.4	-2.6	-3.6
Calmar Ratio	6.7	1.6	0.9	1.6	1.4	2.2	1.0
Excess Ann. Return %	4.2	2.1	1.5	0.9	1.2	2.2	0.0
PERFORMANCE TO DATE							
1 Year	1.3	-1.4	-0.9	-0.7	-0.8	-0.4	-1.5
3 Year	10.5	7.8	6.3	6.0	6.2	7.7	4.8
5 Year	7.7	5.7	5.1	4.5	4.8	5.8	3.6
7 Year	7.0	4.7	4.5	3.7	4.1	5.0	3.0
10 Year	6.8	4.6	4.9	4.3	4.6	5.1	2.9
Common Inception (Jan-02)	7.0	5.8	6.0	5.8	5.9	6.2	4.3
CALENDAR YEAR RETURNS							
2021	1.3	-1.4	-0.9	-0.7	-0.8	-0.4	-1.5
2020	16.7	17.0	9.2	9.7	9.5	13.2	7.5
2019	14.1	8.7	11.0	9.3	10.1	10.8	8.7
2018	4.1	1.3	0.0	0.6	0.3	1.5	0.0
2017	3.3	3.7	6.8	3.9	5.4	4.4	3.5
2016	11.6	4.4	5.6	3.3	4.4	6.2	2.6
2015	-0.9	0.4	0.4	0.6	0.5	0.1	0.5
2014	14.5	3.8	8.1	6.3	7.2	8.1	6.0
2013	-2.3	-0.3	-0.4	-0.3	-0.4	-0.8	-2.0
2012	7.0	9.2	10.7	10.7	10.7	9.4	4.2

Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

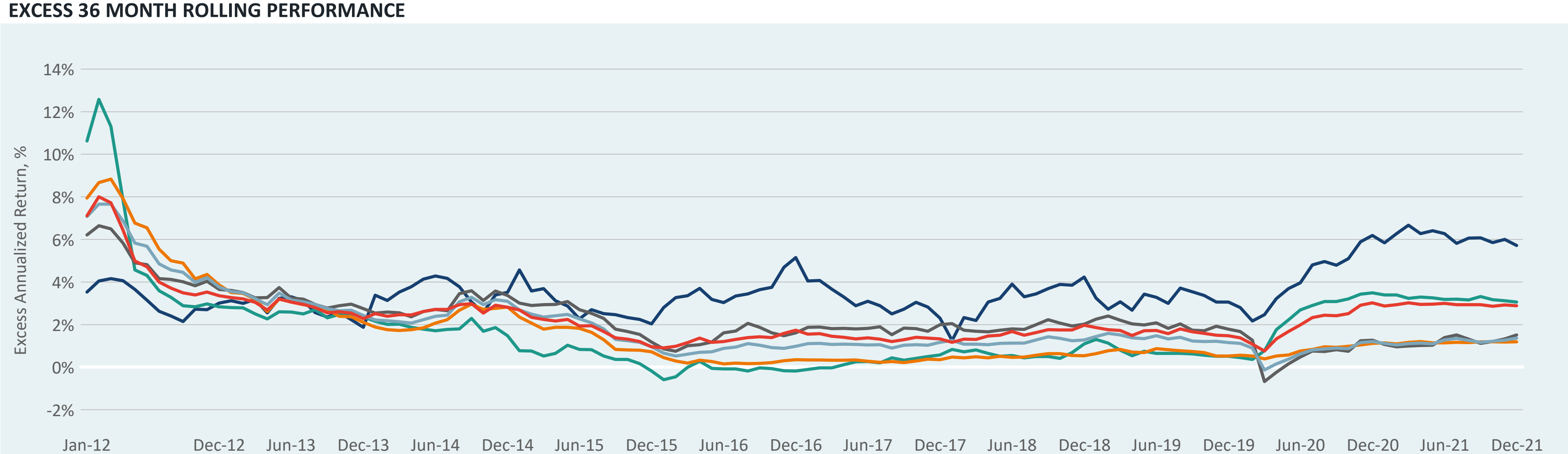
Rolling performance

● Brandywine ● Reams ● PGIM ● TCW ● Portfolio 1 - Current ● Portfolio 2 - Proposed ✚ Bloomberg US Aggregate

TOTAL 36 MONTH ROLLING PERFORMANCE



EXCESS 36 MONTH ROLLING PERFORMANCE

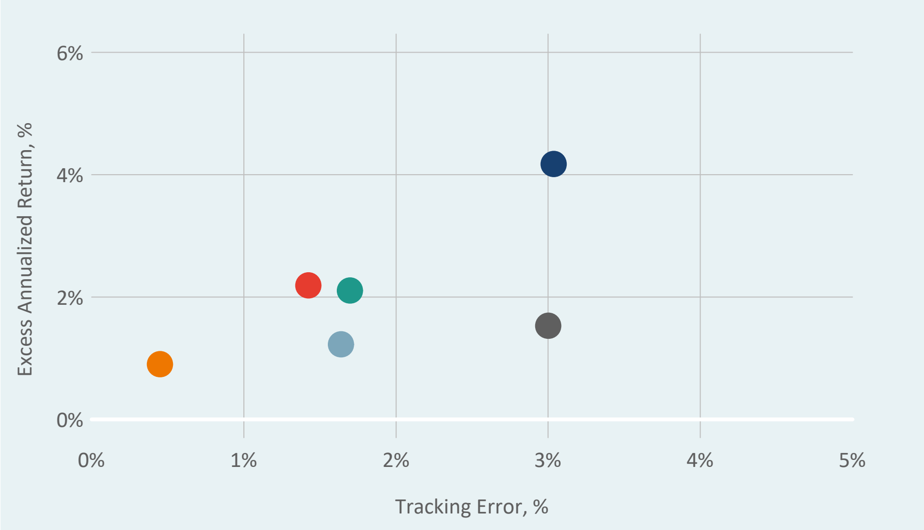


Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

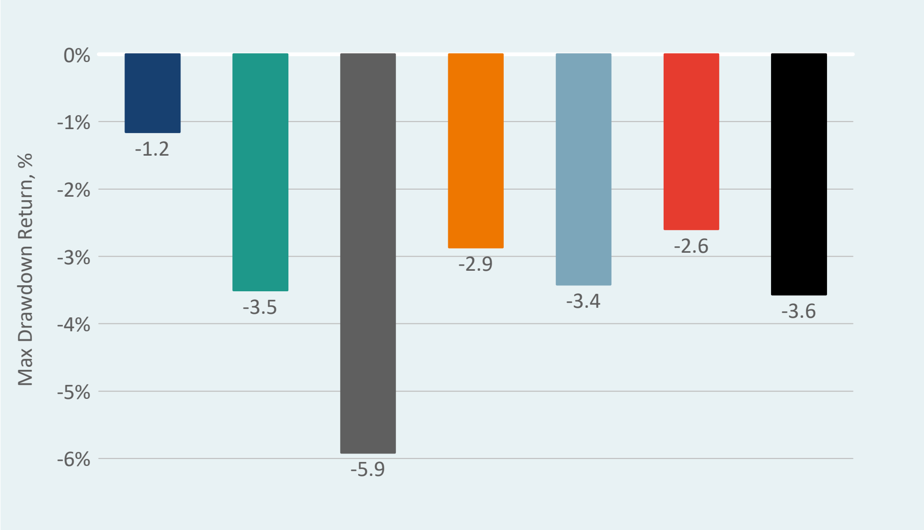
Performance statistics

● Brandywine ● Reams ● PGIM ● TCW ● Portfolio 1 - Current ● Portfolio 2 - Proposed ✚ Bloomberg US Aggregate

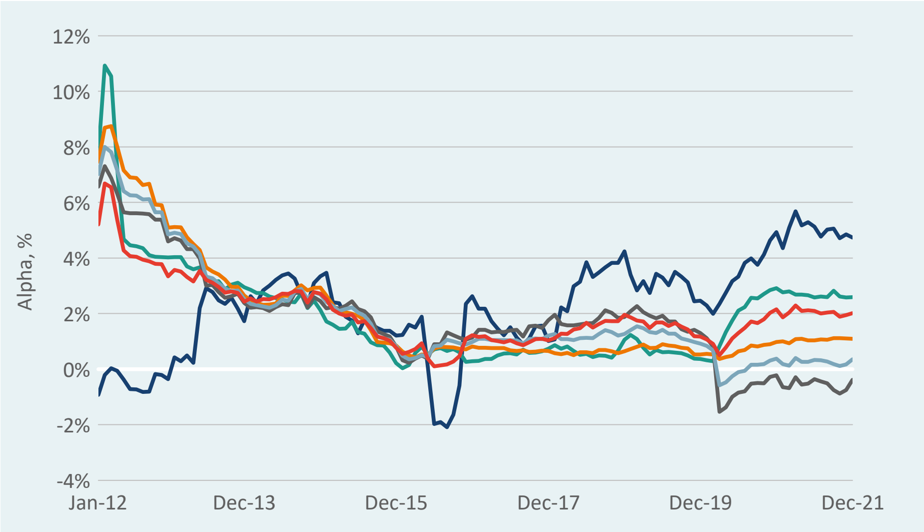
EXCESS PERFORMANCE VS. RISK, JAN-17 TO DEC-21



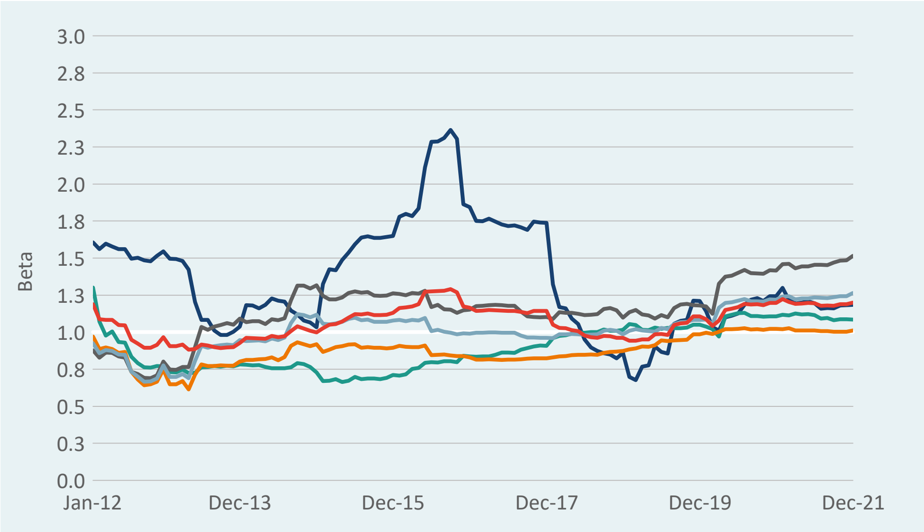
MAX DRAWDOWN RETURN, JAN-17 TO DEC-21



36 MONTH ROLLING ALPHA



36 MONTH ROLLING BETA

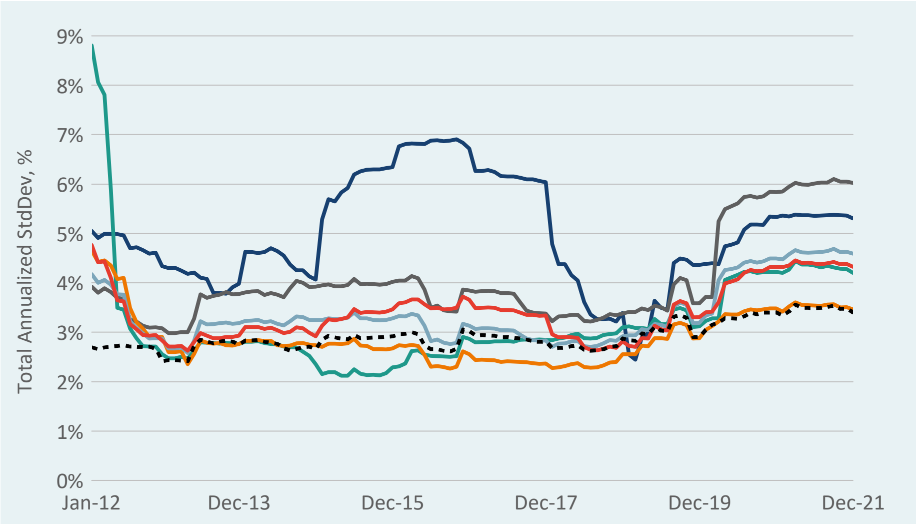


Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

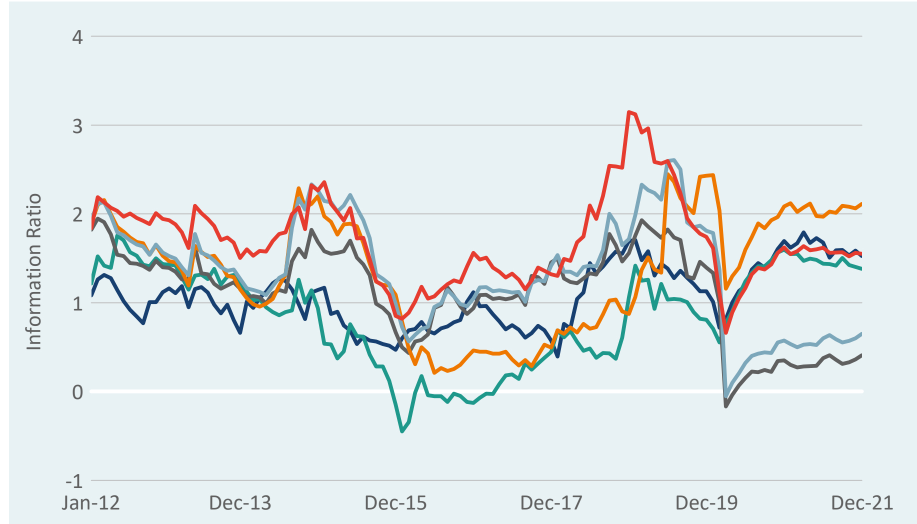
Performance statistics

● Brandywine ● Reams ● PGIM ● TCW ● Portfolio 1 - Current ● Portfolio 2 - Proposed ✚ Bloomberg US Aggregate

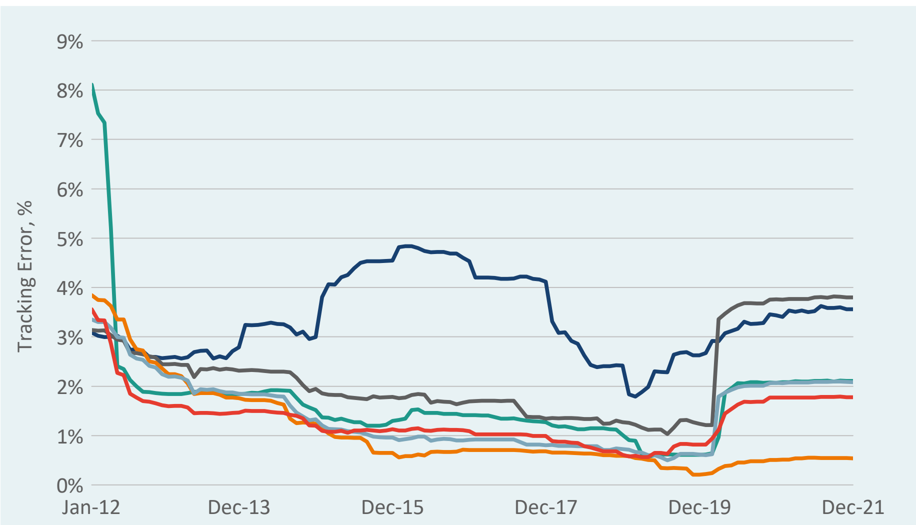
36 MONTH ROLLING RISK



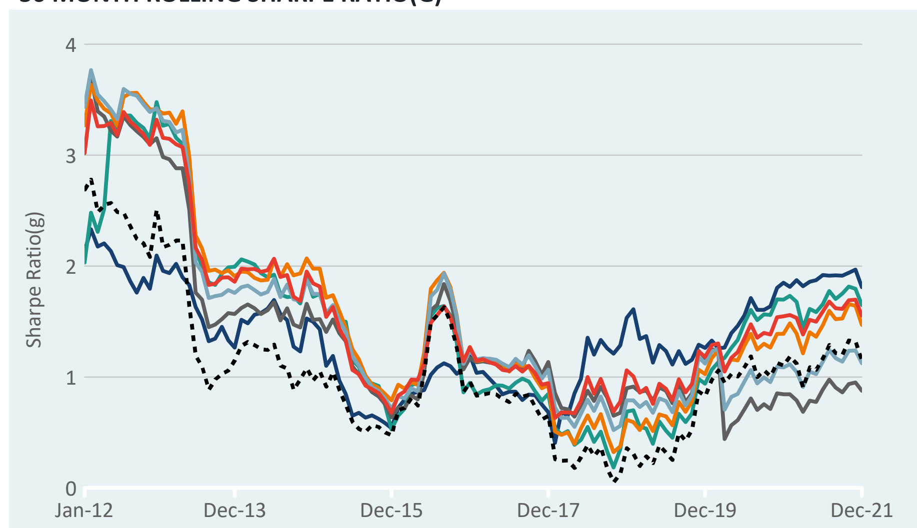
36 MONTH ROLLING INFORMATION RATIO



36 MONTH ROLLING TRACKING ERROR



36 MONTH ROLLING SHARPE RATIO(G)



Verus

Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
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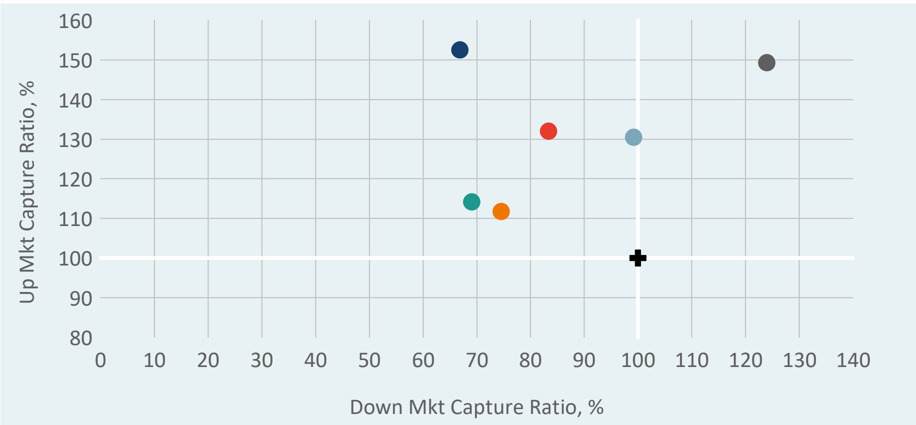
Style Analysis and Portfolio Analytics

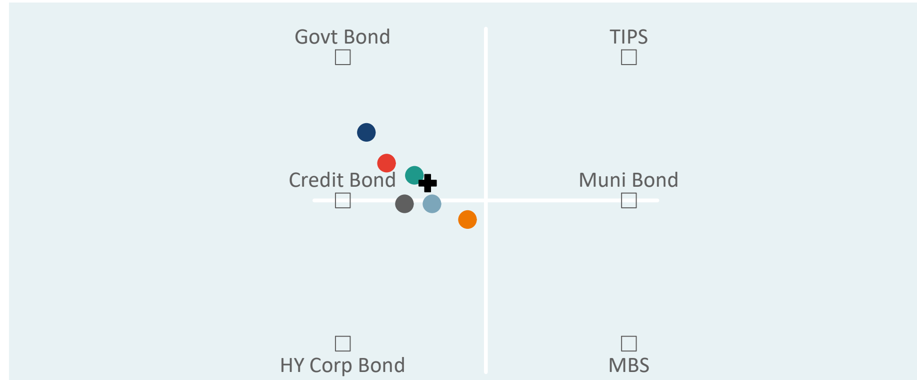
Style and portfolio comparison

Brandywine Reams PGIM TCW Portfolio 1 - Current Portfolio 2 - Proposed Bloomberg US Aggregate

UP/DOWN MARKET CAPTURE, JAN-12 TO DEC-21



BARCAP 6-INDEX MAP, JAN-12 TO DEC-21



USD, 36-month trailing window; exp. weighted, rescaled

	Brandywine	Reams	PGIM	TCW
ANNUAL TURNOVER	55.3%	237.1%	N/A	N/A
YIELD TO MATURITY	.0078	.0171	2.7%	2.2%
EFFECTIVE DURATION	3.5	5.7	7.5	6.3
AVERAGE QUALITY ISSUE	AA	AA	A	AA
HIGH YIELD	0%	2.2%	7.4%	1.8%

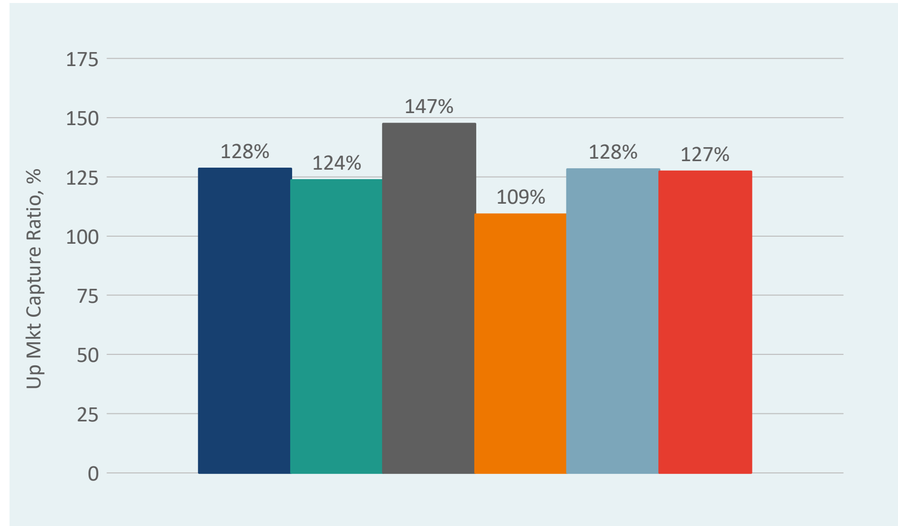
Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Up & down market analysis

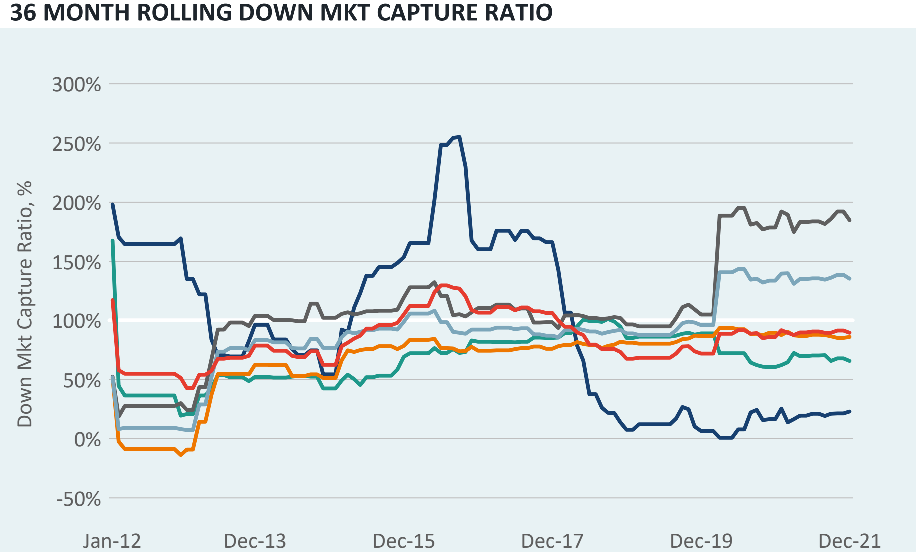
Brandywine · Reams · PGIM · TCW · Portfolio 1 - Current · Portfolio 2 - Proposed · ✚ Bloomberg US Aggregate

36 MONTH ROLLING UP MKT CAPTURE RATIO

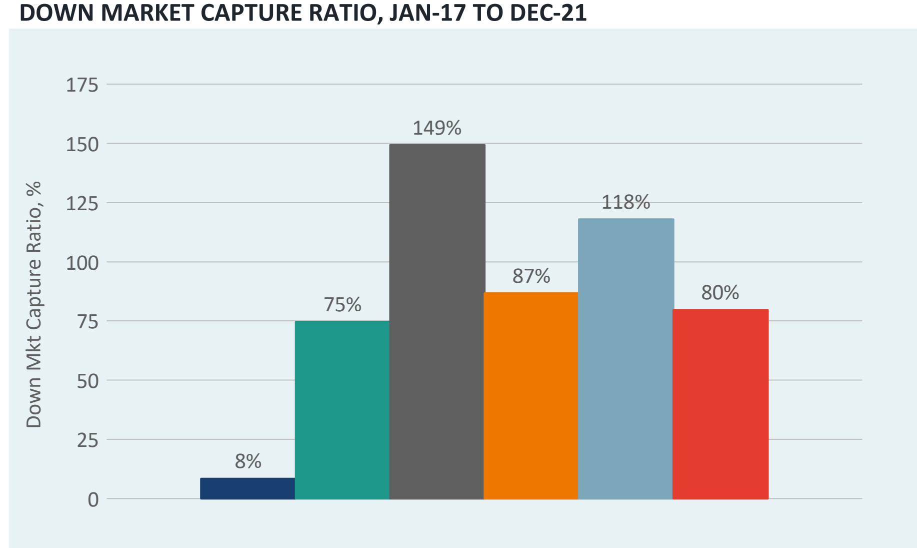
UP MARKET CAPTURE RATIO, JAN-17 TO DEC-21



36 MONTH ROLLING DOWN MKT CAPTURE RATIO



DOWN MARKET CAPTURE RATIO, JAN-17 TO DEC-21

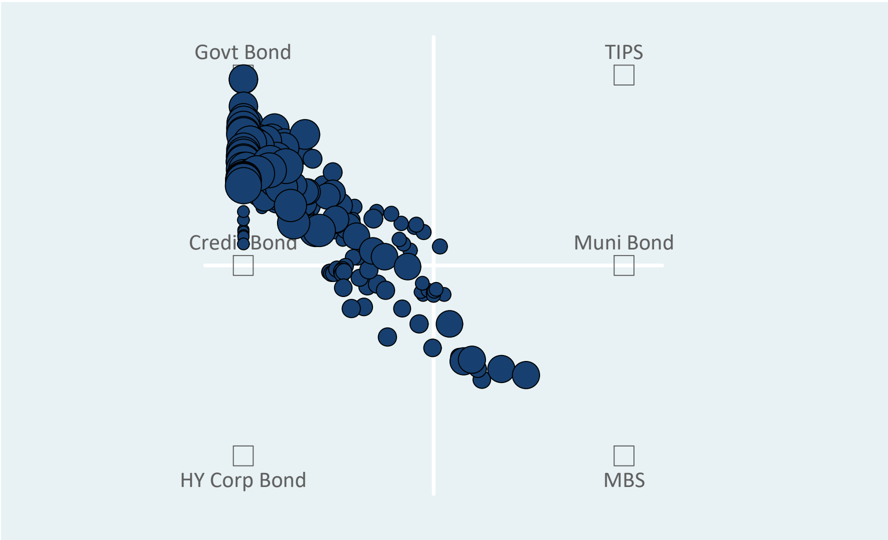


Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

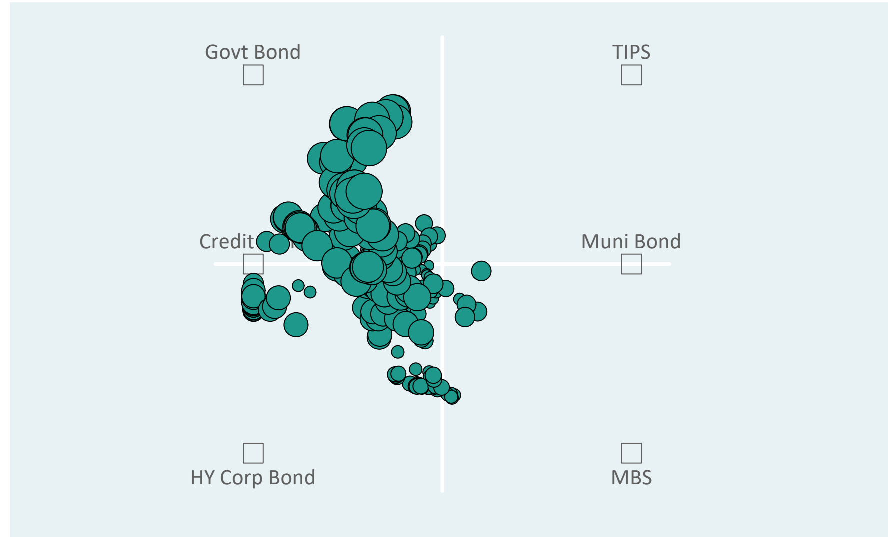
Style analysis (Barcap 6-Index Map)

● Brandywine ● Reams ● PGIM ● TCW

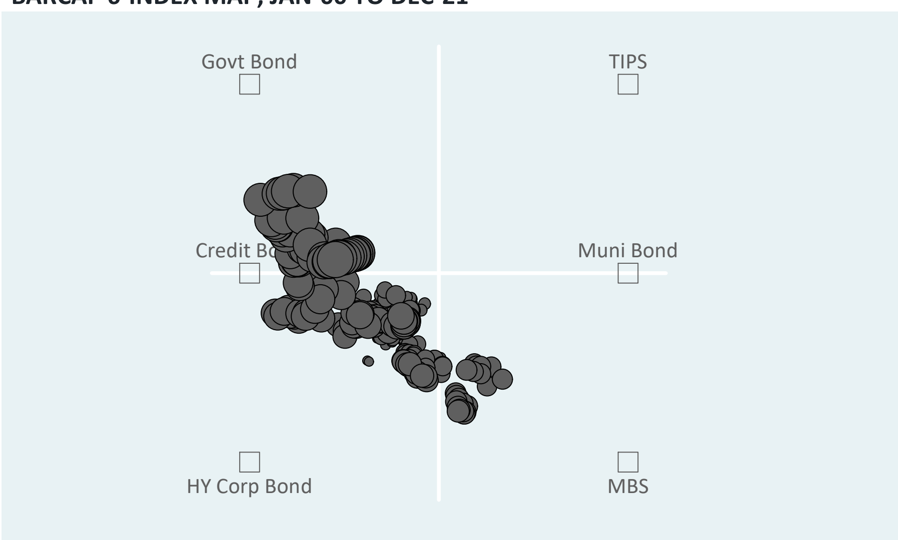
BARCAP 6-INDEX MAP, JAN-00 TO DEC-21



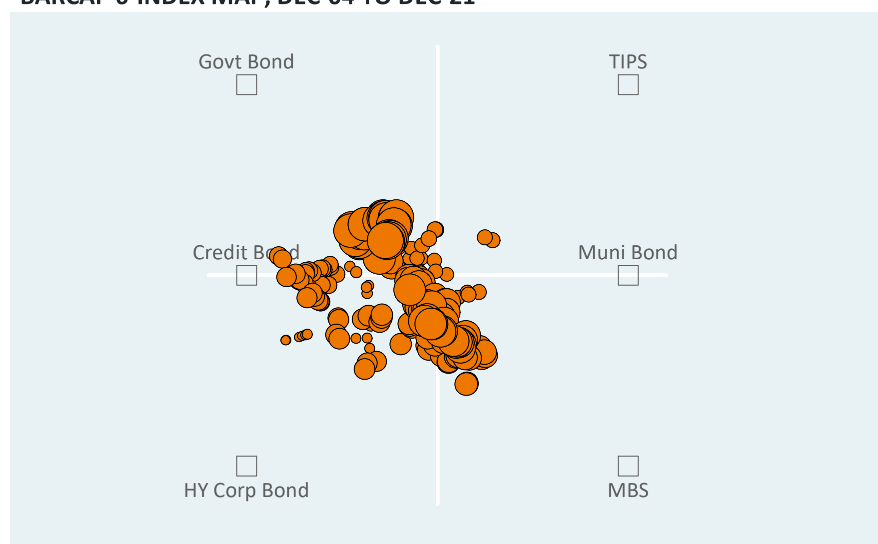
BARCAP 6-INDEX MAP, JAN-00 TO DEC-21



BARCAP 6-INDEX MAP, JAN-00 TO DEC-21



BARCAP 6-INDEX MAP, DEC-04 TO DEC-21

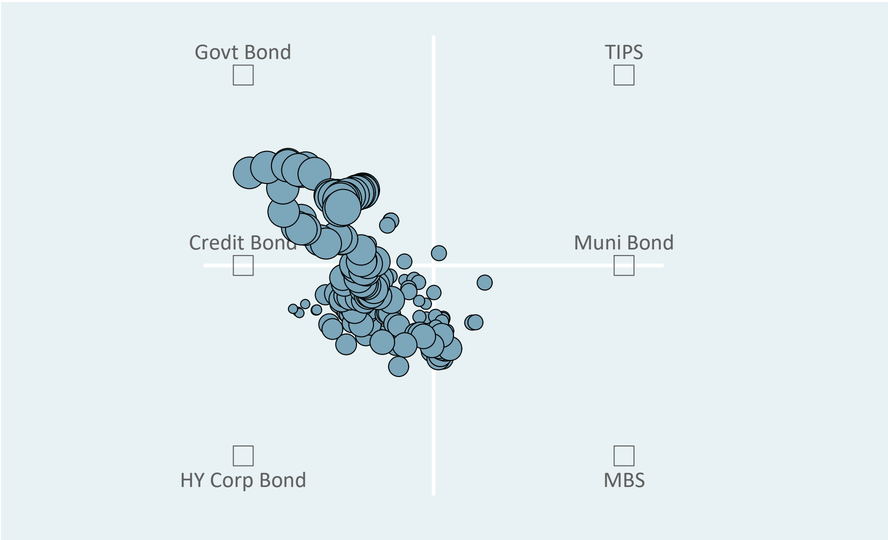


Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

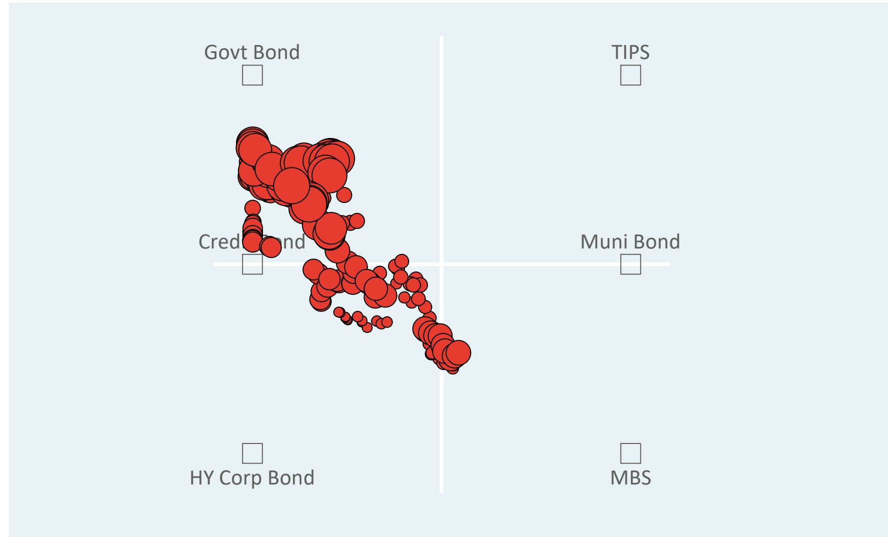
Style analysis (Barcap 6-Index Map)

Portfolio 1 - Current   Portfolio 2 - Proposed

BARCAP 6-INDEX MAP, DEC-04 TO DEC-21



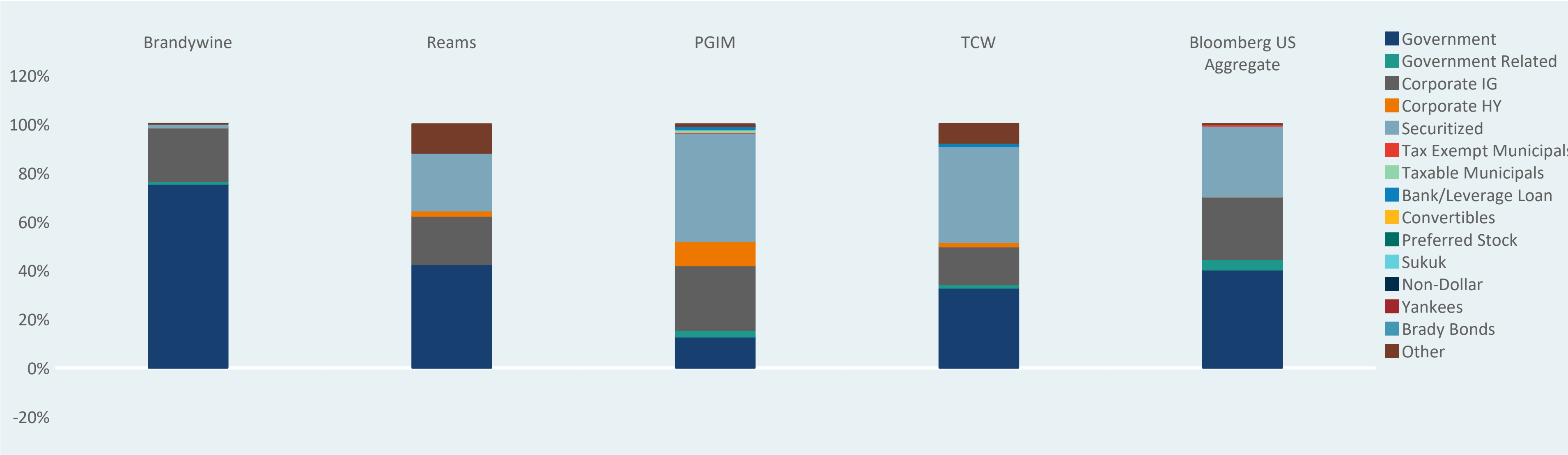
BARCAP 6-INDEX MAP, DEC-04 TO DEC-21



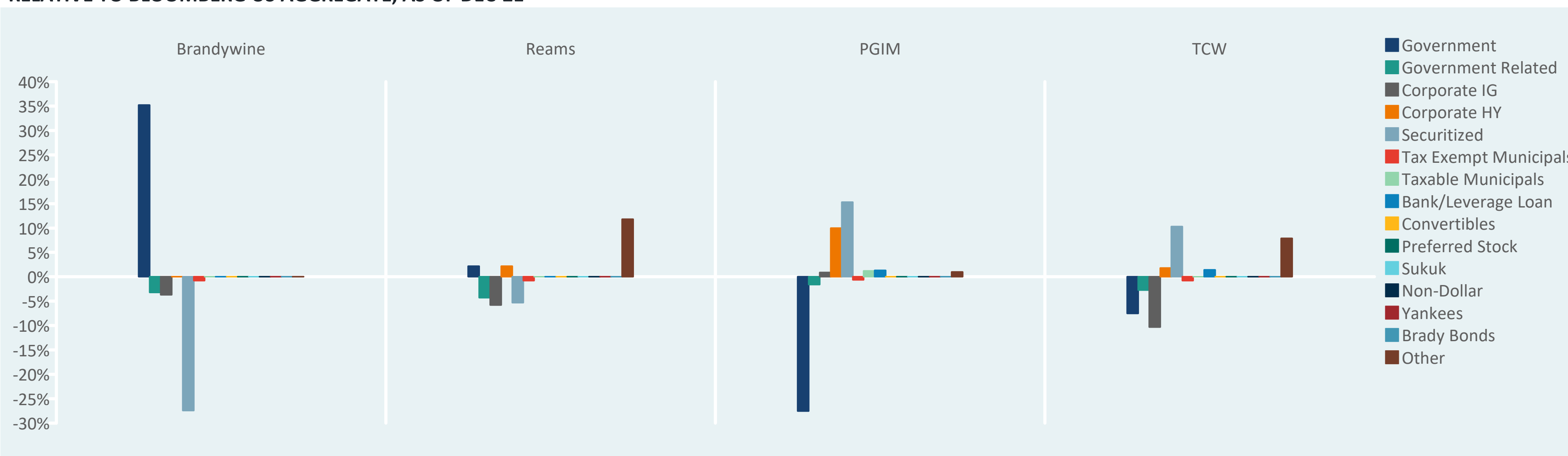
Index: BBG Aggregate Bond   Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Fixed income sector exposure

CURRENT SECTOR POSITION, AS OF DEC-21



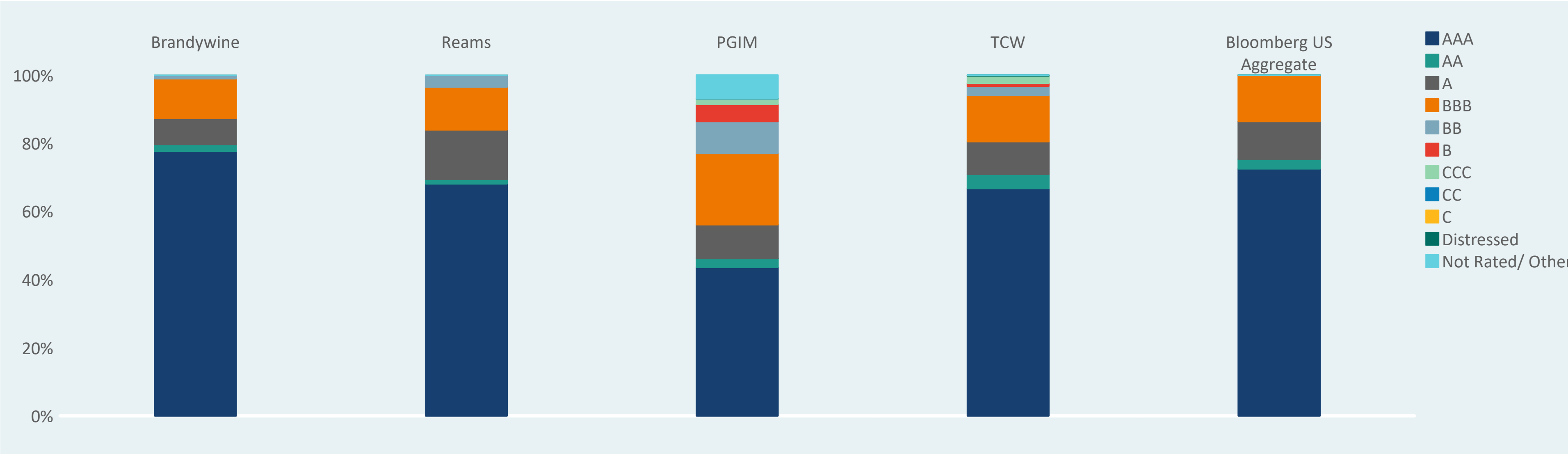
RELATIVE TO BLOOMBERG US AGGREGATE, AS OF DEC-21



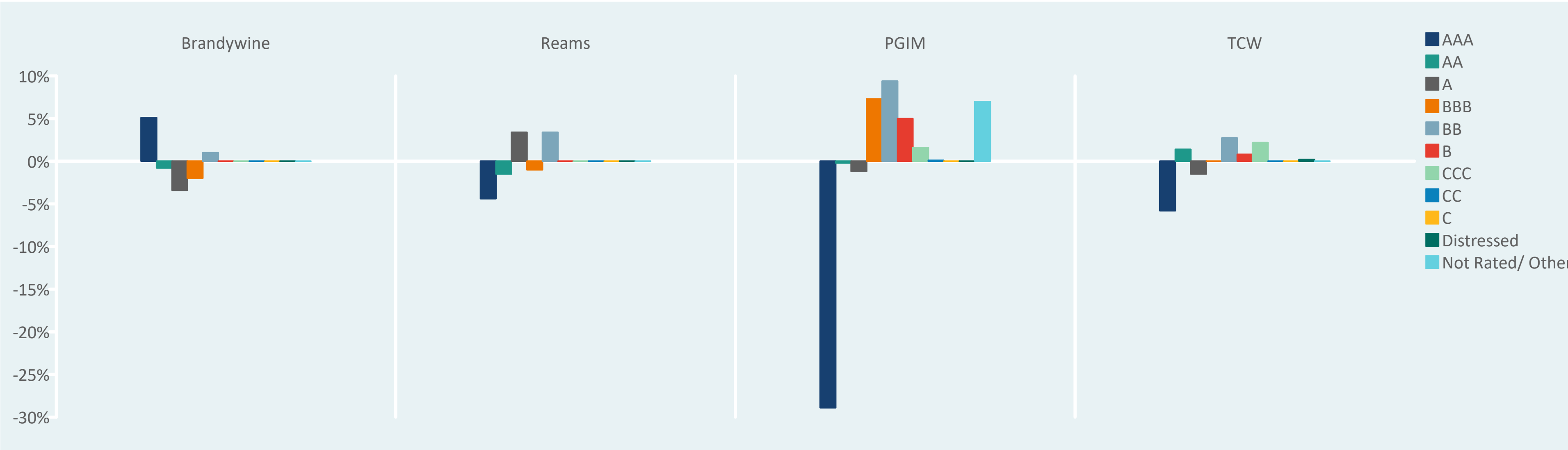
Index: BBG Aggregate Bond   Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Fixed income quality exposure

CURRENT QUALITY EXPOSURE, AS OF DEC-21



RELATIVE TO BLOOMBERG US AGGREGATE, AS OF DEC-21



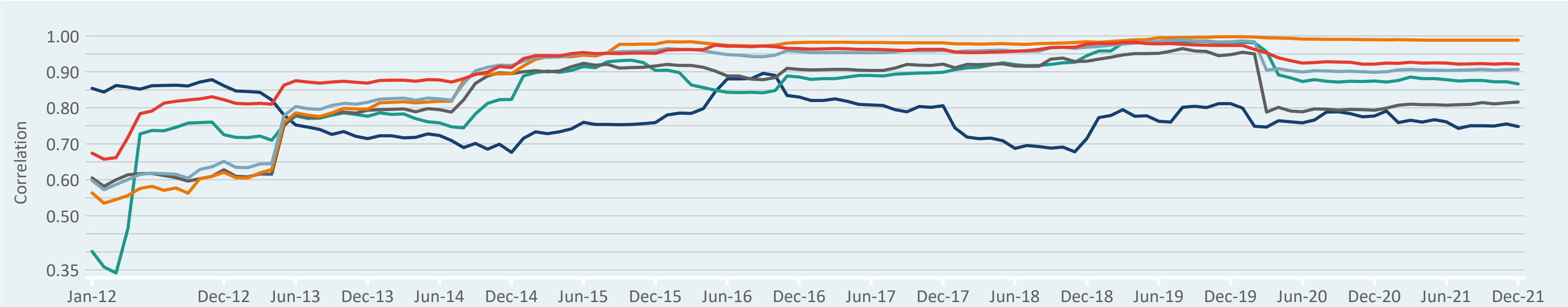
Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Risk Analysis

Correlations

● Brandywine ● Reams ● PGIM ● TCW ● Portfolio 1 - Current ● Portfolio 2 - Proposed ✚ Bloomberg US Aggregate

CORRELATION - 3 YEAR ROLLING vs. BBG Aggregate Bond



3 YEAR ENDING 12/2021

	Brandywine	Reams	PGIM	TCW	Portfolio 1 - Current	Portfolio 2 - Proposed	Bloomberg US Aggregate
Brandywine	1.00	0.81	0.68	0.78	0.74	0.89	0.75
Reams	0.81	1.00	0.70	0.89	0.79	0.91	0.87
PGIM	0.68	0.70	1.00	0.87	0.98	0.90	0.82
TCW	0.78	0.89	0.87	1.00	0.95	0.95	0.99
Portfolio 1 - Current	0.74	0.79	0.98	0.95	1.00	0.95	0.91
Portfolio 2 - Proposed	0.89	0.91	0.90	0.95	0.95	1.00	0.92
Bloomberg US Aggregate	0.75	0.87	0.82	0.99	0.91	0.92	1.00

5 YEAR ENDING 12/2021

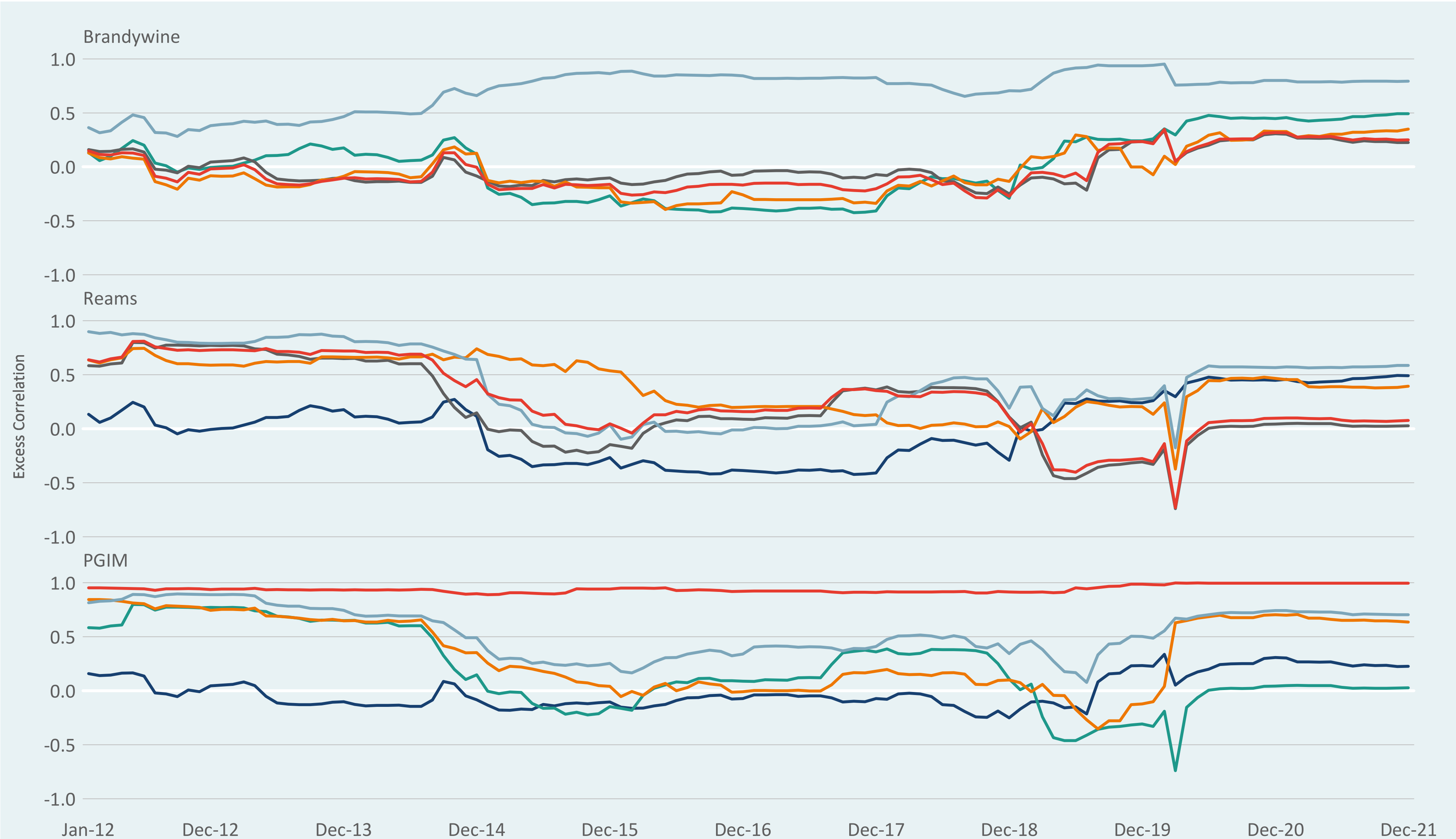
	Brandywine	Reams	PGIM	TCW	Portfolio 1 - Current	Portfolio 2 - Proposed	Bloomberg US Aggregate
Brandywine	1.00	0.78	0.67	0.74	0.72	0.88	0.72
Reams	0.78	1.00	0.72	0.91	0.82	0.92	0.89
PGIM	0.67	0.72	1.00	0.87	0.98	0.90	0.83
TCW	0.74	0.91	0.87	1.00	0.95	0.95	0.99
Portfolio 1 - Current	0.72	0.82	0.98	0.95	1.00	0.95	0.92
Portfolio 2 - Proposed	0.88	0.92	0.90	0.95	0.95	1.00	0.93
Bloomberg US Aggregate	0.72	0.89	0.83	0.99	0.92	0.93	1.00

Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Rolling excess return correlation

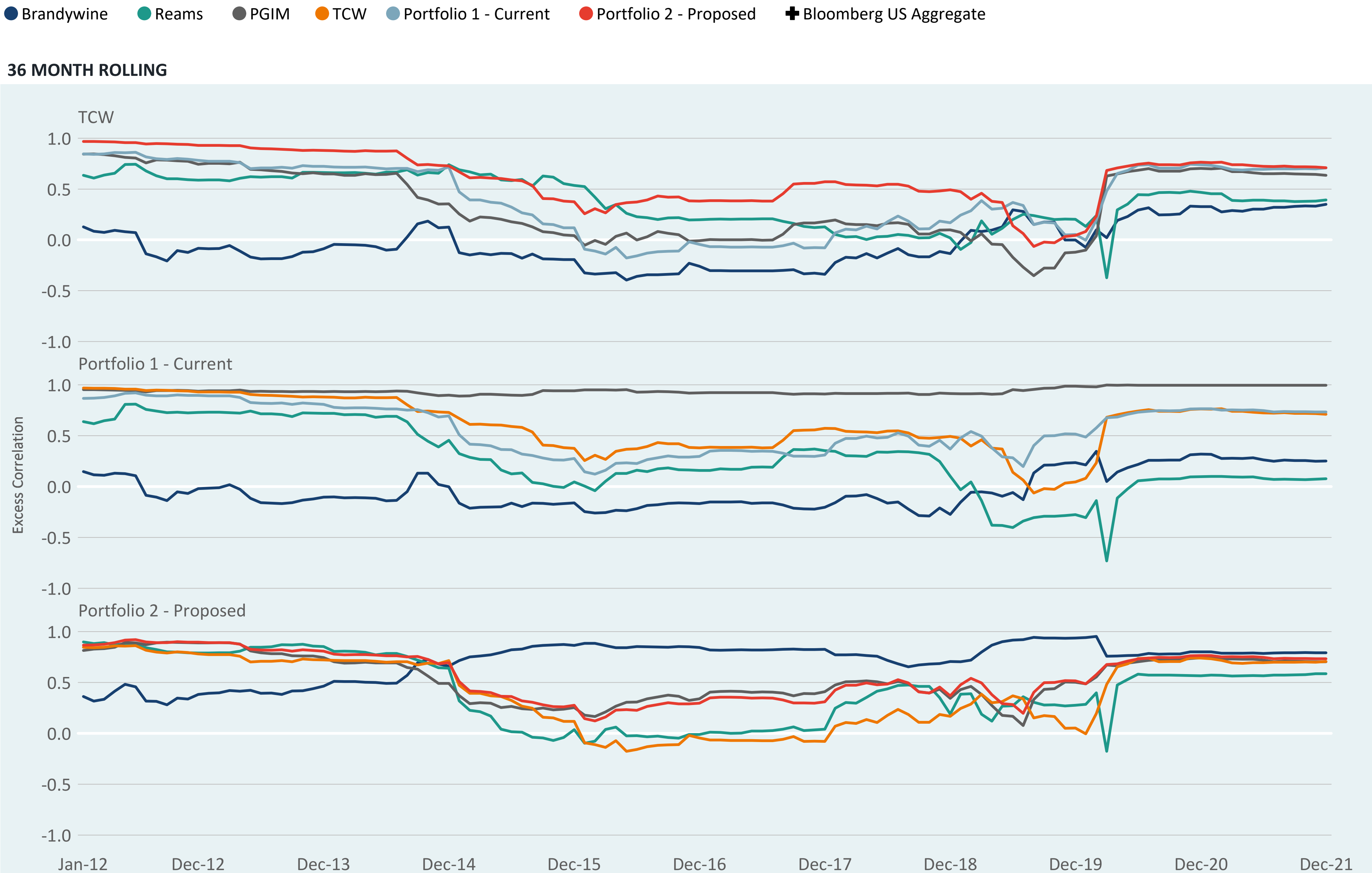
Brandywine Reams PGIM TCW Portfolio 1 - Current Portfolio 2 - Proposed Bloomberg US Aggregate

36 MONTH ROLLING



Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Rolling excess return correlation



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Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
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Excess return correlations

3 YEAR ENDING 12/2021

	Brandywine	Reams	PGIM	TCW	Portfolio 1 - Current	Portfolio 2 - Proposed	Bloomberg US Credit
Brandywine	1.00	0.49	0.23	0.35	0.25	0.79	0.21
Reams	0.49	1.00	0.03	0.39	0.08	0.59	0.08
PGIM	0.23	0.03	1.00	0.64	0.99	0.70	0.95
TCW	0.35	0.39	0.64	1.00	0.71	0.71	0.60
Portfolio 1 - Current	0.25	0.08	0.99	0.71	1.00	0.73	0.94
Portfolio 2 - Proposed	0.79	0.59	0.70	0.71	0.73	1.00	0.68
Bloomberg US Credit	0.21	0.08	0.95	0.60	0.94	0.68	1.00

5 YEAR ENDING 12/2021

	Brandywine	Reams	PGIM	TCW	Portfolio 1 - Current	Portfolio 2 - Proposed	Bloomberg US Credit
Brandywine	1.00	0.45	0.18	0.33	0.21	0.79	0.20
Reams	0.45	1.00	0.01	0.40	0.06	0.57	0.06
PGIM	0.18	0.01	1.00	0.57	0.99	0.67	0.93
TCW	0.33	0.40	0.57	1.00	0.66	0.68	0.53
Portfolio 1 - Current	0.21	0.06	0.99	0.66	1.00	0.71	0.92
Portfolio 2 - Proposed	0.79	0.57	0.67	0.68	0.71	1.00	0.65
Bloomberg US Credit	0.20	0.06	0.93	0.53	0.92	0.65	1.00

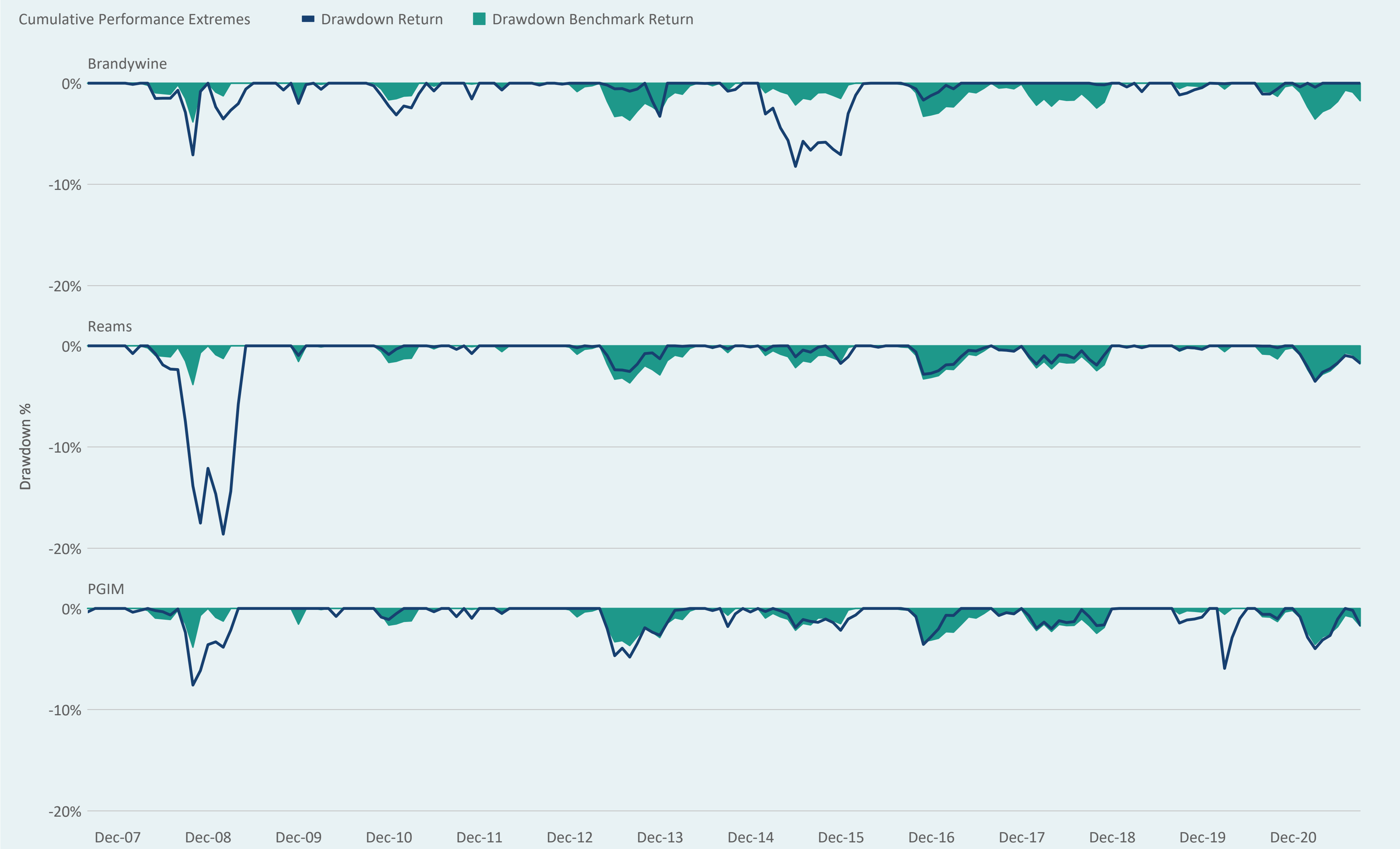
10 YEAR ENDING 12/2021

	Brandywine	Reams	PGIM	TCW	Portfolio 1 - Current	Portfolio 2 - Proposed	Bloomberg US Credit
Brandywine	1.00	0.12	0.07	0.02	0.07	0.74	0.15
Reams	0.12	1.00	0.08	0.42	0.20	0.50	0.11
PGIM	0.07	0.08	1.00	0.35	0.96	0.60	0.88
TCW	0.02	0.42	0.35	1.00	0.60	0.48	0.24
Portfolio 1 - Current	0.07	0.20	0.96	0.60	1.00	0.66	0.82
Portfolio 2 - Proposed	0.74	0.50	0.60	0.48	0.66	1.00	0.58
Bloomberg US Credit	0.15	0.11	0.88	0.24	0.82	0.58	1.00

Index: BBG Aggregate Bond   Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Historical drawdowns

CUMULATIVE PERFORMANCE EXTREMES



Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
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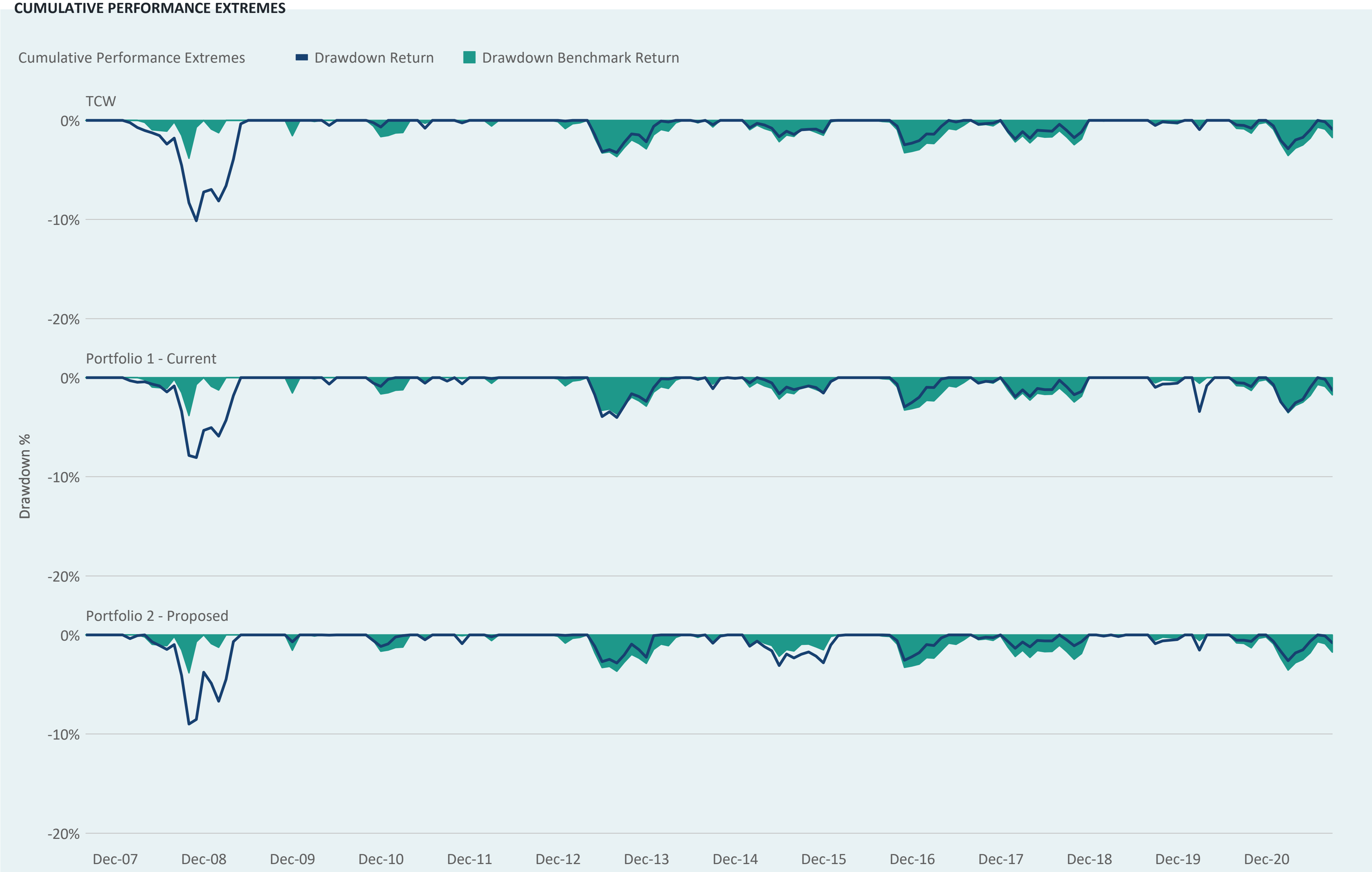
Historical drawdowns

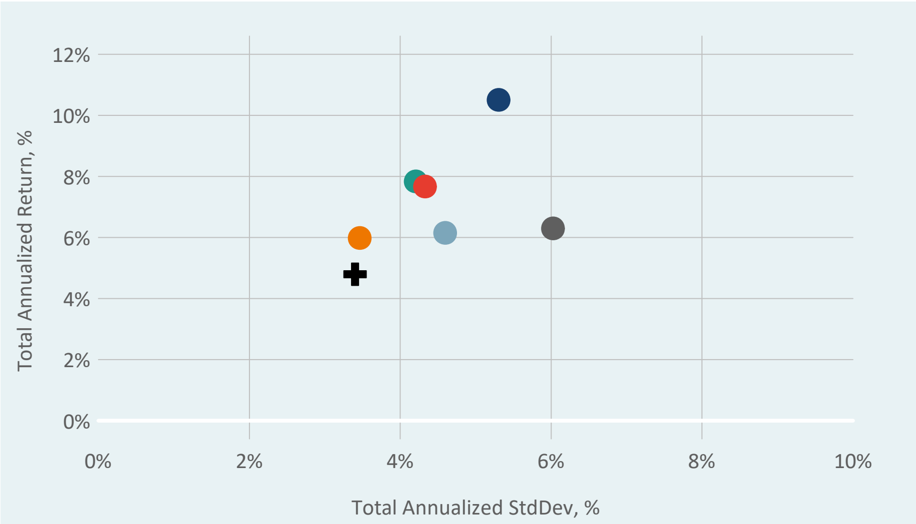
CUMULATIVE PERFORMANCE EXTREMES



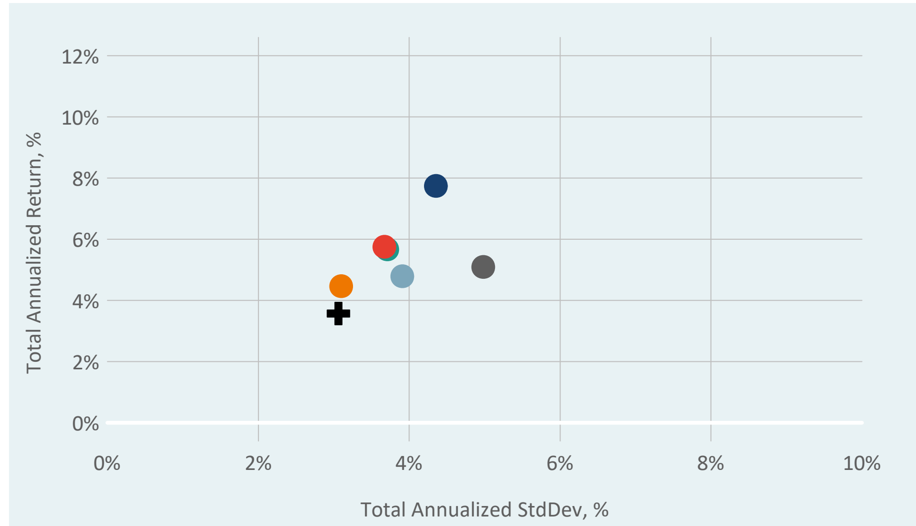
Risk vs. return

● Brandywine ● Reams ● PGIM ● TCW ● Portfolio 1 - Current ● Portfolio 2 - Proposed ✚ Bloomberg US Aggregate

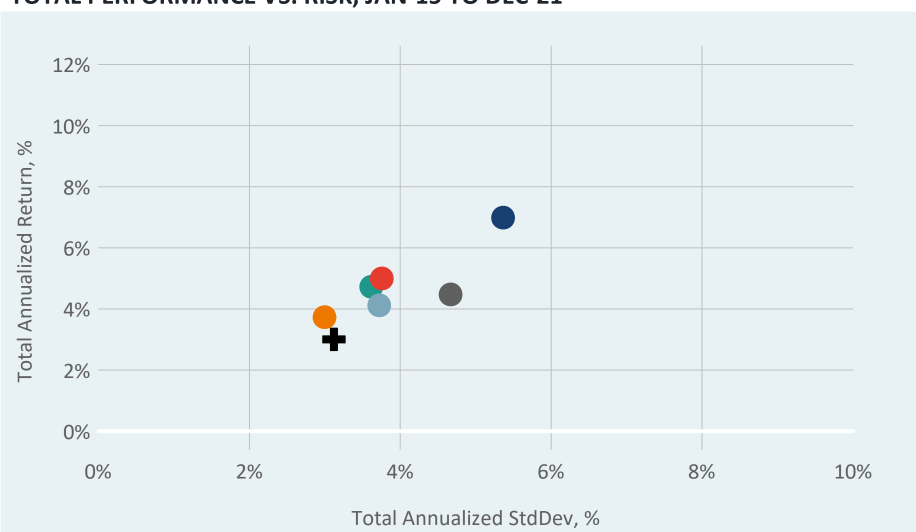
TOTAL PERFORMANCE VS. RISK, JAN-19 TO DEC-21



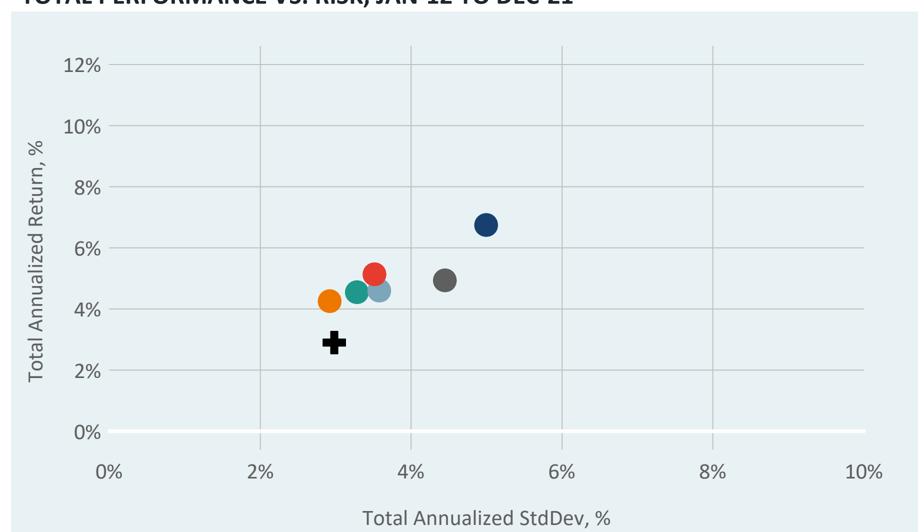
TOTAL PERFORMANCE VS. RISK, JAN-17 TO DEC-21



TOTAL PERFORMANCE VS. RISK, JAN-15 TO DEC-21



TOTAL PERFORMANCE VS. RISK, JAN-12 TO DEC-21

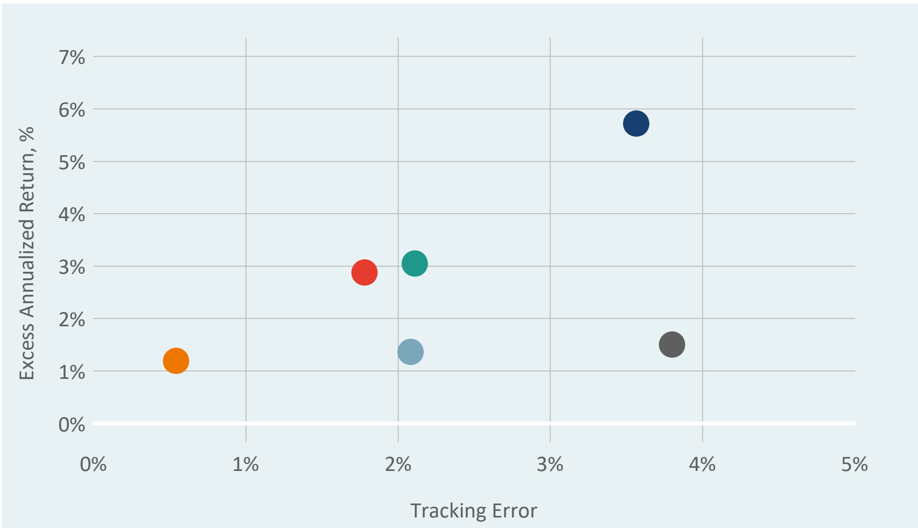


Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

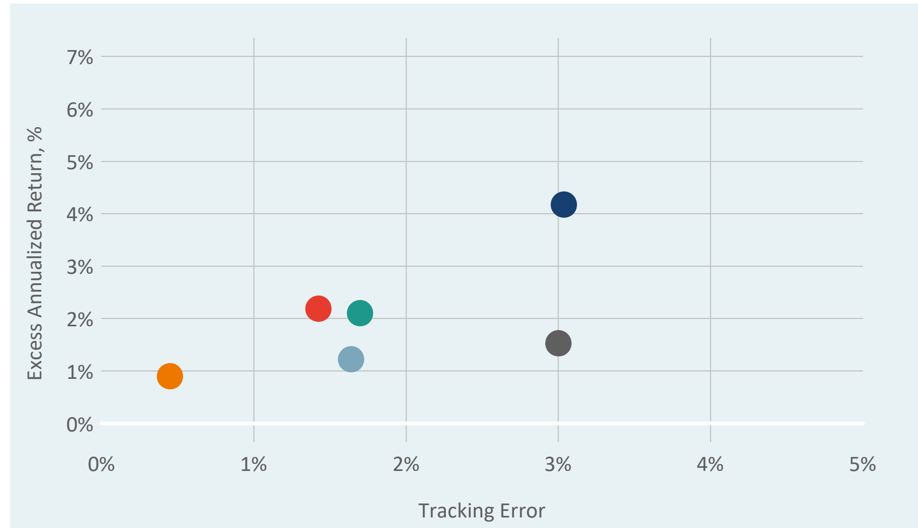
Performance efficiency

● Brandywine ● Reams ● PGIM ● TCW ● Portfolio 1 - Current ● Portfolio 2 - Proposed ✚ Bloomberg US Aggregate

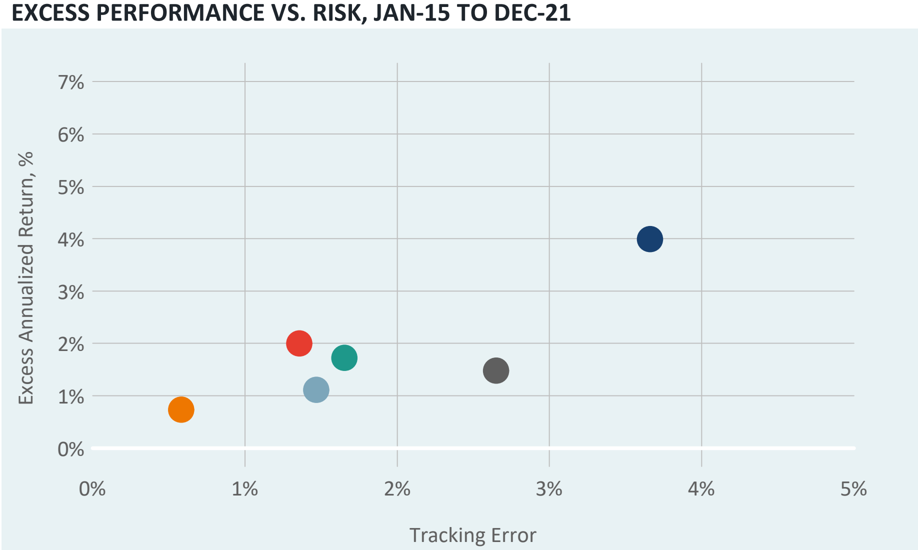
EXCESS PERFORMANCE VS. RISK, JAN-19 TO DEC-21



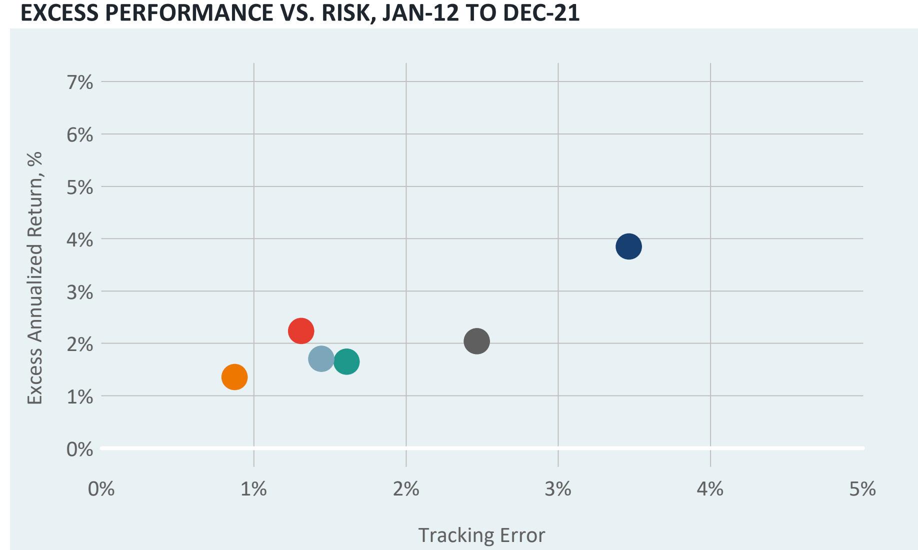
EXCESS PERFORMANCE VS. RISK, JAN-17 TO DEC-21



EXCESS PERFORMANCE VS. RISK, JAN-15 TO DEC-21



EXCESS PERFORMANCE VS. RISK, JAN-12 TO DEC-21



Index: BBG Aggregate Bond Returns: Gross of Fees
Data Source: eVestment Universe: eA US Core Plus Fixed Income
Portfolio 1 - Current = 50% PGIM & 50% TCW rebalanced monthly
Portfolio 2 - Proposed = 25% Brandywine, 25% Reams, 25% PGIM & 25% TCW rebalanced monthly

Notices & Disclosures

Past performance is no guarantee of future results. *This report or presentation is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and should not be relied upon by retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. The opinions and information expressed are current as of the date provided or cited only and are subject to change without notice. This information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. This report or presentation cannot be used by the recipient for advertising or sales promotion purposes.*

The material may include estimates, outlooks, projections and other "forward-looking statements." Such statements can be identified by the use of terminology such as "believes," "expects," "may," "will," "should," "anticipates," or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

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REAMS ASSET MANAGEMENT
A Division of Scout Investments
AN AFFILIATE OF CARILLON TOWER ADVISERS

Presented to:

Sacramento County Employees' Retirement System

Conference Call:

March 16, 2022

Presented by:

Mark Egan, CFA
Managing Director
Chief Investment Officer

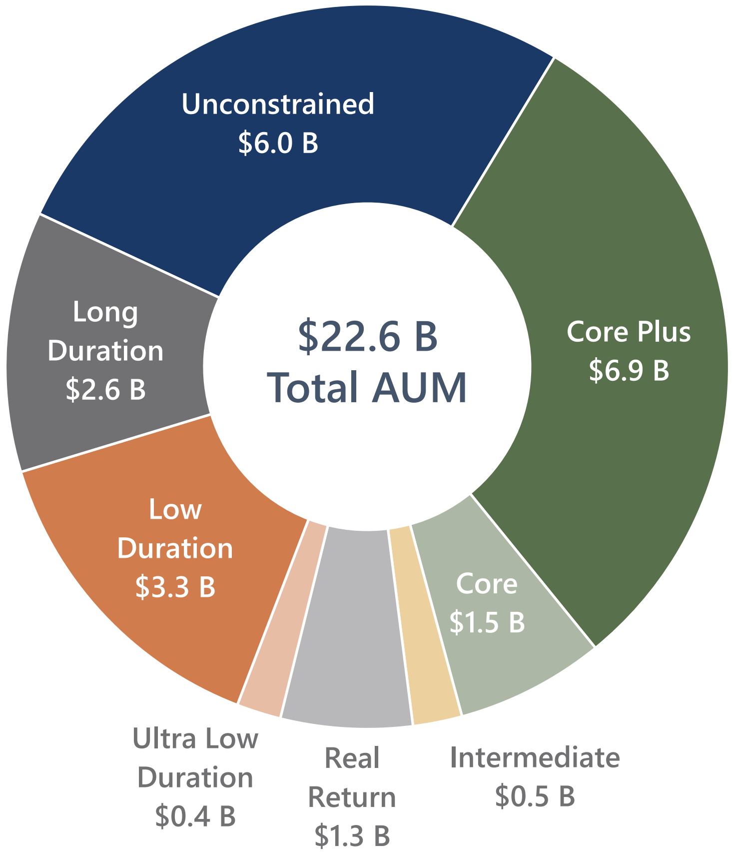
Steve Masarik, CFA
Senior Vice President
Client Portfolio Manager

Matt Waz
Senior Vice President
Head of Institutional Sales and Consultant Relations

Table of Contents

Firm Overview

Strategy Lineup



Available Investment Vehicles

Separate Accounts

- All Strategies

U.S. Institutional Commingled Funds:

- Columbus Core Plus Bond Fund
- Columbus Unconstrained Bond Fund

U.S. Institutional Mutual Funds (sub-advised):

- Core Strategy
- Core Plus Strategy
- Unconstrained Strategy

Non-U.S. Commingled Fund (sub-advised):

- Raymond James Funds Reams Unconstrained Bond SICAV (Class A USD | SCUCBDA LX)

Data as of
February 28, 2022

Firm Overview

Composite Performance (gross of fees)

	1 Year	3 Years	5 Years	7 Years	10 Years	20 Years	Since Inception
Core (Sep 1992)	**-2.06**	**6.18**	**4.70**	**3.87**	**3.59**	**5.05**	**5.94**
Bloomberg U.S. Aggregate	-2.64	3.30	2.71	2.35	2.47	4.06	5.06
Excess Return	0.58	2.88	1.99	1.52	1.12	0.99	0.88
Core Plus (Jun 1981)	**-2.07**	**6.54**	**4.91**	**4.16**	**3.97**	**5.55**	**9.57**
Bloomberg U.S. Aggregate	-2.64	3.30	2.71	2.35	2.47	4.06	7.34
Excess Return	0.57	3.24	2.20	1.81	1.50	1.49	2.23
Intermediate (Nov 1989)	**-1.84**	**4.30**	**3.54**	**3.03**	**3.04**	**4.45**	**5.94**
Bloomberg U.S. Intermediate Gov't/Credit	-2.46	2.80	2.32	2.08	2.06	3.60	5.13
Excess Return	0.62	1.50	1.22	0.95	0.98	0.85	0.82
Long Credit Focus (Apr 2009)	**-4.39**	**8.36**	**6.59**	**5.45**	**6.14**		**10.78**
Bloomberg U.S. Long Credit	-4.16	6.87	5.24	4.38	5.12		8.20
Excess Return	-0.23	1.49	1.35	1.07	1.02		2.58
Long Govt/Credit Focus (Jul 2002)	**-2.42**	**9.02**	**6.58**	**5.35**	**6.08**		**8.41**
Bloomberg U.S. Long Gov't/Credit	-2.80	7.26	5.33	4.14	4.83		6.67
Excess Return	0.38	1.76	1.25	1.21	1.25		1.74
Low Duration (Jul 2002)	**-1.61**	**3.06**	**2.60**	**2.26**	**2.27**		**3.66**
ICE BAML 1-3 Year U.S. Treasury	-1.51	1.54	1.35	1.16	0.99		2.03
Excess Return	-0.10	1.52	1.25	1.10	1.28		1.63
Ultra Low Duration (Jun 2015)	**-0.19**	**1.46**	**1.60**				**1.42**
ICE BAML 9-12 Month U.S. Treasury Bill	-0.26	1.26	1.33				1.12
Excess Return	0.07	0.20	0.27				0.30
Unconstrained (Aug 1998)	**-2.04**	**5.20**	**3.90**	**3.83**	**4.45**	**8.72**	**8.72**
ICE BAML 3-Month LIBOR Constant Maturity	0.11	1.11	1.37	1.12	0.88	1.61	2.20
Excess Return	-2.15	4.09	2.53	2.71	3.57	7.11	6.52

Data as of February 28, 2022

Past performance is no guarantee of future results. Performance figures are in U.S. Dollars and assume reinvested of income for the entire period. Performance figures stated gross of fees do not reflect the deduction of management fees. Performance results of clients would be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of .30%, this increase would be 152%. The firm's management fees are detailed in its Form ADV Part 2A. Please see the Important Disclosures for further information.

Firm Overview

Representative Client List

Corporate

American Honda Motor Company
Cummins Inc.
Electric Energy, Inc. Employee Benefit Fund
Emerson Electric Company
Omaha Public Power District
S.C. Johnson & Son, Inc.
Southern California Rock Products

Health Care

University of Colorado Health
NorthShore University HealthSystem
Northwestern Memorial HealthCare
OhioHealth Corporation
Shirley Ryan AbilityLab

Non-Profit

American Heart Association
Archdiocese of Miami
Board of Pensions/Presbyterian Church, USA
Chicago Symphony Orchestra
Cleveland Museum of Art
Veterans of Foreign Wars of the U.S.

Sub-Advisory

Prudential Retirement Insurance & Annuity Co.
Russell Investment Management Company

Public

Arkansas Teacher Retirement System
Employees' Retirement System of Baltimore County
Indiana State Police Pension Trust
Los Angeles Fire & Police Pensions
City of Milwaukee Employees' Retirement System
Montana Board of Investments
City of Oakland Police & Fire Retirement System
San Francisco Bay Area Rapid Transit District
Sonoma County Employees' Retirement Association
Spokane Firefighters' Pension Fund
Ventura County Employees' Retirement Association

Taft-Hartley

Carpenters District Council of Kansas City Pension Fund
Carpenters Pension Fund of Illinois
Gulf Coast Carpenters and Millwrights Health Trust
IBEW 8th District Electrical Pension Trust
Inter-Local Pension Fund, GCC/IBT
Ohio Operating Engineers Pension Plan

University/Endowment/Foundation

Trustees of Indiana University
University of Kentucky
Purdue University
Regents of the University of Minnesota

Data as of
February 28, 2022

This Representative Client List includes institutional clients whose permission has been received for inclusion. No specific selection criteria were used. It is not known whether or not the listed clients approve of the advisory services provided by Reams Asset Management or Scout Investments.

Firm Overview

Investment Team

Investment Committee

Mark Egan, CFA
Chief Investment Officer
Managing Director
(35 years / 31 years)

Todd Thompson, CFA
Portfolio Manager
Corporate Team Leader
Managing Director
(27 years / 20 years)

Bob Crider, CFA
Co-Founder
Managing Director
(44 years / 40 years)

Corporate Team

Todd Thompson, CFA

Jason Hoyer, CFA
Portfolio Manager / Analyst
(18 years / 6 years)

Clark Holland, CFA
Portfolio Manager
(27 years / 19 years)

Scott Rosener, CFA
Senior Analyst
(24 years / 16 years)

Trey Harrison, CFA, ASA
Senior Analyst / Actuary
(27 years / 11 years)

Reed Clark
Fixed Income Analyst
(2 years / <1 year)

Sydney Buck, CFA
Fixed Income Analyst
(4 years / <1 year)

Securitized Team

Steve Vincent, CFA
Portfolio Manager
Securitized Team Leader
(30 years / 27 years)

Kevin Salsbery, CFA
Senior Analyst
(20 years / 16 years)

Patrick Laughlin
Senior Analyst
(26 years / 17 years)

Taylor Harris, CFA
Fixed Income Analyst
(4 years / 4 years)

Global Rates & FX Team

Dimitri Silva, CFA
Portfolio Manager
(14 years / <1 year)

Antonina Tarassiouk
Fixed Income Analyst
(7 years / <1 year)

(Years of Industry Experience / Reams Tenure)
Please see Investment Professional Biographies section for detailed biographies

Investment Philosophy

What We Believe

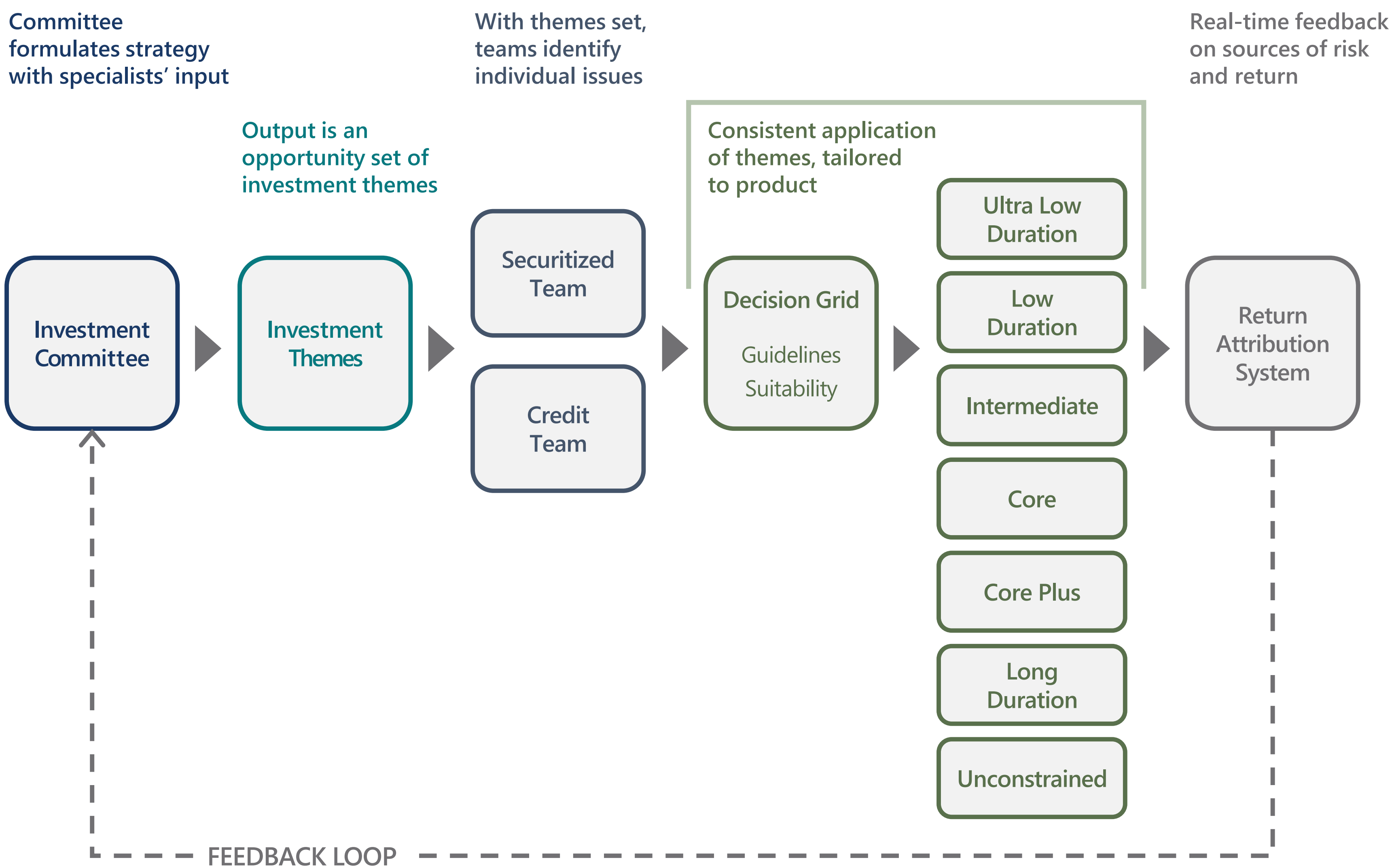
- Risk is not defined as price volatility or tracking error
- Predicting the future consistently and accurately is difficult
- Bond portfolio should seek to maximize total returns
- Prices can deviate significantly from fair value in the short term

Investment Philosophy

How We Seek To Add Value

- React opportunistically to market dislocations
- Focus on downside risk and avoiding permanent impairment
- Tactically manage exposure to bond market risk factors
- Maintain valuation discipline at all times

Investment Process Overview



Investment Process

Duration & Yield Curve Positioning

- Make duration decisions using a long-term valuation framework, not predictions about interest rates
- Establish active duration positions when rates appear mispriced and seek to capitalize on yield curve opportunities

Sector Allocation

- Assess relative value based on quantitative analysis of spreads across sectors, sub-sectors, and individual credits
- Incorporate a qualitative overlay based on monetary conditions, capital market environment, and credit cycle analysis

Security Selection

- Emphasize asset value and target senior positions with strong collateral protection and structural characteristics
- Focus on bonds with favorable risk/reward across a variety of environments
- Avoid bonds with unacceptable downside potential in *any* environment

Why Reams?

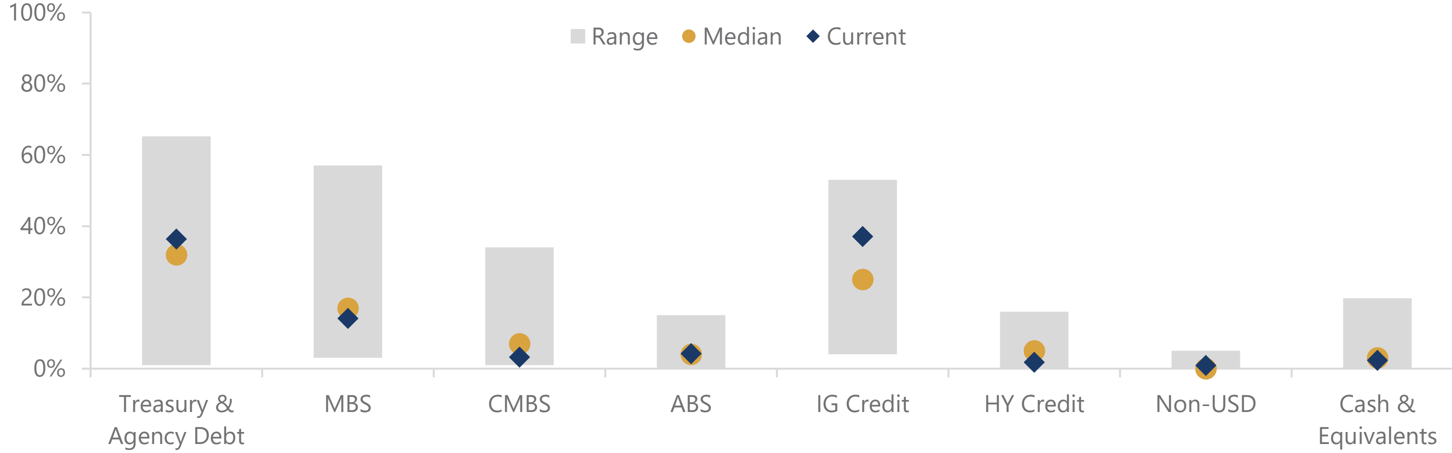
Differentiating Features

- Fixed income specialist with a focused product lineup
- Experienced and stable investment team
- Opportunistic investment style driven by long-term value and risk-adjusted total returns
- Flexible, benchmark-agnostic portfolio construction
- Distinct risk management framework
- High-touch client service model

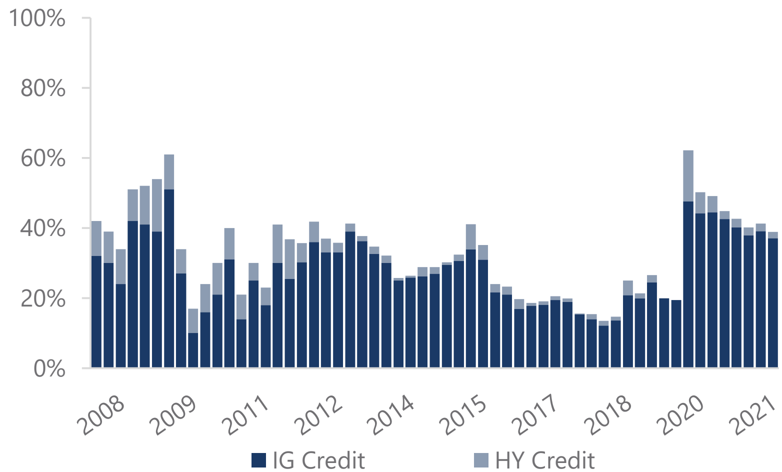
Core Plus Fixed Income

Historical Sector Allocations

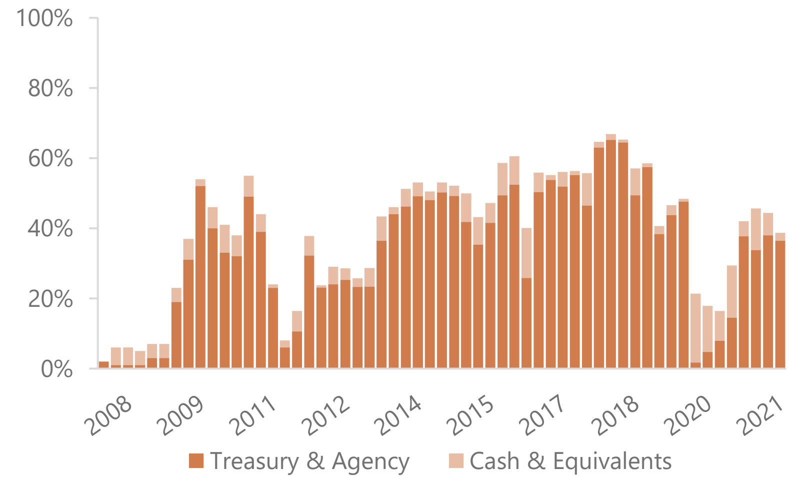
Sector Allocations, Percent of Portfolio
Sep 1998 – Dec 2021 (quarterly)



Corporate Exposure, Percent of Portfolio
Dec 2007 – Dec 2021 (quarterly)



Liquidity Exposure, Percent of Portfolio
Dec 2007 – Dec 2021 (quarterly)



Source: Reams Core Plus Fixed Income Composite

Performance & Attribution

Trailing Period Returns (gross of fees)

	2022 YTD	1 Year	3 Years	5 Years	7 Years	10 Years	20 Years	Since Inception
Core Plus Fixed Income Composite	**-2.76**	**-2.07**	**6.54**	**4.91**	**4.16**	**3.97**	**5.55**	**9.57**
Bloomberg U.S. Aggregate	-3.25	-2.64	3.30	2.71	2.35	2.47	4.06	7.34
Excess Return	0.49	0.57	3.24	2.20	1.81	1.50	1.49	2.23

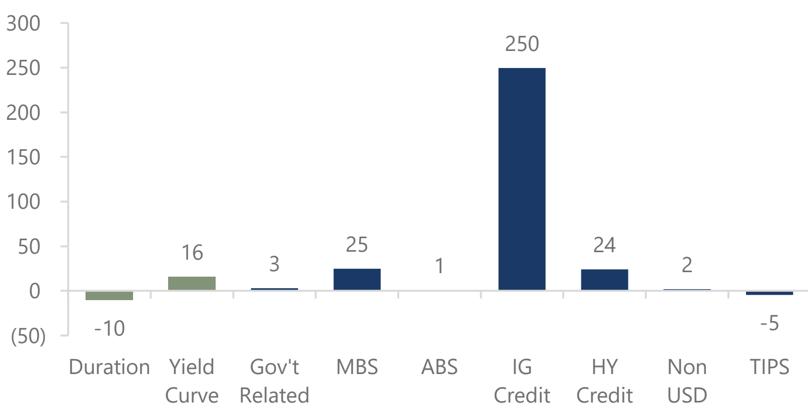
Inception date is 6/1/1981

Calendar Year Returns (gross of fees)

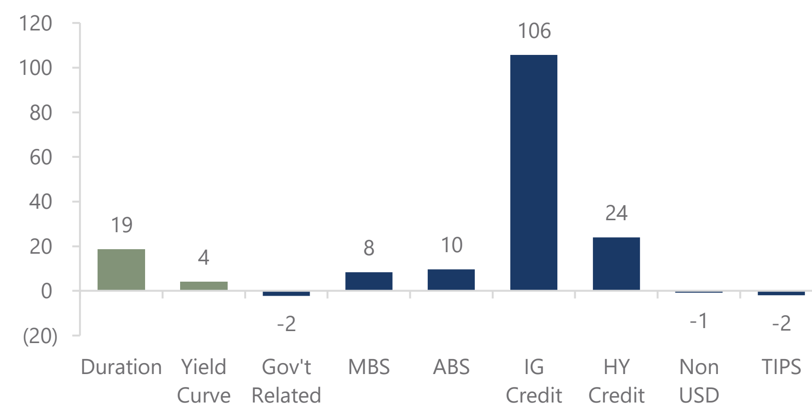
	2021	2020	2019	2018	2017	2016	2015	2014	2011	2010
Core Plus Fixed Income Composite	**-1.38**	**17.00**	**8.70**	**1.35**	**3.69**	**4.44**	**0.39**	**3.79**	**-0.31**	**9.17**
Bloomberg U.S. Aggregate	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97	-2.02	4.22
Excess Return	0.16	9.49	-0.01	1.34	0.14	1.79	-0.16	-2.17	1.71	4.95

Sources of Excess Return (gross of fees, as of 12/31/2021)

Trailing 3 Years, Basis Points (annualized)



Trailing 10 Years, Basis Points (annualized)



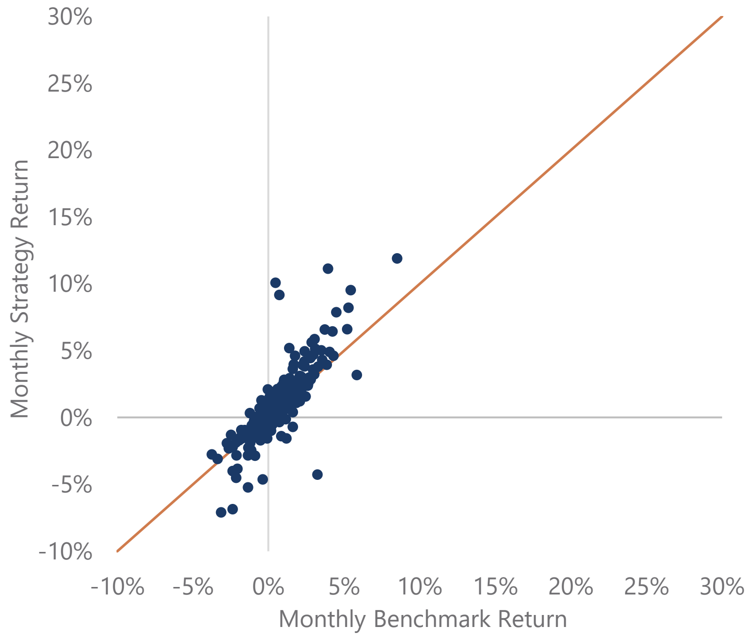
Data as of February 28, 2022

Performance data is from the Core Plus Fixed Income Composite. Past performance is no guarantee of future results. Performance figures are stated gross of fees in U.S. Dollars, assume reinvestment of income for the entire period and do not reflect the deduction of management fees. Performance results of clients would be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of 0.30%, this increase would be 152%. The firm's management fees are detailed in its Form ADV Part 2. Please see the Disclosures for further information.

Core Plus Fixed Income

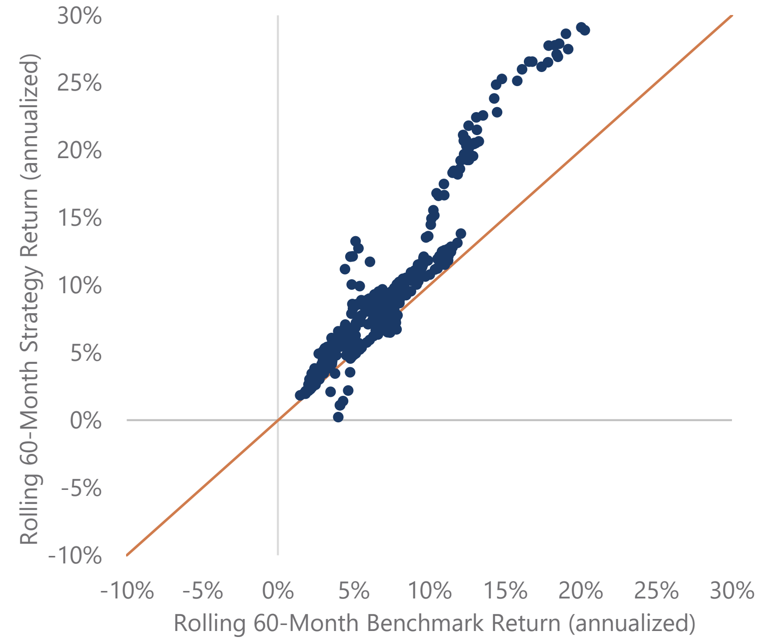
Consistent Long-Term Excess Returns

Monthly Total Returns (gross of fees) Since Inception: June 1981 – Feb 2022



Number of Periods	489
Avg. Monthly Excess Return	0.18%
% of Periods with Positive Excess Return	64%
Avg. Excess Return when Positive	0.60%
% of Periods with Negative Excess Return	36%
Avg. Excess Return when Negative	-0.56%

Rolling 60-Month Total Returns (gross of fees) Since Inception: Jun 1981 – Feb 2022



Number of Periods	430
Avg. 60-Month Excess Return (annualized)	2.10%
% of Periods with Positive Excess Return	89%
Avg. Excess Return when Positive (annualized)	2.45%
% of Periods with Negative Excess Return	11%
Avg. Excess Return when Negative (annualized)	-0.61%

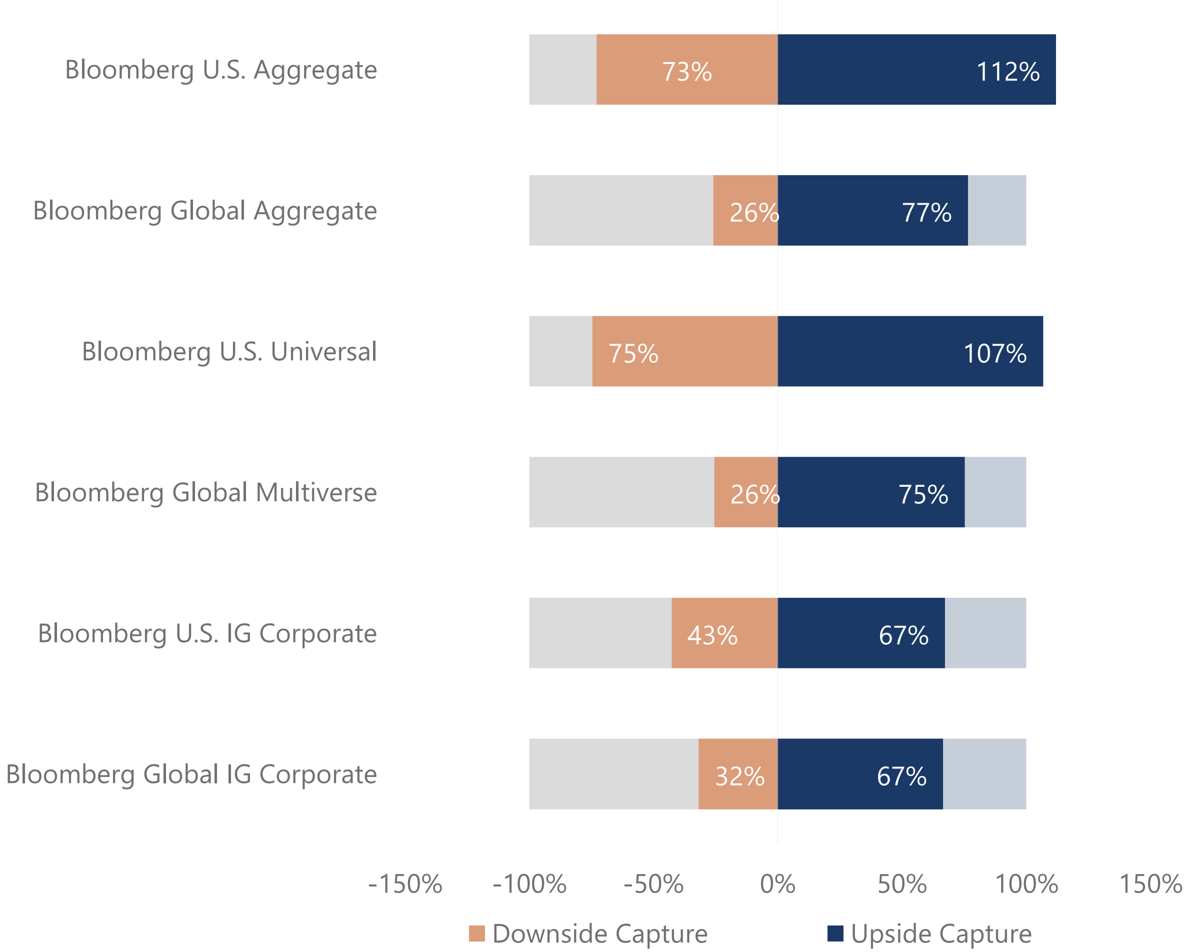
Source: Reams Asset Management; Bloomberg Index Services Limited; Bloomberg L.P.

Performance data is from the Core Plus Fixed Income Composite. Past performance is no guarantee of future results. Performance figures are stated gross of fees in U.S. Dollars, assume reinvestment of income for the entire period and do not reflect the deduction of management fees. Performance results of clients would be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of 0.30%, this increase would be 152%. The firm's management fees are detailed in its Form ADV Part 2. Please see the Disclosures for further information. The index referenced for the Core Plus Fixed Income Composite is the Bloomberg U.S. Aggregate Index. For excess returns for additional time periods, please see the composite's Performance & Attribution page.

Attractive Upside/Downside Market Capture

Core Plus Fixed Income

Upside / Downside Market Capture (gross of fees)
Trailing 10-Year Period: Mar 2012 - Feb 2022



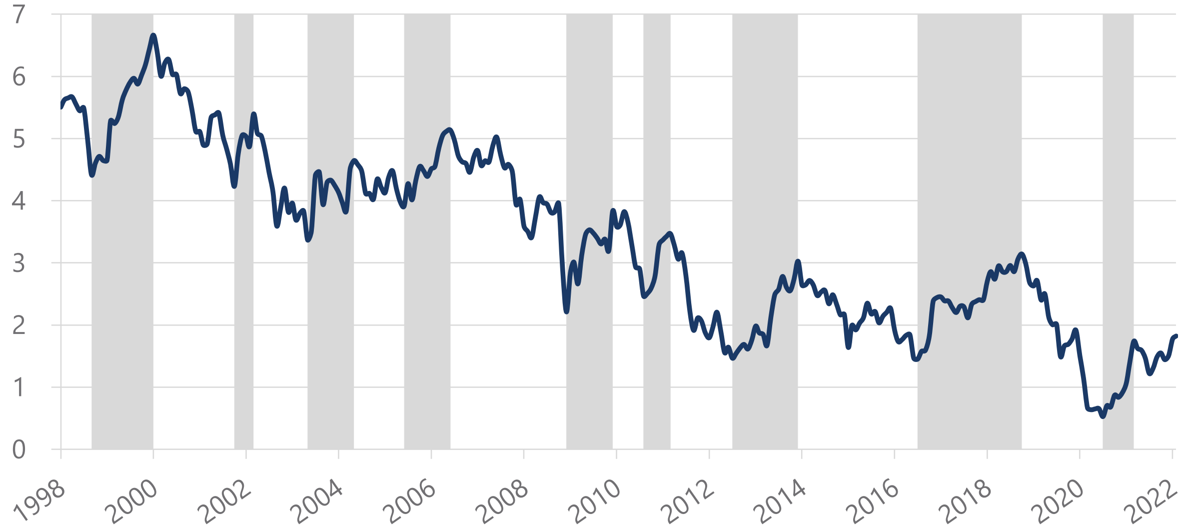
- Captured significant bond market upside during periods of strength and much lower downside during periods of market weakness
- Greater than 100% upside capture vs. the Bloomberg U.S. Aggregate and U.S. Universal combined with less than 75% downside capture

Source: Reams Asset Management; Bloomberg Index Services Limited; Bloomberg L.P.

Performance data is from the Core Plus Fixed Income Composite. Past performance is no guarantee of future results. Performance figures are stated gross of fees in U.S. Dollars, assume reinvestment of income for the entire period and do not reflect the deduction of management fees. Performance results of clients would be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of 0.30%, this increase would be 152%. The firm's management fees are detailed in its Form ADV Part 2. Please see the Disclosures for further information.

Positive Returns in Rising Rate Environments

U.S. 10-Year Treasury Yield, Percent
Jan 1998 – Feb 2022



- Outperformed the Bloomberg U.S. Aggregate in all 9 periods of rising rates since January 1998
- Produced positive absolute returns in 6 of 9 periods of rising rates since January 1998

Cumulative Return, Percent (gross of fees)

Period Start	10/01/98	11/01/01	06/01/03	07/01/05	01/01/09	09/01/10	08/01/12	08/01/16	08/01/20
Period End	01/31/00	03/31/02	05/31/04	06/30/06	12/31/09	03/31/11	12/31/13	10/31/18	03/31/21
Core Plus Fixed Income Composite	**2.69**	**-1.50**	**2.50**	**0.66**	**31.46**	**1.38**	**2.05**	**-0.89**	**-1.81**
Bloomberg U.S. Aggregate	-0.81	-1.91	-0.44	-0.81	5.93	-0.77	-1.62	-2.10	-3.56
Excess Return	3.50	0.41	2.94	1.47	25.53	2.15	3.67	1.21	1.75

Source: Reams Asset Management; Bloomberg Index Services Limited; Bloomberg L.P.

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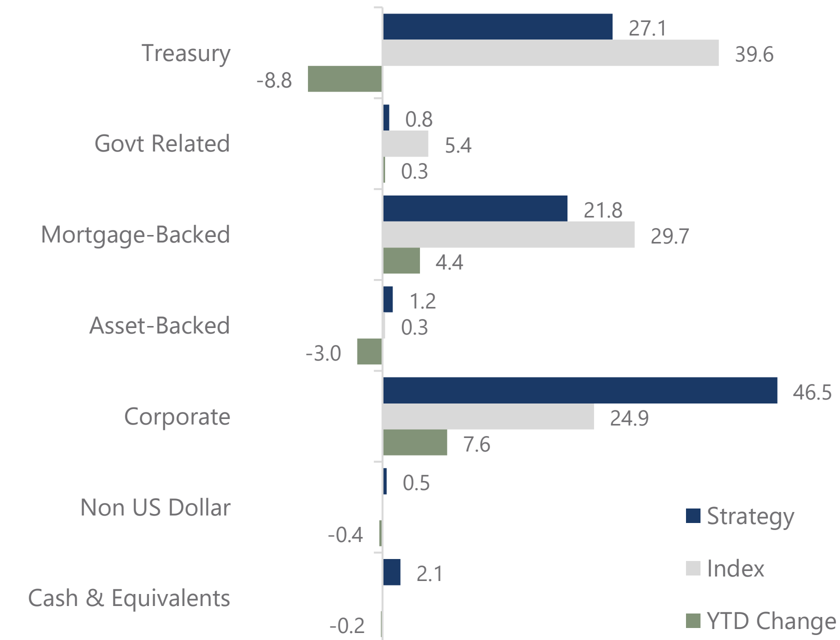
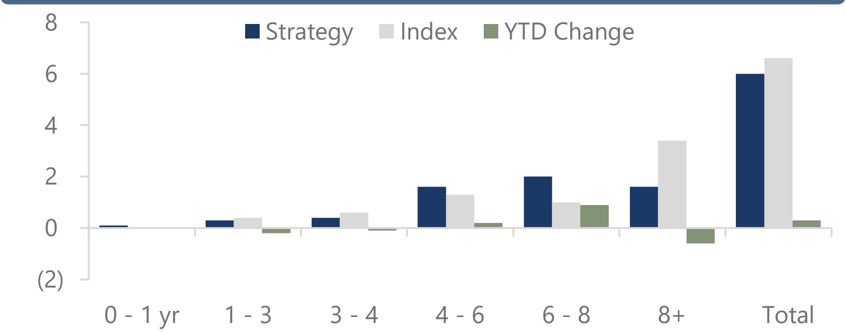
Portfolio Characteristics

	Current	Prior Qtr	YTD Chg
Total Market Value	$6,288 M	$26,238 B	
Avg. Portfolio Duration (Years)	6.0	6.6	0.3
Avg. Portfolio Convexity	0.3	0.5	-0.1
Avg. Yield to Worst (%)	2.8	2.3	1.1
Avg. Maturity (Years)	7.6	8.6	0.8
Avg. Quality	Aa3	Aa2	

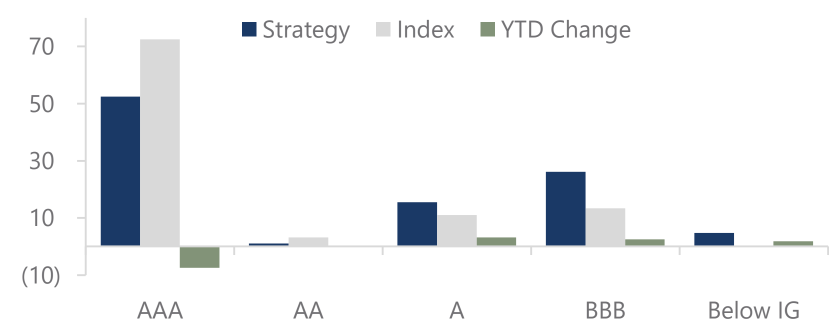
Sector Allocation, Percent of Portfolio



Contribution to Duration, Years



Quality Allocation, Percent of Portfolio



Spread Duration, Years

	Current	Prior Qtr	YTD Chg
Govt Related	0.08	0.32	0.04
Mortgage-Backed	1.21	1.44	0.23
Asset-Backed	0.04	0.01	-0.01
Corporate	2.79	2.06	0.58
Non US Dollar	0.00	0.00	0.00

Data as of February 28, 2022

The data represents the Core Plus Fixed Income Composite. Portfolio characteristics and sector weights are included for informational purposes only, and should not be construed as an investment recommendation. It should not be assumed that investments in any sectors listed were or will prove to be profitable. Portfolio composition may change at any time. Individual client accounts may differ from characteristics shown. The sector weights of any particular account may vary based on any investment restrictions applicable to the account.

Investment Committee

Mark Egan is chief investment officer and a managing director and portfolio manager at Reams Asset Management. Mark has over 30 years of experience managing fixed income portfolios. Prior to joining Reams in 1990, Mark was a portfolio manager at National Investment Services of America. Mr. Egan earned his master's in business administration from the University of Wisconsin – Madison and his bachelor's degree from Marquette University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Todd Thompson is a managing director and portfolio manager and leads the fixed income credit research team at Reams Asset Management. Todd has over 25 years of experience as a fixed income portfolio manager and analyst. Prior to joining Reams in 2001, Todd worked for Conseco Capital Management Company and The Ohio Public Employees' Retirement System. Mr. Thompson earned his master's in business administration from Clemson University and his bachelor's degree from Bob Jones University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Bob Crider is a managing director at Reams Asset Management. Bob was a founding partner of Reams and has over 40 years of experience managing fixed income portfolios. Prior to joining Reams in 1981, he worked for Cummins Engine Co., Inc. and the State Teachers Retirement System of Ohio. Mr. Crider earned his master's and bachelor's degrees from Ohio State University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Investment Team

Steve Vincent is a portfolio manager and leads the fixed income structured products research team at Reams Asset Management. Steve has 30 years of experience as a fixed income portfolio manager and analyst. Prior to joining Reams in 1994, Steve worked for the Federal Deposit Insurance Corp. and First Security Corporation. Mr. Vincent earned his master's in business administration from Indiana University and his bachelor's degree from Brigham Young University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Clark Holland is a portfolio manager at Reams Asset Management. Clark has over 25 years of experience as a portfolio manager, analyst, and client service specialist. Prior to joining Reams in 2002, Clark was a portfolio manager and investment product specialist at Wells Fargo Investment Management Group. Mr. Holland earned his master's in business administration from Rice University and his bachelor's degree from Taylor University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Jason Hoyer is a portfolio manager at Reams Asset Management. Jason has 18 years of experience as a portfolio manager, fixed income analyst, and equity analyst. Prior to joining Reams in 2015, Jason was a senior credit analyst at 40|86 Advisors and a director in the research department at Fiduciary Management Associates. Mr. Hoyer earned his bachelor's degree from the University of Michigan. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Dimitri Silva is a portfolio manager at Reams Asset Management. Dimitri has 14 years of experience as a portfolio manager and associate portfolio manager. Prior to joining Reams in 2021, Dimitri was a vice president and portfolio manager at AllianceBernstein where he was a member of the Fixed Income Absolute Return, U.S. Multi-Sector, and Global Multi-Sector portfolio management teams. Mr. Silva earned his bachelor's degree from the College of Idaho. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Investment Team

Kevin Salsbery is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' structured products team. Kevin has 20 years of experience in investment research and analysis. Prior to joining Reams in 2004, he was an investment analyst at 40|86 Advisors. Mr. Salsbery earned his bachelor's degree from Taylor University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Patrick Laughlin is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' structured products team. Pat has over 25 years of experience in investment research and analysis. Prior to joining Reams in 2004, Pat was a portfolio manager at St. Francis Bank and a director at SF Investment Corp. Mr. Laughlin earned his bachelor's degree from the University of Wisconsin – Stevens Point.

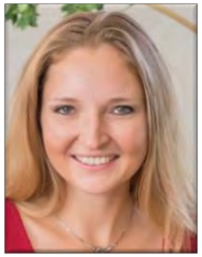
Scott Rosener is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' credit team. Scott has 24 years of experience in investment research and analysis. Prior to joining Reams in 2005, Scott was an investment analyst at the Lincoln Financial Group. Mr. Rosener earned his master's and bachelor's degrees from Indiana University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Trey Harrison is a fixed income analyst and actuary at Reams Asset Management. Prior to joining Reams in 2010, Trey was as an asset-liability portfolio manager at 40|86 Advisors, Inc., played a lead role in the development of in-house asset-liability profiles for CNO Financial Group's individual statutory entities, and served as a modeling actuary for Unum's Asset-Liability Working Group. Mr. Harrison earned a master's degree from Georgia State's J. Mack Robinson College of Business and a bachelor's degree in finance from Georgia Southern University. He holds the Chartered Financial Analyst (CFA) designation, is an Associate of the Society of Actuaries, and is a member of the CFA Institute.

Investment Team

Taylor Harris is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' structured products team. Prior to joining Reams in 2017, he was a laboratory analyst at Bristol-Myers Squibb and Aerotek. Mr. Harris earned his master's and bachelor's degrees from Indiana University.

Reed Clark is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' credit team. Prior to joining Reams in 2021, Reed was a salesman at R.W. Baird. Mr. Clark earned his bachelor's degree from Washington and Lee University.



Antonina Tarassiouk is an investment analyst at Reams Asset Management. Previously, Antonina was a vice president of sales for Barclays Capital plc, covering institutional accounts for both currency and precious metals transactions. Prior to Barclays, she was a portfolio manager and trader for the Central Bank of Mexico, managing a portion of the bank's foreign currency reserves. Ms. Tarassiouk holds a Bachelor of Science in Economics from the Instituto Tecnologico Autonomo de Mexico, as well as an M.B.A. from the Yale School of Management.

Sydney Buck is a fixed income analyst at Reams Asset Management. In this role, she is responsible for security research and trading for Reams' credit team. Prior to joining Reams in 2022, Sydney was a senior analyst at the Indiana Public Retirement System covering the fixed income and private credit portfolios. Ms. Buck earned her bachelor's degree from Butler University. She holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Disclosures

Reams Asset Management is a division of Scout Investments, Inc., a registered investment adviser that offers investment management services for both managed accounts and subadvised mutual funds. Scout Investments is a wholly-owned subsidiary of Carillon Tower Advisers, which in turn is a wholly-owned subsidiary of Raymond James Financial.

The firm was previously defined as UMB Institutional Asset Management, a subsidiary of UMB Bank, which managed both institutional and high net worth, trust, and estate assets. On July 1, 2009 the firm transitioned from UMB Bank and became a subsidiary of UMB Financial Corporation in order to focus on institutional investment management. On November 30, 2010, the firm acquired the advisory business of Reams Asset Management Company, LLC. On December 28, 2010, the firm changed its name from Scout Investment Advisors to Scout Investments. On November 17, 2017, Scout Investments was acquired by Carillon Tower Advisers.

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The Bloomberg U.S. Aggregate Bond Index is an unmanaged, market-value-weighted index of taxable investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage backed securities, with maturities of one year or more. The Bloomberg U.S. Intermediate Government/Credit Bond Index is an unmanaged index comprised of US Treasury notes, federal agency bonds, US corporate debentures and dollar denominated foreign issues with maturities ranging between one and ten years. The Bloomberg U.S. Long Government/Credit Bond Index is an unmanaged index of U.S. government or investment grade credit securities having a maturity of 10 years or more. The Bloomberg U.S. Long Credit Bond Index is an unmanaged index of U.S. investment grade credit securities having a maturity of 10 years or more. The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The Bloomberg Multiverse Index provides a broad based measure of the global fixed income bond market. The index is the union of the Global Aggregate Index and the Global High Yield Index as it represents investment grade and high yield bonds in all eligible currencies. The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The Bloomberg Global Aggregate - Corporate Index is a flagship measure of global investment grade, fixed-rate corporate debt. This multi-currency benchmark includes bonds from developed and emerging markets issuers within the industrial, utility and financial sectors. The Bloomberg U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The ICE BAML 1-3 Year U.S. Treasury Index is an unmanaged index that tracks the performance of the direct Sovereign debt of the U.S. Government having a maturity of at least 1 year and less than 3 years. The ICE BAML 9-12 Month U.S. Treasury Bill Index is a subset of the ICE BAML U.S. Treasury Bill Index including all securities with a remaining term to final maturity greater than or equal to 9 months and less than 12 months. The ICE BAML 3-Month LIBOR Constant Maturity Index represents the London interbank offered rate (LIBOR) with a constant 3-month average maturity. Published by the British Bankers' Association, LIBOR is a composite of the rates of interest at which banks borrow from one another in the London market.

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The Core Plus Fixed Income, Core Fixed Income, Long Duration Fixed Income, Long Government/Credit Focus Fixed Income, Long Credit Focus Fixed Income, and Unconstrained Fixed Income Composites may invest in derivatives, including credit default swaps and related instruments, such as credit default swap index products. These derivative securities may be used to enhance returns, increase liquidity and/or gain exposure to certain instruments in the market (such as the corporate bond market) in a more efficient or less expensive way. The Long Duration Fixed Income, Long Government/Credit Focus Fixed Income, Long Credit Focus Fixed Income, and Unconstrained Fixed Income strategies may also invest in interest rate derivatives to manage duration and yield curve exposure. The Core Plus Fixed Income, Core Plus Full Discretion and Unconstrained Fixed Income Composites may also invest in currency forwards to hedge currency exposure when Reams chooses to establish positions in non-U.S Dollar bonds.

Derivative securities are instruments or contracts the value of which is derived from the performance of an underlying financial instrument, asset, index or obligation. Credit default swaps and other types of derivative securities may involve greater risks than if a portfolio invested in the obligation directly. These instruments are subject to general market risks, liquidity risks and credit risks (including counter-party risks), and may result in a loss of value to your portfolio. The derivative securities market may also be subject to additional regulations in the future. Derivatives used are strictly constrained by client investment policy.

The bond quality ratings indicated are assigned by credit rating agencies Standard & Poor's, Moody's, and Fitch as an indication of an issuer's creditworthiness. Unless specified by client investment guidelines, the middle of three or highest of two credit quality ratings available from these rating agencies is used. Credit quality is subject to change. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Ratings information from Standard & Poor's ("S&P") may not be reproduced. S&P credit ratings are statements of opinion and are not statements of fact or recommendations to purchase, hold, or sell securities, nor do they address the appropriateness of securities for investment purposes, and should not be relied on as investment advice. S&P does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for errors or omissions (negligent or otherwise). S&P gives no express or implied warranties, including but not limited to any warranties of merchantability or fitness for a particular purpose or use. S&P shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of ratings.

To receive a complete list and description of composites and/or a GIPS Report, please contact Reams Asset Management at 463.777.3900. Additional information is available at www.reamsasset.com or www.scoutinv.com.

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SACRAMENTO EMPLOYEES' RETIREMENT SYSTEM

U.S. Fixed Income

March 16, 2022

Brian L. Giuliano, CFA
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Vice President – Consultant Relations

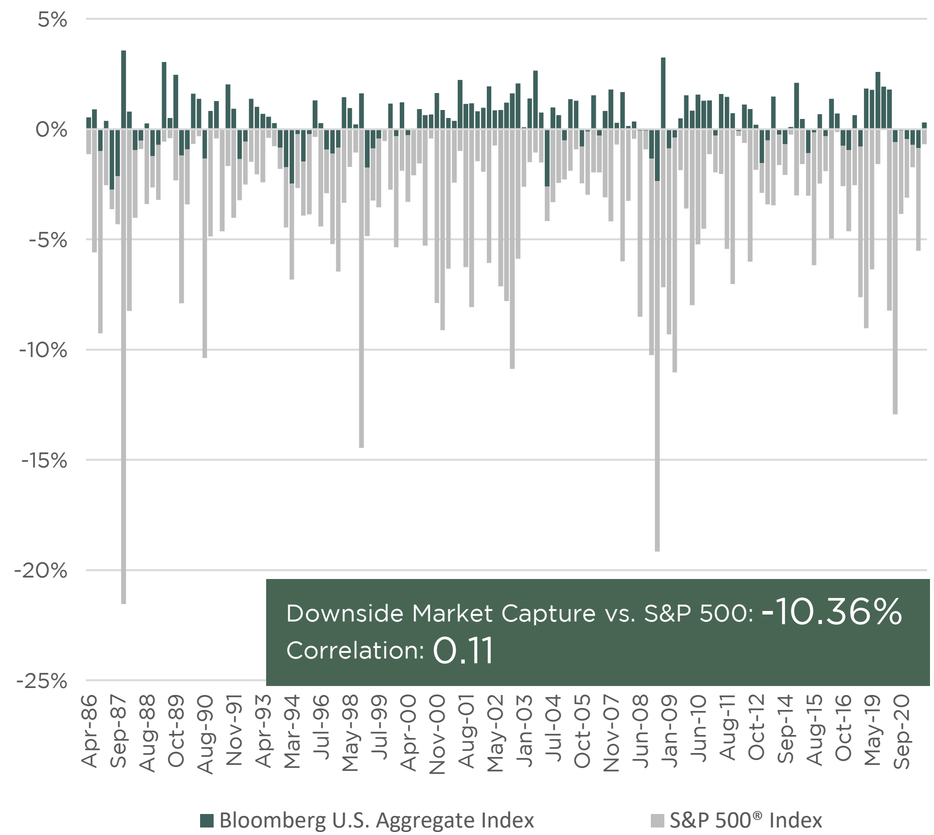
The Challenge Facing U.S. Aggregate Bond Investors

As of 12/31/2021

- The 35 year bull market in U.S. interest rates has bode well for U.S. Aggregate bond investors, offering both attractive equity risk diversification and return potential.
- However, with U.S. rates at historic lows, forward return expectations face downward pressure.

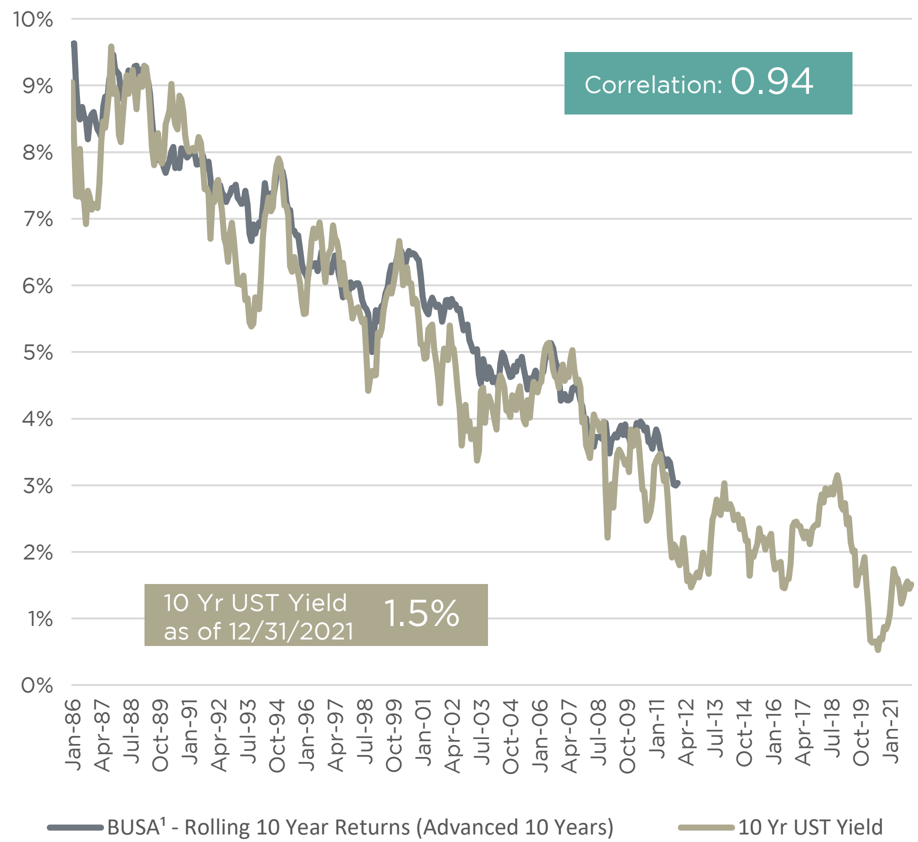
Equity Protection

BUSA[1] Monthly Returns During Negative S&P 500[2] Months
12/31/1985 – 12/31/2021



Forward Return Potential

Monthly 10 Yr UST Yields vs. Subsequent 10 Yr BUSA[1] Returns
12/31/1985 – 12/31/2021



[1]BUSA = Bloomberg U.S. Aggregate Index [2]S&P 500 = S&P 500® Index

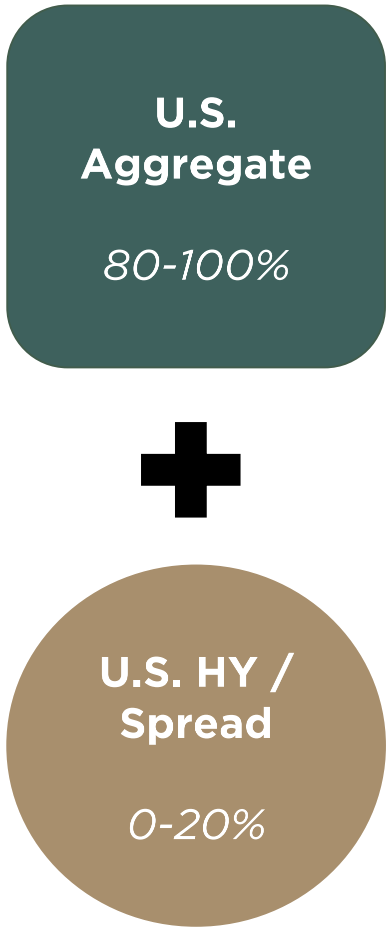
Source: Bloomberg (© 2022, Bloomberg Finance LP), which Brandywine Global believes to be accurate and reliable. Charts created by Brandywine Global. Please refer to Appendix 1 for important disclosure information.

Common Solution: "Make Your Bonds Work Harder"… A.K.A. Add Spread Exposure

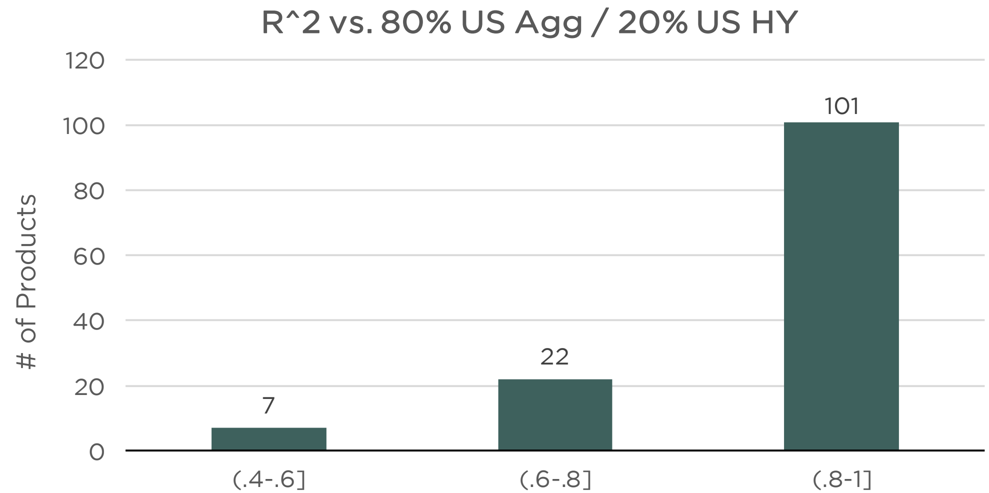
As of 12/31/2021

- Most core plus strategies "enhance" core fixed income returns through adding high yield/spread exposure
- Returns for the top 20 managers by AUM in the eVestment U.S. Core Plus Universe are largely explained by a simple 80% U.S. Aggregate / 20% U.S .High Yield allocation

Typical Core Plus Model



eVestment US Core Plus Universe – Last 5 Years



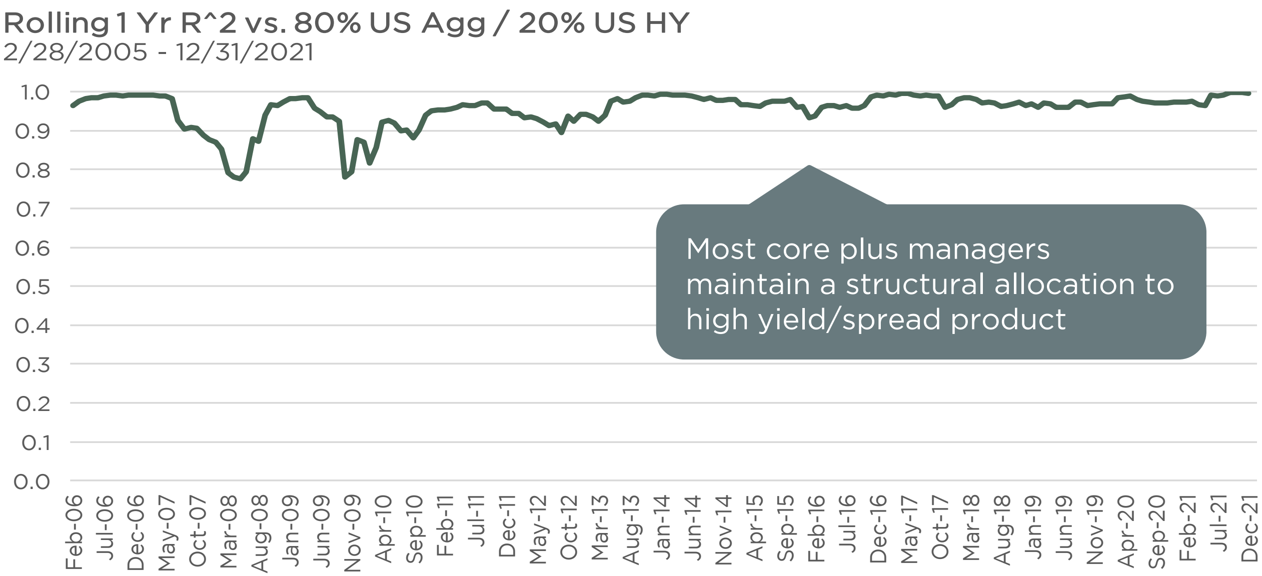
- **78%** of products in the eVestment U.S. Core Plus Universe have an R^2 **>0.8**
- **20** products comprise **80%** of universe AUM with an average R^2 of **0.9**

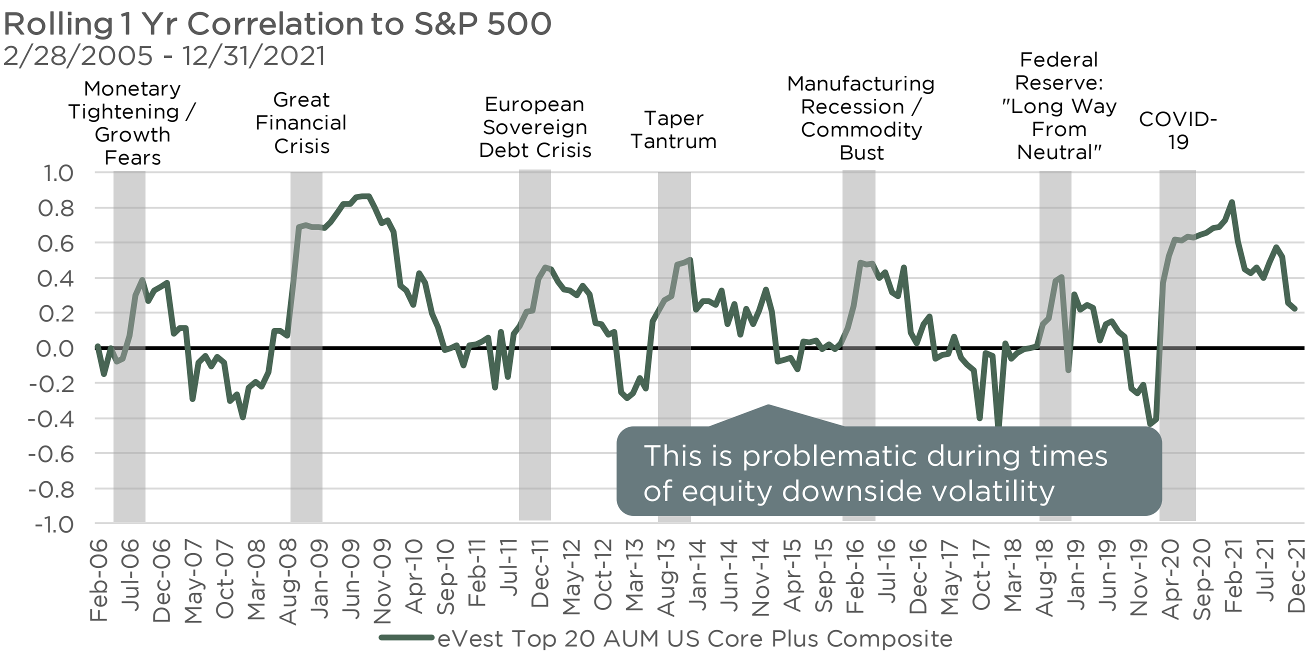
Active Management or Beta Packaging?

Data has been obtained by eVestment, which Brandywine Global believes to be accurate and reliable. Charts created by Brandywine Global. AUM data is as of previous quarter-end due to delayed reporting by managers in eVestment. Please refer to Appendix 1 for important disclosure information.

PROBLEM: Structural Spread-Exposure Increases Equity-Sensitivity When Diversification is Needed Most

As of 12/31/2021





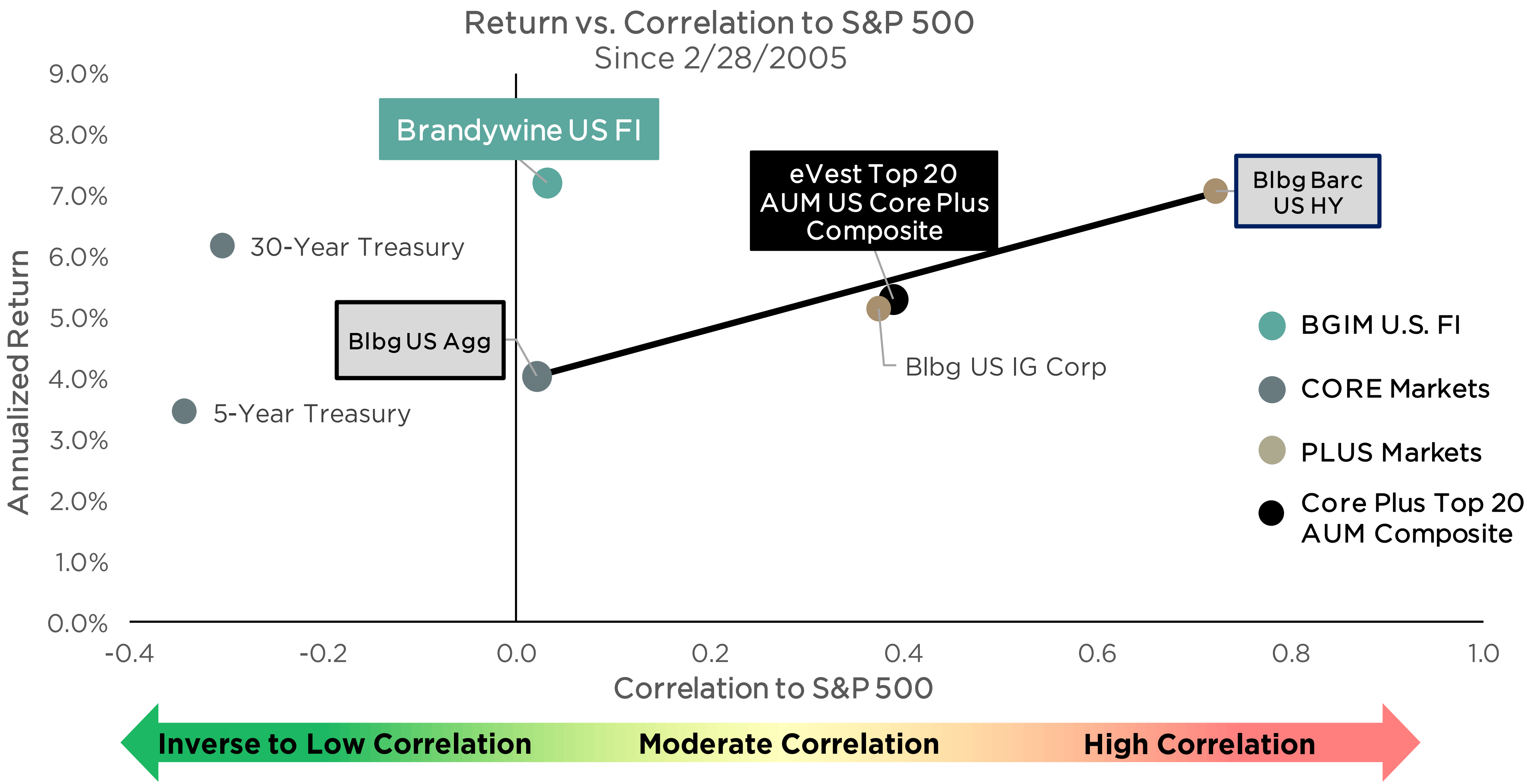
eVest Top 20 AUM US Core Plus Composite (12/31/2020 AUM)
PIMCO
The TCW Group
Western Asset Management Company
PGIM Fixed Income
Fidelity Institutional Asset Management
Baird Advisors
BlackRock
Loomis, Sayles & Company
Manulife Investment Management
John Hancock Investments
J.P. Morgan Investment Management
Voya Investment Management
Macquarie Investment Management
Columbia Management Investments
Wellington Management Company LLP
MFS Investment Management
Goldman Sachs Asset Management
Federated Hermes
Amundi Asset Management
Alliance Bernstein

Composite constituents are equal-weighted. Doubleline & Guggenheim excluded due to short track record, moving up Amundi Pioneer and Federated Hermes.

Data has been obtained by eVestment, which Brandywine Global believes to be accurate and reliable. 2/28/2005 is the common inception date for all eVest Core Plus Top 20 AUM Composite constituents. AUM data is as of previous quarter-end due to delayed reporting by managers in eVestment Charts created by Brandywine Global. Please refer to Appendix 1 for important disclosure information.

Attractive Alpha with Equity Diversification Benefits*

As of 12/31/2021



For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution.

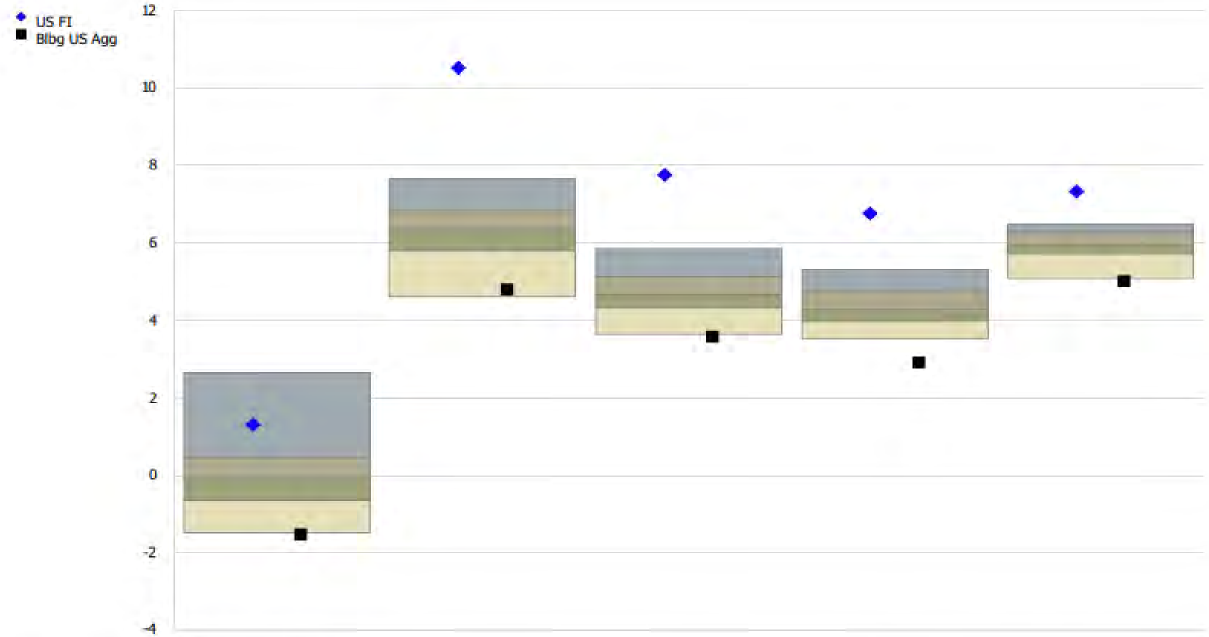
**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation. 2/28/2005 is the common inception date for all eVest Core Plus Top 20 AUM Composite constituents. Source: Bloomberg (© 2022, Bloomberg Finance LP), which Brandywine Global believes to be accurate and reliable. Bloomberg provides Brandywine Global fixed income index returns and characteristics. Gross performance results include transaction costs but to not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. Please refer to our GIPS composite presentation, which includes a full description of Brandywine Global's fee schedule, performance footnotes and disclosures. Please see Appendix 1 for important disclosure information. Past performance is no guarantee of future results.*

High Returns vs. Peers*

As of 12/31/2021

eVestment U.S. Core Plus Universe Rankings

Returns vs. Blbg U.S. Aggregate



Universe: eVestment US Core Plus Fixed Income

	1 Year	Rk	3 Years	Rk	5 Years	Rk	10 Years	Rk	Since Inception 26.25 Years[1]	Rk
5th percentile	2.6		7.6		5.8		5.3		6.5	
25th percentile	0.5		6.8		5.1		4.7		6.3	
Median	-0.1		6.3		4.6		4.3		5.9	
75th percentile	-0.7		5.8		4.3		4.0		5.7	
95th percentile	-1.5		4.6		3.6		3.5		5.1	
# of Observations	135		131		125		110		28	
US FI	1.3	11	10.5	1	7.7	1	6.8	1	7.3	1
Blbg US Agg	-1.5	95	4.8	94	3.6	96	2.9	99	5.0	97

Results displayed in USD using Spot Rate (SR).

[1]10/1995 - 12/2021

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**Supplemental information to the attached US Fixed Income GIPS composite. Data is obtained from eVestment Allliance. eVestment is a third-party, global provider of institutional investment data intelligence and analytics solutions. eVestment universes are based on a set of criteria which includes qualitative and quantitative factors to create and maintain a competitive peer group. eVestment collects information directly from investment management firms and other sources believed to be reliable and accurate. Performance rankings presented are based on the US Core Plus Fixed Income Universe. Only products reporting gross of fee performance and a base currency of USD are included in the universe calculation. Performance results are presented gross of fees. Gross performance results include transaction costs but to not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. Please refer to our GIPS performance presentation, which includes a full description of Brandywine Global's fee schedule, performance footnotes and disclosures. Please see Appendix 1 for important disclosure information. Past performance is no guarantee of future results.*

Differentiated Alpha vs. Peers*

As of 12/31/2021

Top 20 AUM Core Plus Peers – Last 5 Years

Excess Return Correlation vs. U.S. Aggregate

	BGIM US FI	Alliance Bernstein	Amundi Pioneer	Baird	BlackRock	Columbia	Federated Hermes	Fidelity	Goldman Sachs	JPM	John Hancock	Loomis Sayles	Macquarie	Manulife	MFS	PGIM	PIMCO	TCW	Voya	Wellington	WAMCO
Alliance Bernstein	0.07	1.00	0.95	0.91	0.90	0.90	0.78	0.89	0.81	0.88	0.90	0.72	0.84	0.90	0.92	0.89	0.72	0.80	0.95	0.90	0.77
Amundi Pioneer	0.17	0.95	1.00	0.96	0.96	0.95	0.87	0.95	0.88	0.91	0.96	0.79	0.91	0.96	0.97	0.93	0.70	0.87	0.97	0.94	0.85
Baird Advisors	0.16	0.91	0.96	1.00	0.96	0.93	0.89	0.95	0.91	0.87	0.96	0.82	0.93	0.96	0.97	0.91	0.69	0.85	0.96	0.95	0.87
Blackrock	0.23	0.90	0.96	0.96	1.00	0.95	0.89	0.94	0.89	0.88	0.95	0.81	0.93	0.95	0.96	0.90	0.66	0.85	0.95	0.92	0.86
Columbia Mgmt	0.28	0.90	0.95	0.93	0.95	1.00	0.86	0.92	0.87	0.88	0.92	0.79	0.90	0.92	0.94	0.87	0.65	0.89	0.93	0.91	0.82
Federated Hermes	0.23	0.78	0.87	0.89	0.89	0.86	1.00	0.95	0.80	0.81	0.91	0.88	0.92	0.91	0.87	0.76	0.67	0.80	0.83	0.91	0.82
Fidelity	0.19	0.89	0.95	0.95	0.94	0.92	0.95	1.00	0.89	0.88	0.97	0.88	0.96	0.97	0.95	0.89	0.73	0.85	0.93	0.96	0.88
Goldman Sachs	0.21	0.81	0.88	0.91	0.89	0.87	0.80	0.89	1.00	0.74	0.89	0.81	0.91	0.89	0.91	0.89	0.64	0.84	0.88	0.91	0.90
JPM	0.17	0.88	0.91	0.87	0.88	0.88	0.81	0.88	0.74	1.00	0.91	0.75	0.85	0.91	0.91	0.87	0.76	0.76	0.92	0.84	0.74
John Hancock	0.20	0.90	0.96	0.96	0.95	0.92	0.91	0.97	0.89	0.91	1.00	0.87	0.96	1.00	0.97	0.92	0.74	0.84	0.95	0.95	0.88
Loomis, Sayles	0.30	0.72	0.79	0.82	0.81	0.79	0.88	0.88	0.81	0.75	0.87	1.00	0.91	0.87	0.81	0.74	0.68	0.78	0.79	0.87	0.81
Macquarie	0.27	0.84	0.91	0.93	0.93	0.90	0.92	0.96	0.91	0.85	0.96	0.91	1.00	0.96	0.94	0.88	0.73	0.85	0.92	0.93	0.90
Manulife	0.21	0.90	0.96	0.96	0.95	0.92	0.91	0.97	0.89	0.91	1.00	0.87	0.96	1.00	0.97	0.92	0.74	0.84	0.95	0.96	0.88
MFS	0.18	0.92	0.97	0.97	0.96	0.94	0.87	0.95	0.91	0.91	0.97	0.81	0.94	0.97	1.00	0.95	0.67	0.83	0.97	0.95	0.89
PGIM	0.10	0.89	0.93	0.91	0.90	0.87	0.76	0.89	0.89	0.87	0.92	0.74	0.88	0.92	0.95	1.00	0.66	0.74	0.95	0.88	0.90
PIMCO	0.09	0.72	0.70	0.69	0.66	0.65	0.67	0.73	0.64	0.76	0.74	0.68	0.73	0.74	0.67	0.66	1.00	0.68	0.74	0.70	0.59
TCW	0.39	0.80	0.87	0.85	0.85	0.89	0.80	0.85	0.84	0.76	0.84	0.78	0.85	0.84	0.83	0.74	0.68	1.00	0.83	0.84	0.74
Voya	0.18	0.95	0.97	0.96	0.95	0.93	0.83	0.93	0.88	0.92	0.95	0.79	0.92	0.95	0.97	0.95	0.74	0.83	1.00	0.92	0.87
Wellington	0.17	0.90	0.94	0.95	0.92	0.91	0.91	0.96	0.91	0.84	0.95	0.87	0.93	0.96	0.95	0.88	0.70	0.84	0.92	1.00	0.89
WAMCO	0.18	0.77	0.85	0.87	0.86	0.82	0.82	0.88	0.90	0.74	0.88	0.81	0.90	0.88	0.89	0.90	0.59	0.74	0.87	0.89	1.00

	3 Yr	5 Yr	10 Yr	SI
Total eVest Core Plus Universe Avg Excess Correlation vs. U.S. Agg	0.16	0.17	0.01	0.00

We are beating the U.S. Agg & our peers in ***differentiated*** ways

*Supplemental information to the attached U.S. Fixed Income GIPS composite presentation. For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution. Data has been obtained by eVestment, which Brandywine Global believes to be accurate and reliable. Charts created by Brandywine Global. eVestment is a third-party, global provider of institutional investment data intelligence and analytic solutions. eVestment universes are based on a set of criteria which includes qualitative and quantitative factors to create and maintain a comparative peer group. eVestment collects information directly from investment management firms and other sources believed to be reliable and accurate. All performance information is presented gross of fees. Annualized performance rankings of the products versus the applicable eVestment universe as of 12/31/2021. Past performance is no guarantee of future results.

Our Approach

Building Blocks of Our Approach

Two Levers

Active **U.S. Treasury** (and government-related) duration management.
Opportunistic shifts to **investment-grade corporate bonds.**

Macro Approach

Identify the key macro themes driving asset prices.
Understand the business cycle, interest rates and credit dynamics.

Liquidity Provider

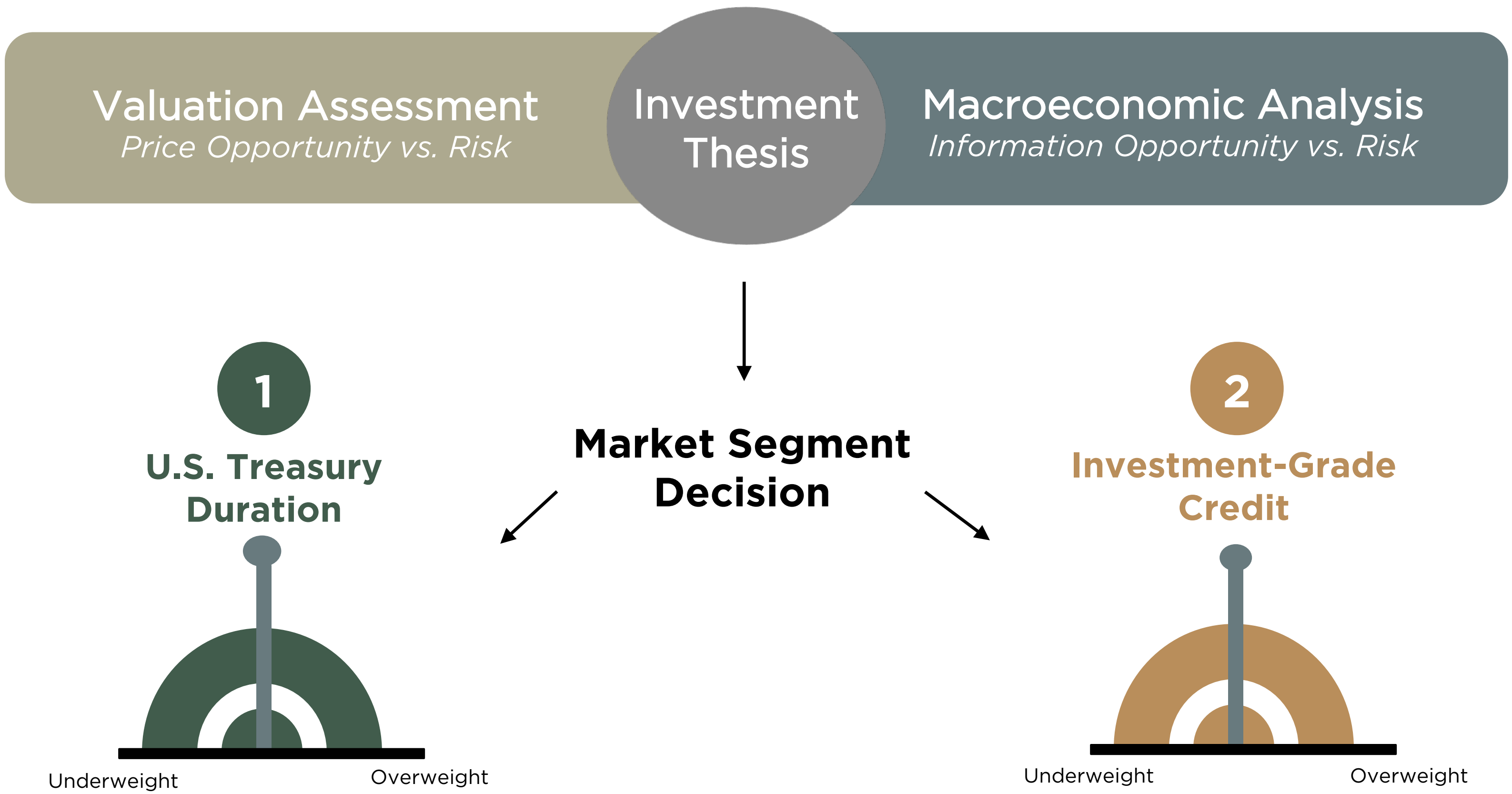
Capitalize on market dislocations when they are present,
preserve capital when they are not.

1-10yrs	100%	25-75
Typical Portfolio Duration Range	**Investment Grade Credit Quality**	**Typical # of Issuers**

The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Brandywine Global's selection process may prove incorrect, which may have a negative impact on performance. International securities may be subject to market/currency fluctuations, investment risks, and other risks involving foreign economic, political, monetary, taxation, auditing and/or legal factors. There may be additional risks associated with international investments. International investing may not be suitable for everyone. Fixed income instruments are subject to credit risk and investment rate risk. Please refer to Appendix 1 for important disclosure information.

Two Levers for Alpha

Active **U.S. Treasury** (and government-related) duration management, complimented by opportunistic shifts to **investment-grade corporate bonds.**



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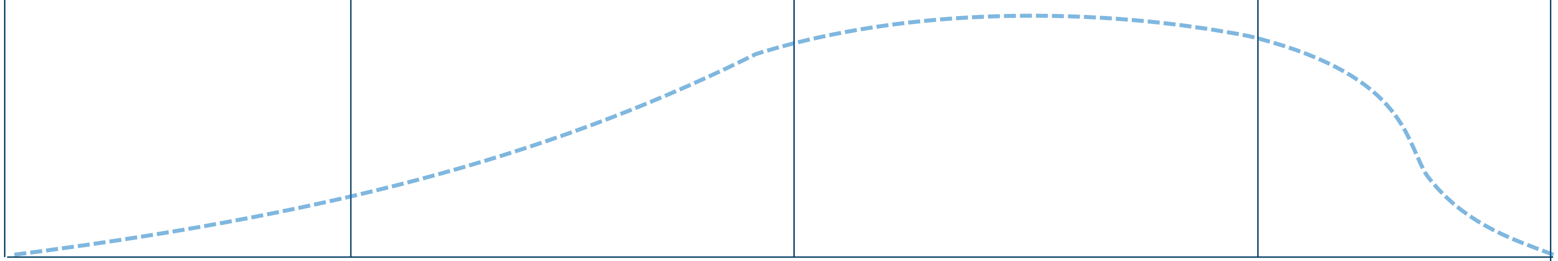
Macro Approach

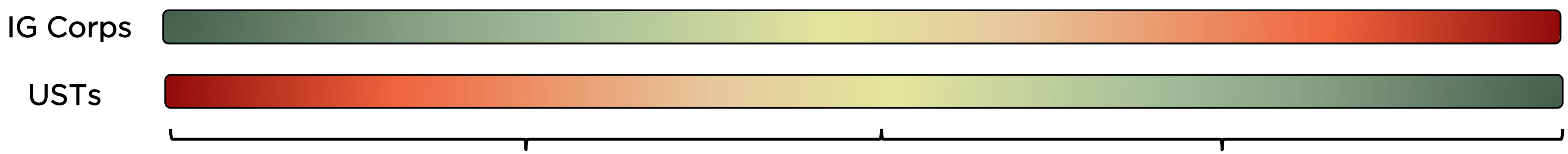
Identify the key macro themes driving asset prices.
Understand the business cycle, as well as interest rate and credit conditions.

Typical Business Cycle

Early	Mid	Late	Recession
• Growth rebounds • Credit expands • Profits increase • Sales improve, inventories low • Policy remains stimulative	• Growth peaks • Credit growth solid • Profit growth peaks • Sales & inventories in balance • Policy neutral	• Growth moderates • Credit growth slows • Profit margins under pressure • Inventories elevated, sales stall • Policy tight	• Growth falls • Credit dries up • Profits decline • Inventories, sales fall • Policy eases



Typical Performance Across the Cycle



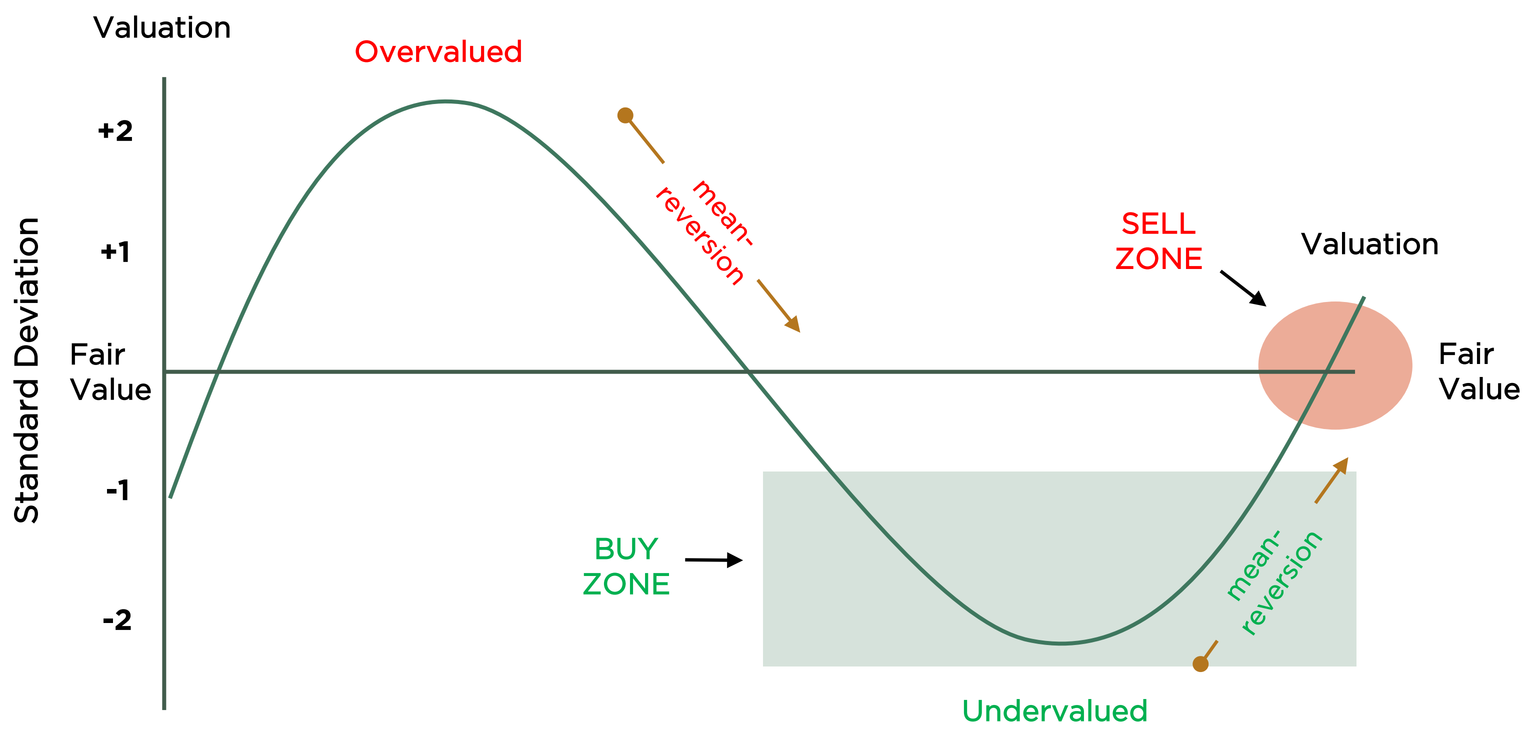
IG Corps > USTs
Lower portfolio duration

USTs > IG Corps
Higher portfolio duration

The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Brandywine Global's selection process may prove incorrect, which may have a negative impact on performance. Please refer to Appendix 1 for important disclosure information.

Liquidity Provider

Take advantage of opportunities when they are present, preserve capital when they are not.
What we don't own is as important as what we do own.

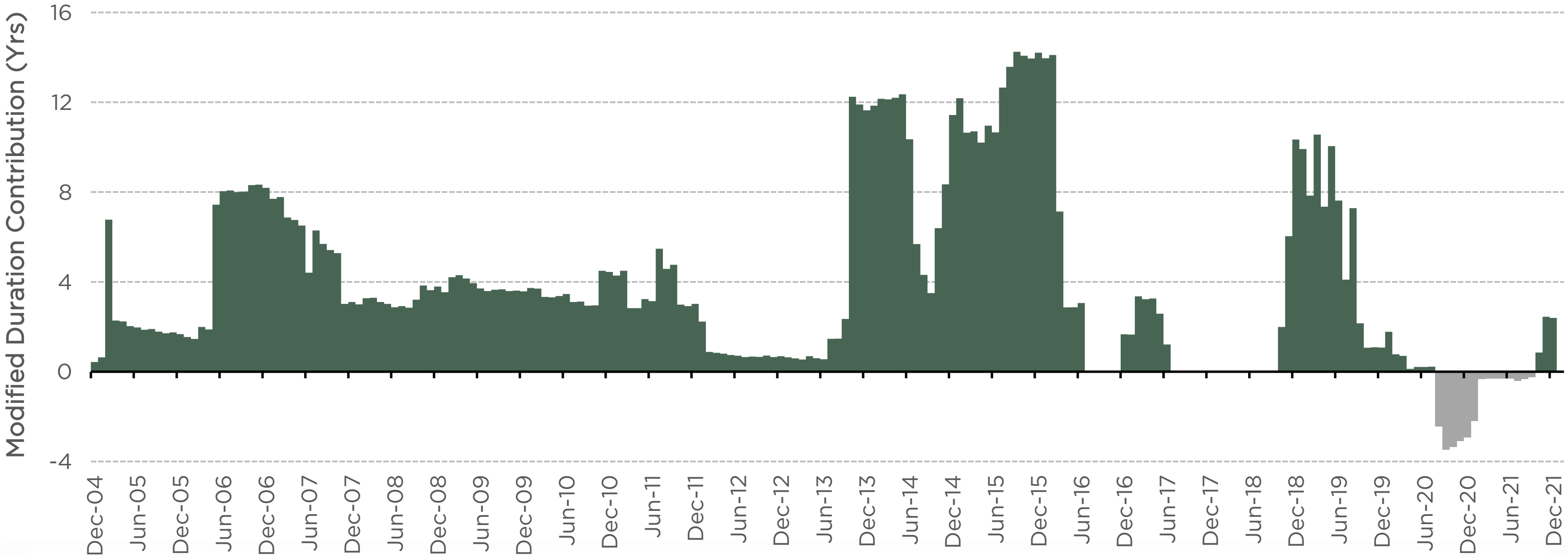


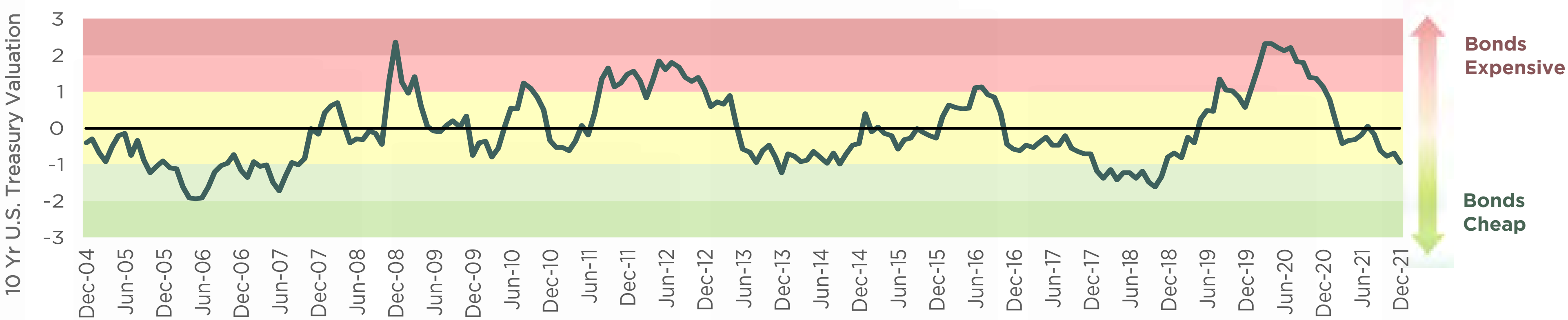
The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Brandywine Global's selection process may prove incorrect, which may have a negative impact on performance. Please refer to Appendix 1 for important disclosure information.

Two Levers for Alpha: Spotlight on U.S. Treasury & Gov't Related Duration

As of 12/31/2021

Actively manage U.S. Treasury and gov't related duration relative to the business cycle, responding to changes in interest rates, inflation and economic activity.





**Supplemental information to the attached U.S. Fixed Income composite presentation disclosure. For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution.*
U.S. Treasury data source: Bloomberg (© 2021, Bloomberg Finance LP) and model data source: Macrobond (©2021, Macrobond), which Brandywine Global believes to be accurate and reliable. Chart created by Brandywine Global. Duration data based on U.S. Fixed Income Representative Portfolio. Duration is representative of all U.S. Government-Related bonds held in the Representative Portfolio and is provided for the timeframe for which data is available. Actual duration with regard to any particular account may vary based on any investment restrictions applicable to that account. Past performance is no guarantee of future results.

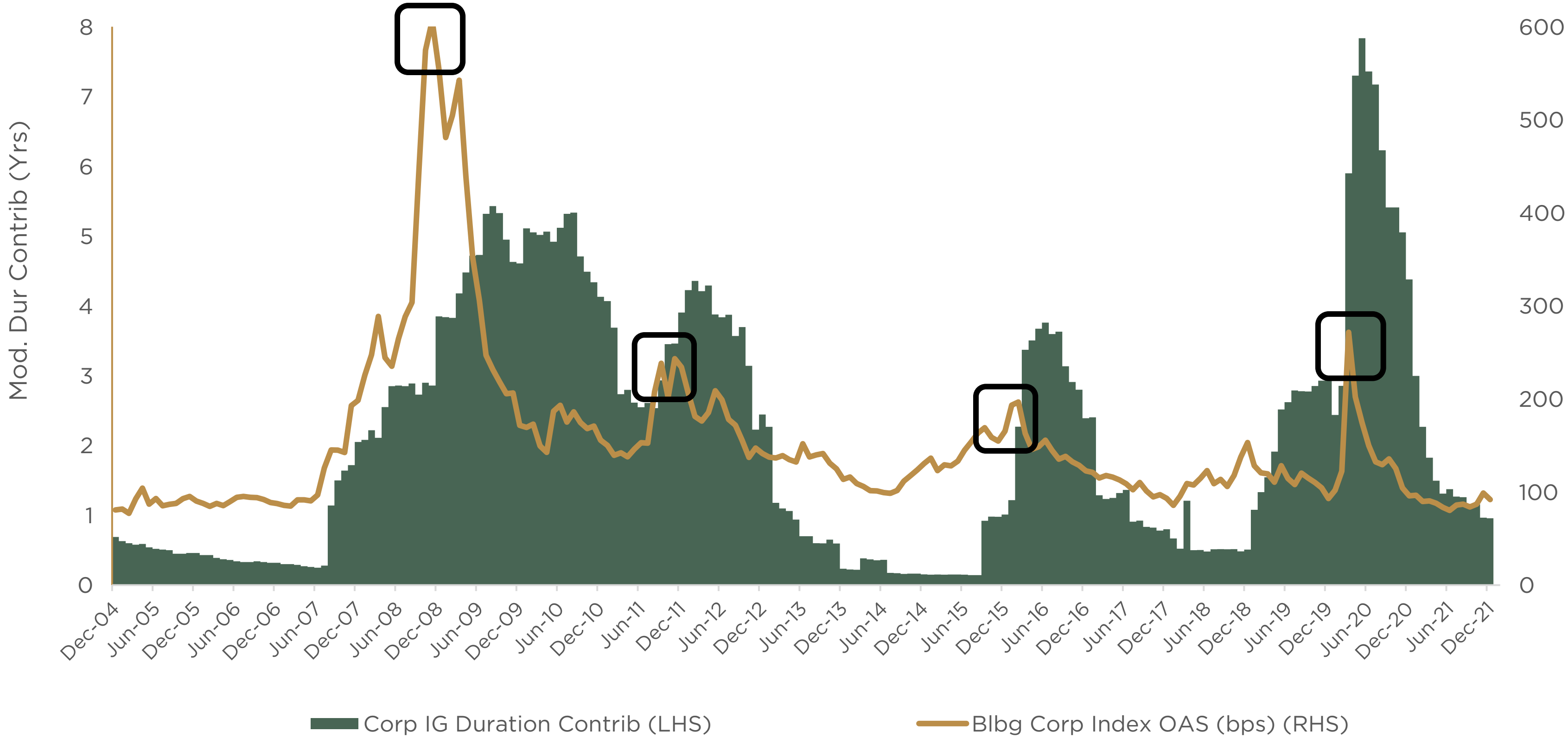
Two Levers for Alpha: Spotlight on Investment-Grade Corporate Bonds

As of 12/31/2021

Opportunistically allocate to investment-grade corporate credit only after significant spread-widening events. Fundamental analysis, including an understanding of ESG considerations, is essential.

U.S. Corporate Duration vs. Blbg Corp Index OAS

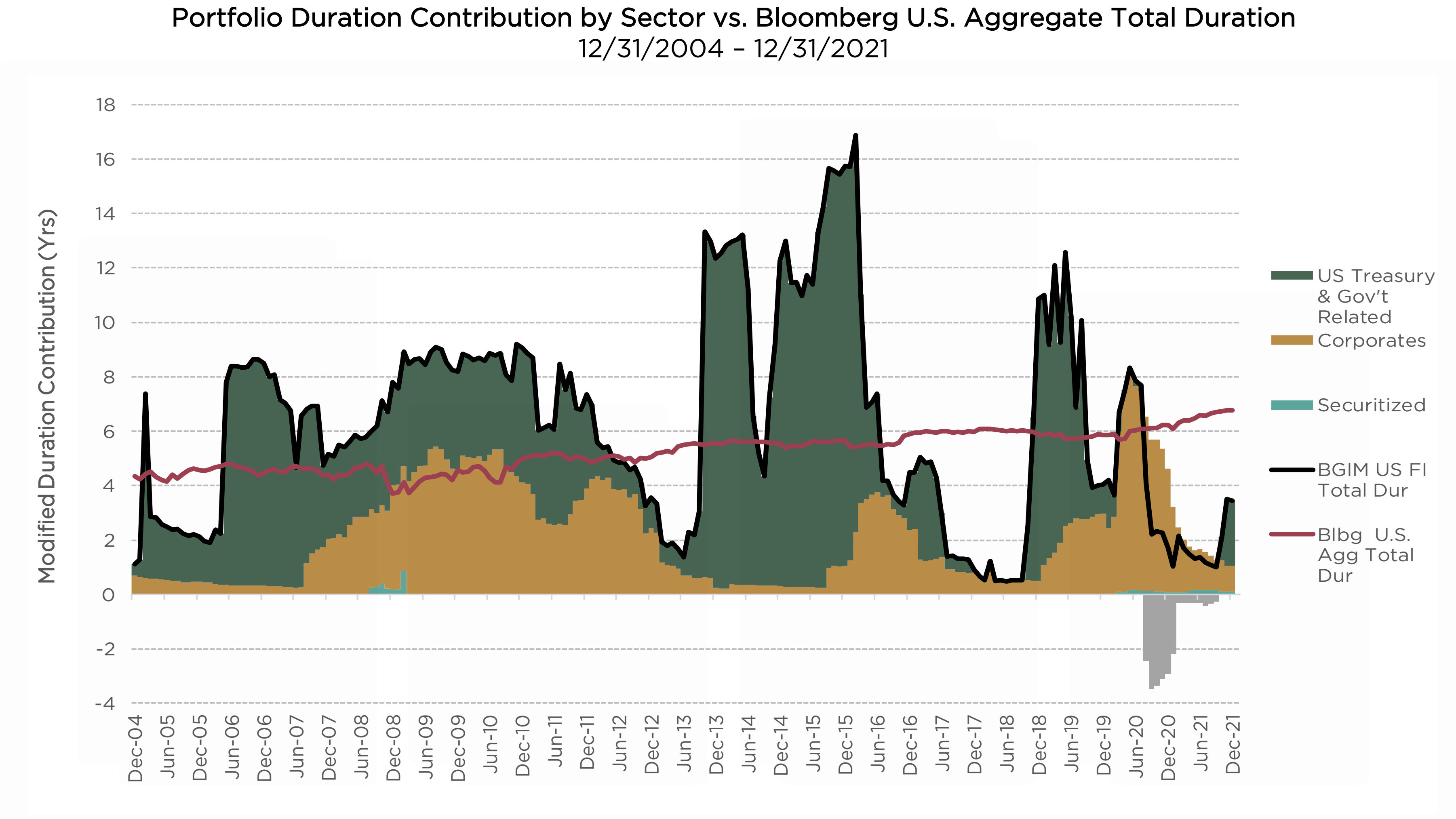
12/31/2004 – 12/31/2021



**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation. For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution. OAS data obtained from Bloomberg (©2021, Bloomberg Finance LP), which Brandywine Global believes to be accurate and reliable. Corporate Duration data based on U.S. Fixed Income Representative Portfolio and is provided for the timeframe for which data is available. Duration is representative of all U.S. Government-Related bonds held in the Representative Portfolio. Actual duration with regard to any particular account may vary based on any investment restrictions applicable to that account. Please refer to Appendix 1 for important disclosure information.*

Two Levers for Alpha: High Conviction Duration Management

As of 12/31/2021



**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation.*

Source: Bloomberg (© 2021, Bloomberg Finance LP), which Brandywine Global believes to be reliable and accurate. Bloomberg Finance, L.P provides Brandywine Global with Fixed Income Index returns and characteristics. The Bloomberg U.S. Aggregate 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. This data is provided for informational use only. Indices are unmanaged and not available for direct investment. Portfolio data based on the Brandywine Global U.S. Fixed Income Representative Account. The sectors discussed herein should not be perceived as investment recommendations and may no longer be held in an account's Portfolio. It should not be assumed that investments in any of the sectors listed were or will prove to be profitable. Sector weights of any particular client account may vary based on any investment restrictions applicable to the account. Fixed income securities are subject to credit risk and interest rate risk. Please refer to the Appendix at the end of this presentation for our GIPS presentations, which include Performance Footnotes, Fee Schedules, Index Descriptions, and Disclosures. ***Past performance is no guarantee of future results.***

Appendix

Rethinking the Core Plus Playbook

Problem:

- U.S. rates are at historic lows making **forward return expectations challenged** for U.S. Aggregate bond investors.
- Typical Core Plus managers chronically over-allocate to **equity sensitive** sectors (e.g. High Yield Debt)
    - ✓ **Increases drawdown risk** during equity market stress
    - ✓ **Reduces liquidity** at inopportune times

The above views are the opinions of Brandywine Global and are not intended as a forecast or guarantee of future results. Please refer to Appendix 1 for important disclosure information.

U.S. Fixed Income Solutions

Our strategy suite offers a range of solutions to meet individual client objectives.

Tighter Parameters ⟷ Greater Flexibility

Duration Bias	**Short**	**Relative**	**Unrestricted**
Benchmark	U.S. Gov't/Credit 1-3 Yr	U.S. Aggregate	U.S. Aggregate
Typical Duration Band	1 – 3 Yrs	+/- 2 Yrs	1 – 10 Yrs
Credit Quality	**Investment Grade** (BBB- or higher) at Purchase		
U.S. Treasury & Gov't Rel	0 – 100%	0 – 100%	0 – 100%
Corporates	0 – 100%	0 – 60%	0 – 100%
MBS/ABS (in aggregate)	0 – 50%	0 – 50%	0 – 50%
Non-Agency MBS / CMBS / ABS (each)	0 – 25%	0 – 25%	0 – 25%
Derivatives Usage	Futures (other instruments, such as CDS/CDX allowable by client permission)		
Investable Securities	U.S. dollar denominated securities including: U.S. treasuries, U.S. agencies and instrumentalities, corporate bonds (including yankees, Eurobonds and supranationals), taxable municipal bonds, asset-backed securities, agency and non-agency mortgage-backed securities (including CMOs), non-U.S. sovereigns issued in USD, non-U.S. agencies issued in USD, cash, and cash equivalents.		

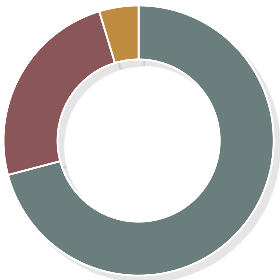
Overview

- **Top-Down, Macro Approach**
- **High Conviction Duration Management**
- **Trigger-Based Allocations to IG Corporates**
- **Differentiated Alpha with Core Bond Diversification Benefits**

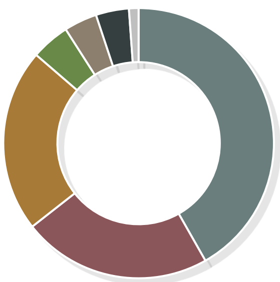
The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Please see Appendix 1 for important disclosure information.

Experience and Stability with a Global Presence

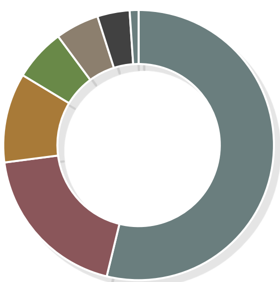
$70.1B Total AUM as of 12/31/2021



By Asset Class	USD Billions
Fixed Income	49.7
Equity*	17.1
Alternatives	3.3



By Client Type	USD Billions
Subadvisory	29.3
Government	15.9
Pension	15.4
Corporate/Operating	3.2
Non-Discretionary	2.8
Endowment/Foundation	2.8
Individual Investor	0.8



By Region	USD Billions
USA	37.7
EMEA	13.4
Japan	7.5
Australia/New Zealand	4.4
Asia Pacific Ex-Japan	3.7
Canada	2.7
Other	0.7

Experienced and Tenured

- Founded in 1986 with headquarters in Philadelphia and offices in London[1] and Singapore[2]
- 225+ employees worldwide
- Signatory of the UN-supported Principles for Responsible Investment (PRI)

Independent with Global Support

- Structure combines investment autonomy with access to broad global resources
- Managed by investors, executive board includes senior portfolio managers averaging over 25 years with the firm and 35+ years in the industry
- A specialist investment manager of Franklin Templeton[3], we retain full control over investments, hiring, and compensation
- Cost efficiencies and scale gained from Franklin Templeton shared corporate services

*Fundamental Equity Non-Discretionary assets of $2.8bn are included in AUM numbers. Non-discretionary assets are reported on a one-month lag.

[1]Brandywine Global Investment Management (Europe) Limited is authorized and regulated by the Financial Conduct Authority (the "FCA"). (FRN 472774), registered in England and Wales, No. 632417; [2]Brandywine Global Investment Management (Asia) Pte. Ltd.

[3]Franklin Resources, Inc. [NYSE: BEN] is a global investment management organization with subsidiaries operating as Franklin Templeton in over 165 countries. Please refer to Part 2 of our ADV for a discussion of the related specialist investment managers with whom Brandywine Global has a direct business relationship; for example, where we provide advisory services.

U.S. Fixed Income Investment Team

As of 12/31/2021

♦ Years at Brandywine Global
◊ Years of investment experience

INVESTMENT STRATEGY COMMITTEE

David F. Hoffman, CFA
Portfolio Manager ♦ 26 | ◊ 35+

Francis A. Scotland
Dir. Glob. Macro Research ♦ 15 | ◊ 35+

Stephen S. Smith
Senior Advisor ♦ 30 | ◊ 35+

Richard Lawrence
EVP Portfolio Management ♦ 16 | ◊ 35+

Jack P. McIntyre, CFA
Portfolio Manager ♦ 23 | ◊ 34

Anujeet Sareen, CFA
Portfolio Manager ♦ 5 | ◊ 27

Brian L. Kloss, JD, CPA
Portfolio Manager ♦ 12 | ◊ 25

Tracy Chen, CFA, CAIA
Portfolio Manager ♦ 13 | ◊ 19

PORTFOLIO MANAGEMENT TEAM

Jack P. McIntyre, CFA

Anujeet Sareen, CFA

Brian L. Kloss, JD, CPA

Tracy Chen, CFA, CAIA

INVESTMENT RESEARCH & ANALYSIS

Michael Arno, CFA
Associate PM & Sr. Research Analyst
♦ 15 | ◊ 17

Reina Berlien
Head of ESG
♦ 7 | ◊ 17

Andrew Bogle
Research Analyst
♦ 7 | ◊ 15

Alberto J. Boquin, CFA
Sr. Research Analyst
♦ 5 | ◊ 15

J. Patrick Bradley
SVP, Investment Research
♦ 16 | ◊ 35+

Sean Brooks, CFA, FRM
MBS Analyst
♦ 7 | ◊ 24

Li Ting Chan
Research Analyst
♦ 4 | ◊ 6

Brian L. Giuliano, CFA
SVP, Client PM
♦ 13 | ◊ 16

Renato Latini, CFA
Associate PM & Sr. Research Analyst
♦ 15 | ◊ 16

Carol Lye
Associate PM & Sr. Research Analyst
♦ 13 | ◊ 15

Evan MacAyeal, CFA
Research Analyst
♦ <1 | ◊ 7

John McClain, CFA
PM
♦ <1 | ◊ 14

Kevin O'Neil
Research Analyst
♦ 19 | ◊ 21

Jack Parker, CFA
Research Analyst
♦ <1 | ◊ 6

Min Tian, CFA
Sr. Global Macro Research Specialist
♦ 15 | ◊ 15

William Vaughan
Associate PM & Sr. Research Analyst
♦ 6 | ◊ 10

Bill Zox, CFA
PM
♦ <1 | ◊ 28

+8 Equity Analysts

PORTFOLIO COMPLIANCE

Team Size: 11

Luz E. Carey
♦ 35 | ◊ 35

PORTFOLIO MANAGEMENT IMPLEMENTATION & TRADING

Team Size: 10

Kerry Van Orden
♦ 13 | ◊ 33

Dennis W. Dow
♦ 21 | ◊ 29

Travis Crumley
♦ 16 | ◊ 18

MODELING & ANALYTICS

Team Size: 6

Larry Benedetto
♦ 13 | ◊ 28

Investment Philosophy & Goals

Basic Tenets of our Investment Philosophy

- We will apply a top-down, macro, value-oriented investment process
- We believe interest rates, credit spreads, and the U.S. dollar are regulators of economic activity that drive the business cycle with mean-reverting tendencies
- The strategy will invest mainly in U.S. government bonds and investment-grade corporate bonds

Our focus will be on both price risk and information risk at the macro level

- We are a high-conviction asset manager and diversify positions around valuation **(price risk)** and the business cycle/broad themes **(information risk)**
- We do ***not*** **believe in Indexing and "benchmark hugging"**
  - Traditional fixed income indices, like the U.S. aggregate, contain structural flaws that pose unintended challenges
  - We want to have precise control over the levels of treasury duration and credit sensitivity in the portfolio to achieve both capital preservation and positive returns

Investment Goals:

- Maximize total return by applying specialized expertise to and allocating capital among U.S. government, corporate, and securitized bonds
- Outperform the Bloomberg U.S. Aggregate Bond Index by at least 2% annually over rolling 5-year periods

Brandywine Global's investment selection process may prove incorrect, which may have a negative impact on performance. Fixed income securities are subject to additional risks including but not limited to credit risk and interest rate risk. Asset-backed, mortgage-backed or mortgage related securities are subject to additional risks such as prepayment and extension risks. High yield bonds possess greater price volatility, illiquidity, and possibility of default. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses, and have a potentially large impact in performance. Indices are unmanaged and are not available for direct investment. Past performance is no guarantee of future results.

ESG Integration across the Global Fixed Income Team

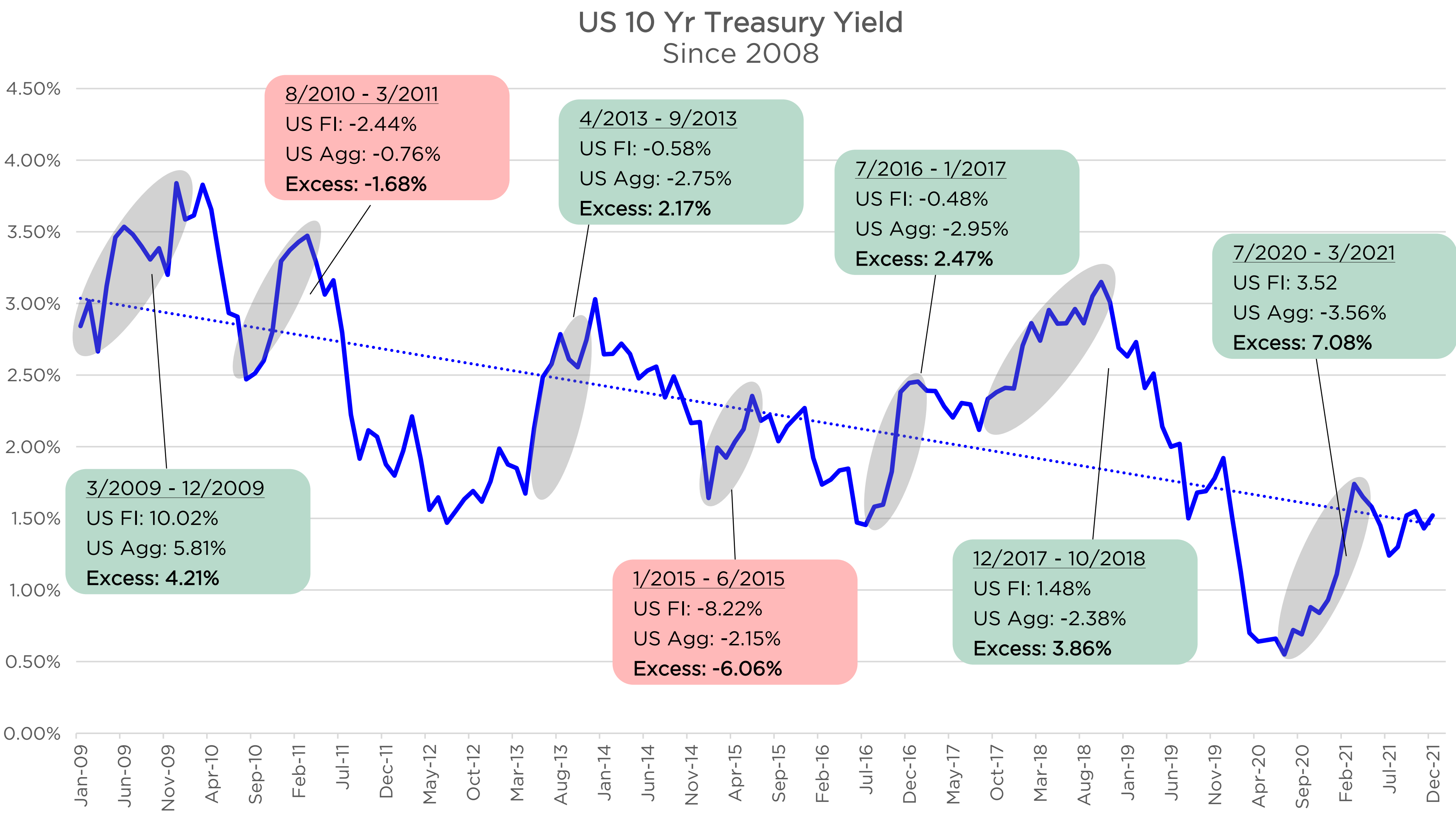
ESG research is integral to our comprehensive price and information risk analyses.

Dual Research Responsibilities	Portfolio managers and research analysts analyze both ESG factors and traditional economic and financial indicators.
Inherent Materiality	We focus on material ESG issues that may impact a country's economic growth, a company's business activity, etc. These sustainability risks also inform our engagements.
Proprietary ESG Ratings	Framework for evaluating ESG factors, including improvements or deteriorations in factors over time, comparison against sovereign or industry peers, and how a risk or opportunity is being addressed.
Improving ESG Scores & Fundamentals	We seek issuers that offer attractive valuations, demonstrate improving sustainability and economic risk profiles, which should be reflected in asset prices.
Engagements	Through our stewardship initiatives, we collaborate with issuers to reduce sustainability risks. We also use sovereign and corporate engagements to enhance our price and information risk analyses.

The above represents the review of Brandywine Global, which are subject to change without notice. ESG investments may be viewed as "sustainable, "responsible", or "socially conscious" among other names. Analysis and integration of ESG factors is qualitative and subjective by nature, and there is no guarantee that the ESG criteria used, or judgment exercised, by Brandywine Global will reflect the values of any one particular investor. Different investment managers may utilize and evaluate ESG factors in different ways. Investing in ESG investments carries the risk that under certain market conditions, the investment strategy may underperform strategies that do not utilize a responsible investment strategy. An investment's ESG performance or Brandywine Global's assessment of such performance may change over time.

Relative Performance during Periods of Rising Rates*

As of 12/31/2021



For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution.

**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation.*

Gross performance results include transaction costs but to not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. Please refer to our GIPS performance presentation, which includes a full description of Brandywine Global's fee schedule, performance footnotes and disclosures. The Bloomberg U.S. Aggregate 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. Indices are unmanaged and not available for direct investment. Please see Appendix 1 for important disclosure information. Past performance is no guarantee of future results. 1732062

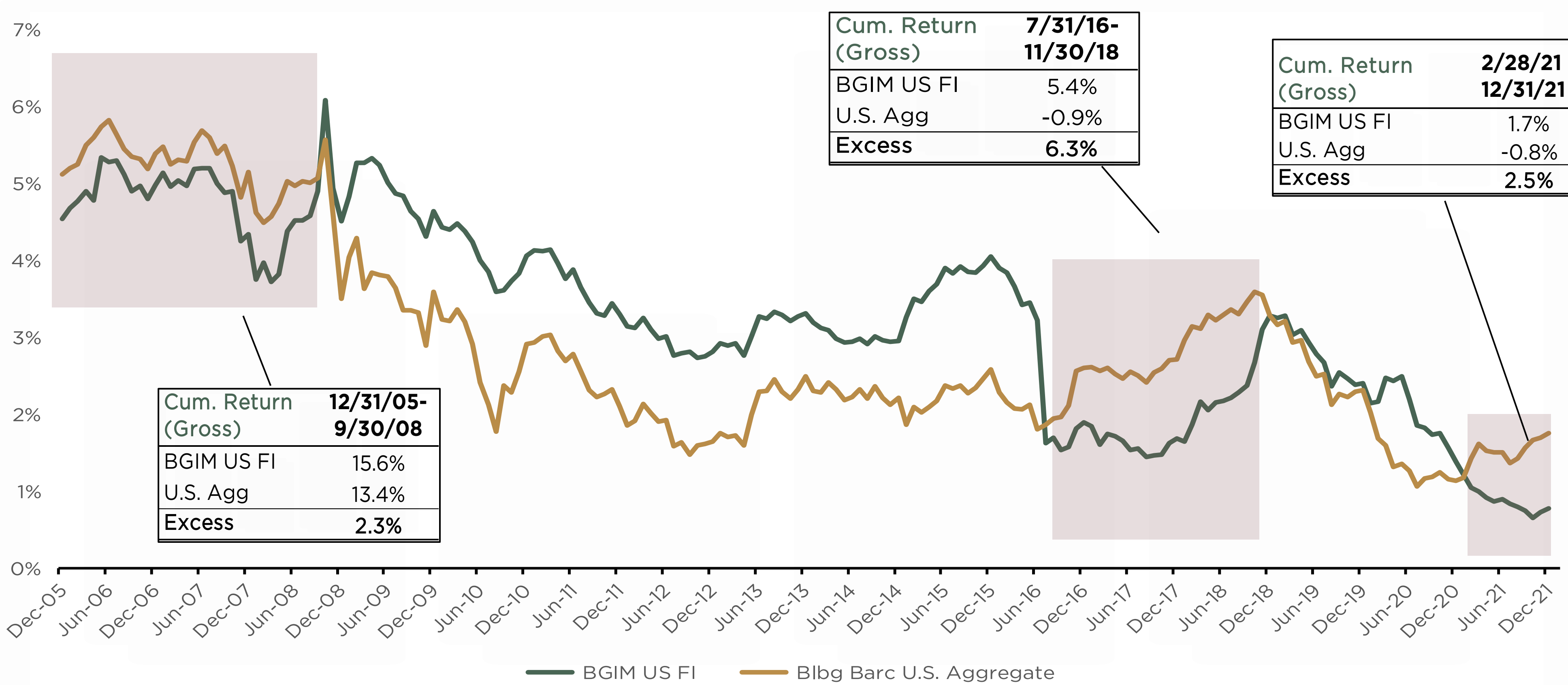
Generating Positive Outperformance During Periods of Lower Relative Yield*

As of 12/31/2021

<u>YTM:</u> BGIM US FI vs. Blbg U.S. Aggregate Index
12/31/2005 – 12/31/2021

Yield Disadvantage Period

Relative Yield	Months	% of Time
Yield Advantage	118	61%
Yield Disadvantage	74	38%
Flat	1	1%



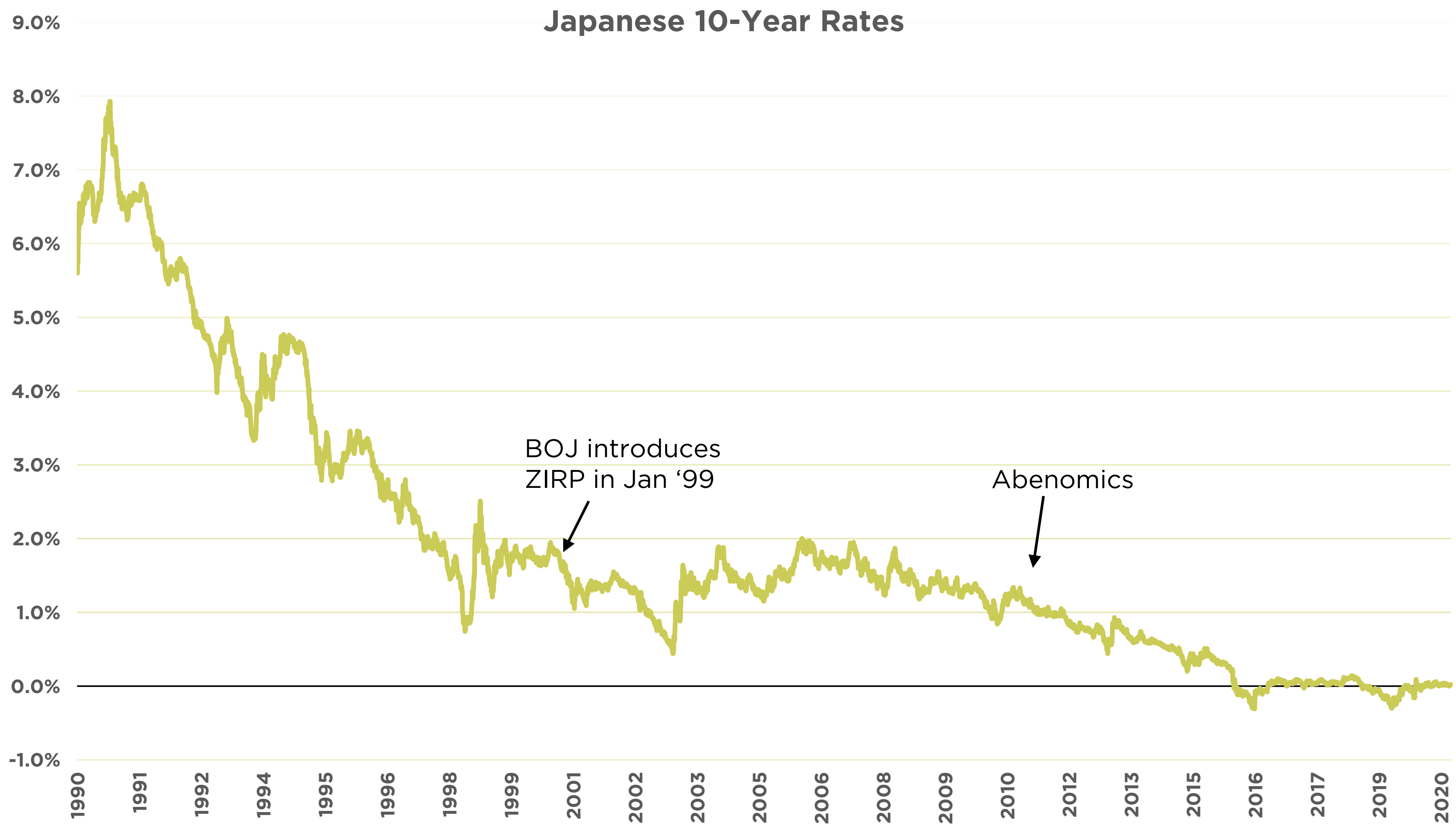
For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution.

**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation. Yield to Maturity data based on U.S. Fixed Income Representative Portfolio and is provided for the timeframe for which data is available.*

Source: Bloomberg (© 2021, Bloomberg Finance LP), which Brandywine Global believes to be reliable and accurate. Bloomberg provides Brandywine Global fixed income index returns and characteristics. Gross performance results include transaction costs but to not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. The Bloomberg U.S. Aggregate 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. Indices are unmanaged and not available for direct investmentPlease refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. Please refer to our GIPS composite performance presentation, which includes a full description of Brandywine Global's fee schedule, performance footnotes and disclosures. Please see Appendix 1 for important disclosure information. Past performance is no guarantee of future results

Are Bonds Dead? A Case Study of Japan

Japan has been in a zero-bound world for 20+ years…

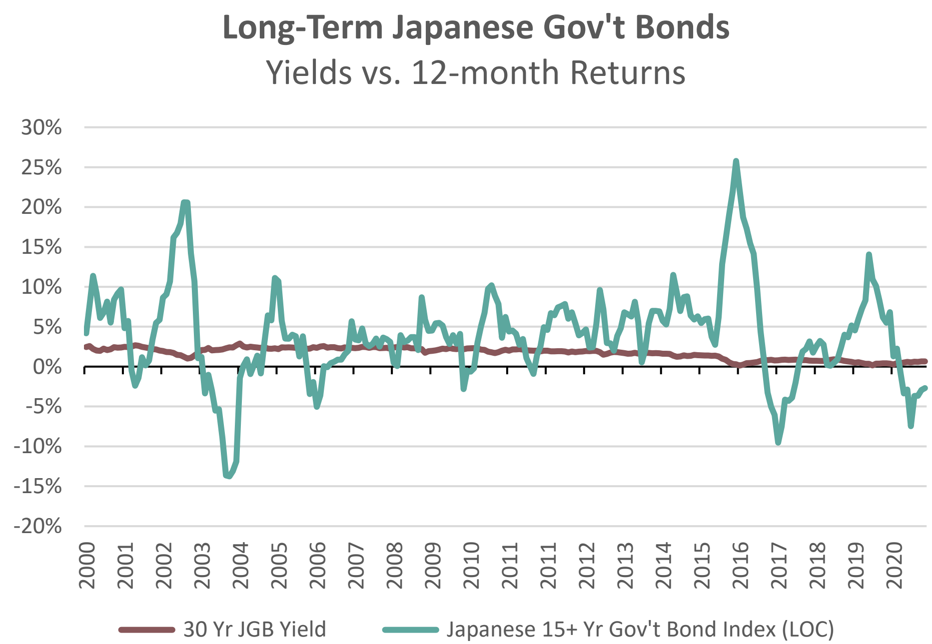


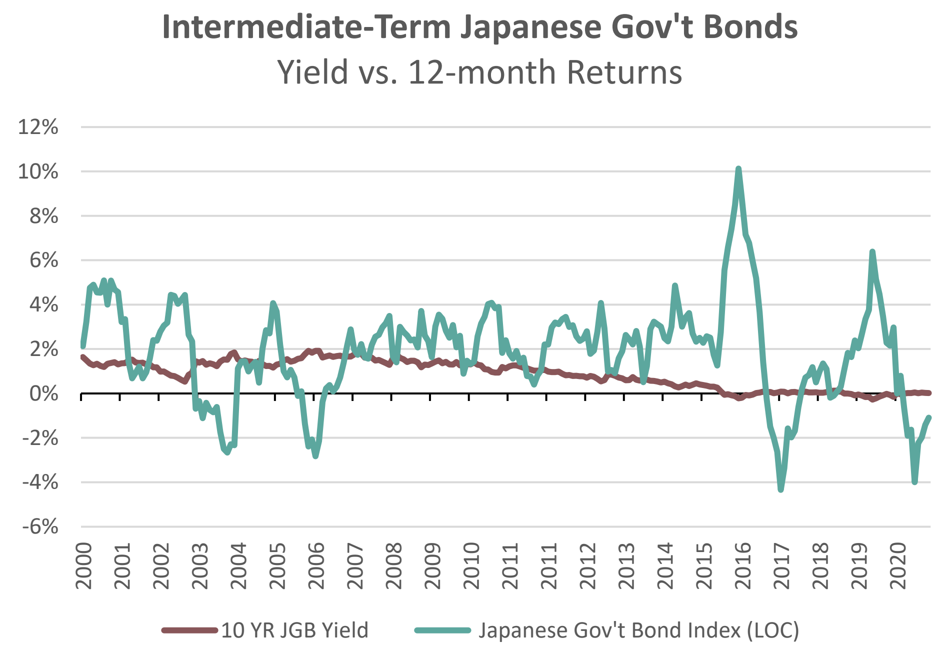
The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Please see Appendix 1 for important disclosure information. 1404936

Are Bonds Dead? A Case Study of Japan

Yet, JGB's (both long- and intermediate-term) have offered fairly steady and attractive returns

...And this assumes no duration management.





Average Annual Return	Best Annual Return	Max Annual Decline
4.1%	25.8%	-13.8%

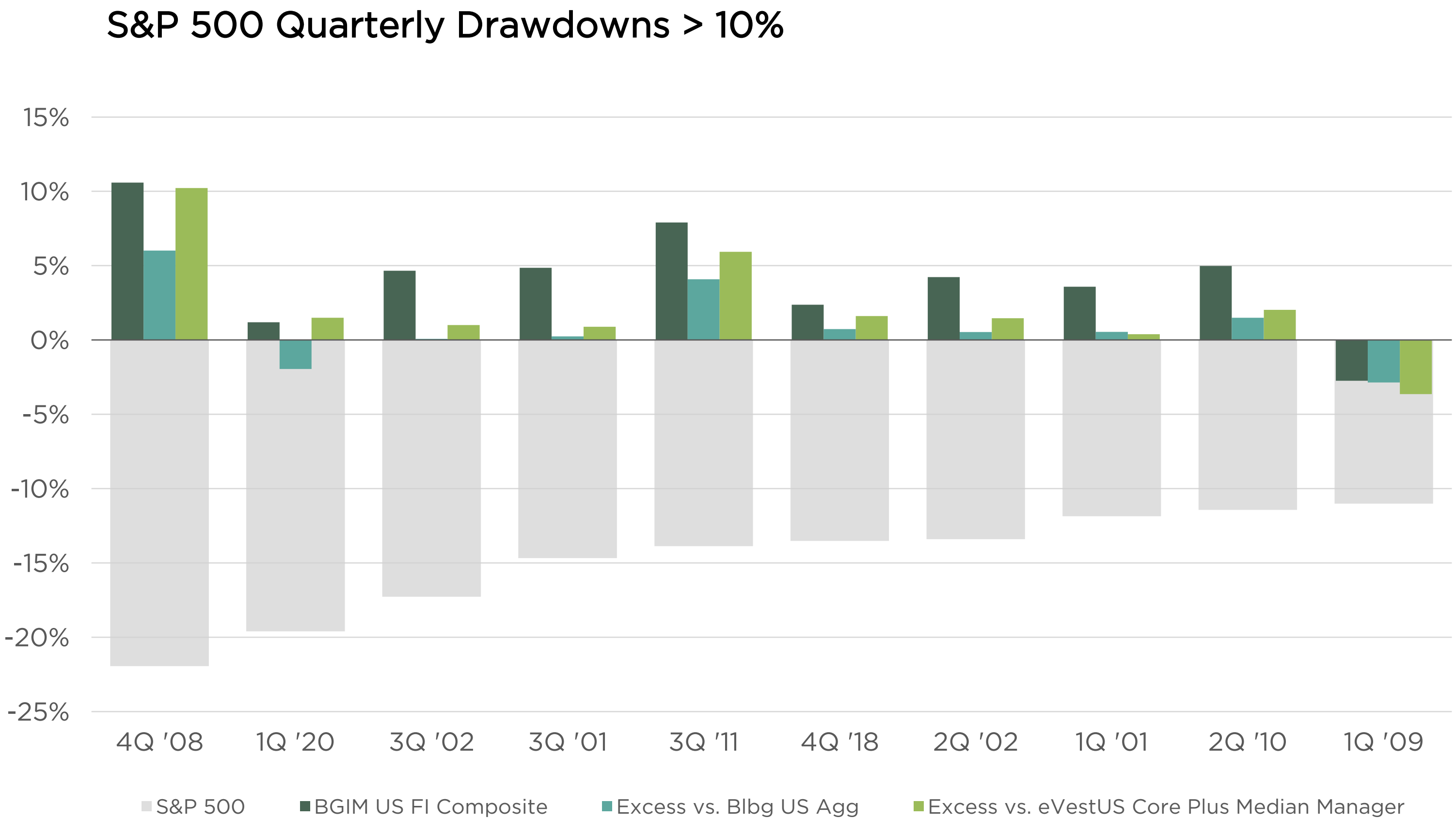
Average Annual Return	Best Annual Return	Max Annual Decline
1.9%	10.1%	-4.3%

Please note y-axis scale differences

The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Please see Appendix 1 for important disclosure information. 1404936

Defensive Alpha vs. Peers*
As of 12/31/2021

- During major equity drawdown events, the strategy has typically not only exhibited positive returns, but has also outperformed both the U.S. Aggregate Index and the median Core Plus manager.



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**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation. Data has been obtained by eVestment, which Brandywine Global believes to be accurate and reliable. Charts created by Brandywine Global. eVestment is a third-party, global provider of institutional investment data intelligence and analytic solutions. eVestment universes are based on a set of criteria which includes qualitative and quantitative factors to create and maintain a comparative peer group. eVestment collects information directly from investment management firms and other sources believed to be reliable and accurate. All performance information is presented gross of fees. Gross performance results include transaction costs but do not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest, and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fee. Please refer to our GIPS composite performance presentation, which includes a full description of Brandywine Global's fee schedule, performance footnotes and disclosures. Please see Appendix 1 for important disclosure information. Past performance is no guarantee of future results Past performance is no guarantee of future results.*

Bonds Acting Like Bonds*

As of 12/31/2021

Since 2/28/05

1 **Low correlation to equities and spread markets, which have higher sensitivity to equities**

Correlation	BGIM US FI	Top 20 Core Plus Managers
US AGG	0.82	0.83
US HY	0.22	0.68
S&P 500	0.03	0.39

Upside Mkt Cap	BGIM US FI	Top 20 Core Plus Managers
US AGG	148%	116%
US HY	43%	44%
SP500	17%	19%

2 **Attractive downside capture vs. equities and spread markets**

Downside Mkt Cap	BGIM US FI	Top 20 Core Plus Managers
US AGG	102%	93%
US HY	-13%	15%
SP500	-20%	-2%

For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution. 2/28/05 is the common inception date for the Top 20 Core Plus Managers composite.

**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation.*

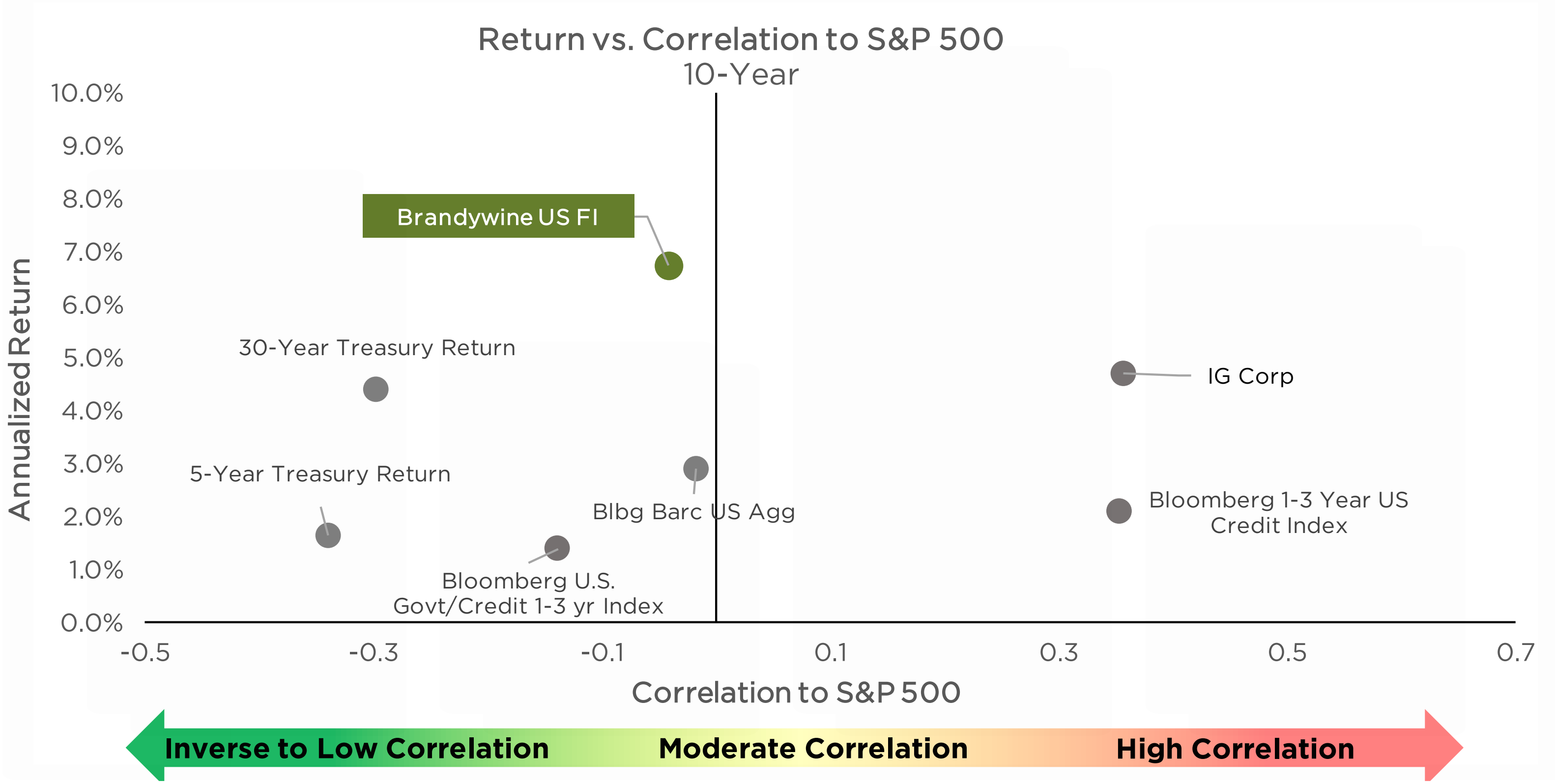
Top 20 Core Plus Managers data is obtained from eVestment Allliance. eVestment is a third-party, global provider of institutional investment data intelligence and analytics solutions. eVestment universes are based on a set of criteria which includes qualitative and quantitative factors to create and maintain a competitive peer group. eVestment collects information directly from investment management firms and other sources believed to be reliable and accurate. Data presented are based on eVestment US Core Plus Fixed Income universe. Gross performance results include transaction costs but to not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. Please refer to our GIPS compliant performance presentation, which includes a full description of Brandywine Global's fee schedule, performance footnotes and disclosures. Please see Appendix 1 for important disclosure information. Indices are unmanaged and not available for direct investment. Past performance is no guarantee of future results.

Attractive Alpha with Diversification Benefits to Risk Assets*

As of 12/31/2021

- Typical return-seeking credit sectors not only increase expected portfolio volatility, but also upticks the portfolio's correlation to equities and other risk assets.

- Through active Treasury duration management and allocation shifts to investment-grade corporates after spread widening events, investors can:
  - ✓ Access spread product return potential
  - ✓ Maintain volatility characteristics and equity diversification benefits of core bonds



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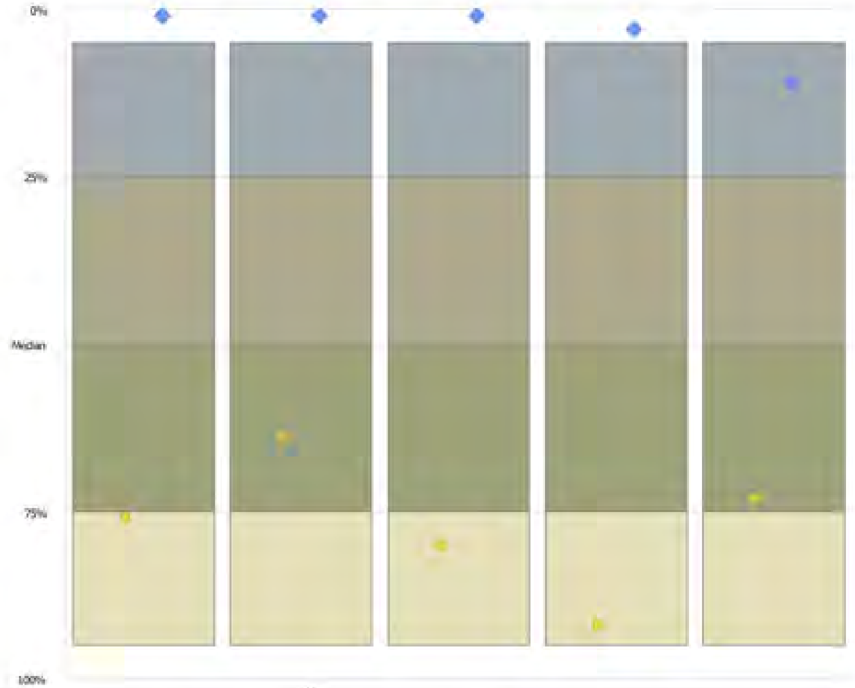
**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation. Source: Bloomberg (© 2022, Bloomberg Finance LP), which Brandywine Global believes to be accurate and reliable. Bloomberg provides Brandywine Global fixed income index returns and characteristics. Gross performance results include transaction costs but to not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. Please refer to our GIPS composite presentation, which includes a full description of Brandywine Global's fee schedule, performance footnotes and disclosures. Please see Appendix 1 for important disclosure information. Past performance is no guarantee of future results.*

Strong Risk-Adjusted Returns – Sharpe Ratio*

As of 12/31/2021

U.S. Core Fixed Income Universe

Trailing 1, 3, 5, 10 and Since Inception



Universe: eVestment US Core Fixed Income

	1 Year[1]	Rk	3 Years[1]	Rk	5 Years[1]	Rk	10 Years[1]	Rk	26.25 Years[1]	Rk
5th percentile	0.20		1.44		1.10		1.16		1.06	
25th percentile	-0.26		1.27		0.97		1.02		0.97	
Median	-0.42		1.17		0.89		0.93		0.92	
75th percentile	-0.55		1.09		0.82		0.85		0.84	
95th percentile	-0.75		0.93		0.71		0.73		0.76	
# of Observations	242		236		231		218		88	
Bloomberg Fixed Income Index: Bloomberg US Aggregate	-0.56	76	1.13	64	0.80	80	0.77	92	0.85	73
Brandywine Global Investment Management, LLC: US Fixed I...	1.05	1	1.80	1	1.53	1	1.23	3	1.01	11

Results displayed in USD using Spot Rate (SR).

[1]FTSE 3-Month T-Bill

For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution.

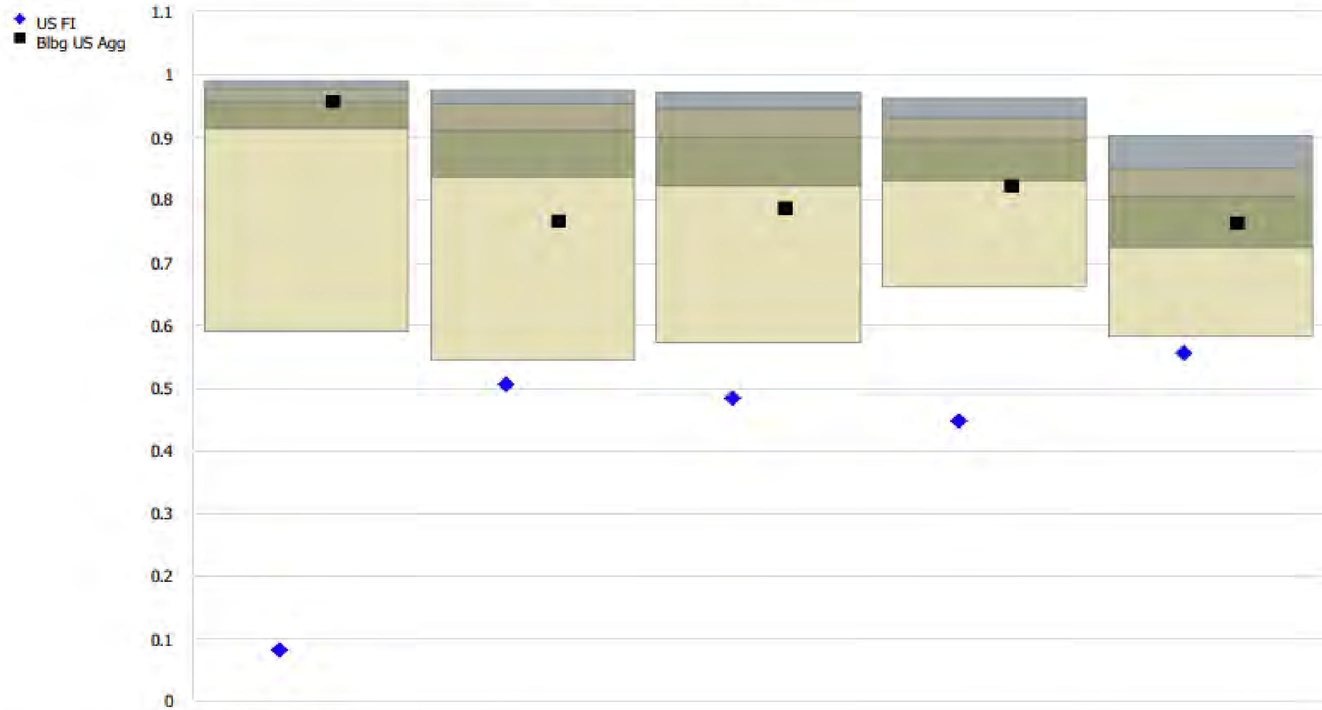
**Supplemental information to the attached US Fixed Income GIPS composite. Data is obtained from eVestment Allliance. eVestment is a third-party, global provider of institutional investment data intelligence and analytics solutions. eVestment universes are based on a set of criteria which includes qualitative and quantitative factors to create and maintain a competitive peer group. eVestment collects information directly from investment management firms and other sources believed to be reliable and accurate. Performance rankings presented are based on the US Core Fixed Income Universe. Only products reporting gross of fee performance and a base currency of USD are included in the universe calculation. Performance results are presented gross of fees. Gross performance results include transaction costs but to not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. Please refer to our GIPS performance presentation, which includes a full description of Brandywine Global's fee schedule, performance footnotes and disclosures. Please see Appendix 1 for important disclosure information. Past performance is no guarantee of future results*

Differentiated Returns vs. Peers*

As of 12/31/2021

eVestment U.S. Core Plus Universe Rankings

R^2 vs. 80% US Agg / 20% US HY Index



Universe: eVestment US Core Plus Fixed Income

	1 Year[1]	Rk	3 Years[1]	Rk	5 Years[1]	Rk	10 Years[1]	Rk	Since Inception 26.25 Years[1] [2]	Rk
5th percentile	1.0		1.0		1.0		1.0		0.9	
25th percentile	1.0		1.0		0.9		0.9		0.8	
Median	1.0		0.9		0.9		0.9		0.8	
75th percentile	0.9		0.8		0.8		0.8		0.7	
95th percentile	0.6		0.5		0.6		0.7		0.6	
# of Observations	135		131		125		110		28	
US FI	0.1	99	0.5	96	0.5	96	0.4	99	0.6	100
Blbg US Agg	1.0	49	0.8	85	0.8	82	0.8	77	0.8	62

Results displayed in USD using Spot Rate (SR).

[1]80% US Agg / 20% US HY; [2]10/1995 - 12/2021

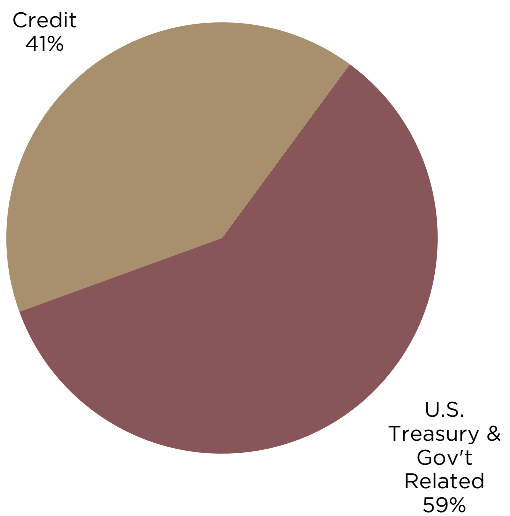
*Supplemental information to the attached U.S. Fixed Income GIPS composite presentation. For use in one-on-one presentations with sophisticated, institutional investors. Not for further distribution. Data has been obtained by eVestment, which Brandywine Global believes to be accurate and reliable. Charts created by Brandywine Global. eVestment is a third-party, global provider of institutional investment data intelligence and analytic solutions. eVestment universes are based on a set of criteria which includes qualitative and quantitative factors to create and maintain a comparative peer group. eVestment collects information directly from investment management firms and other sources believed to be reliable and accurate. All performance information is presented gross of fees. Annualized performance rankings of the products versus the applicable eVestment universe as of 12/31/2021. Past performance is no guarantee of future results.

U.S. Fixed Income: Total Return Composition*

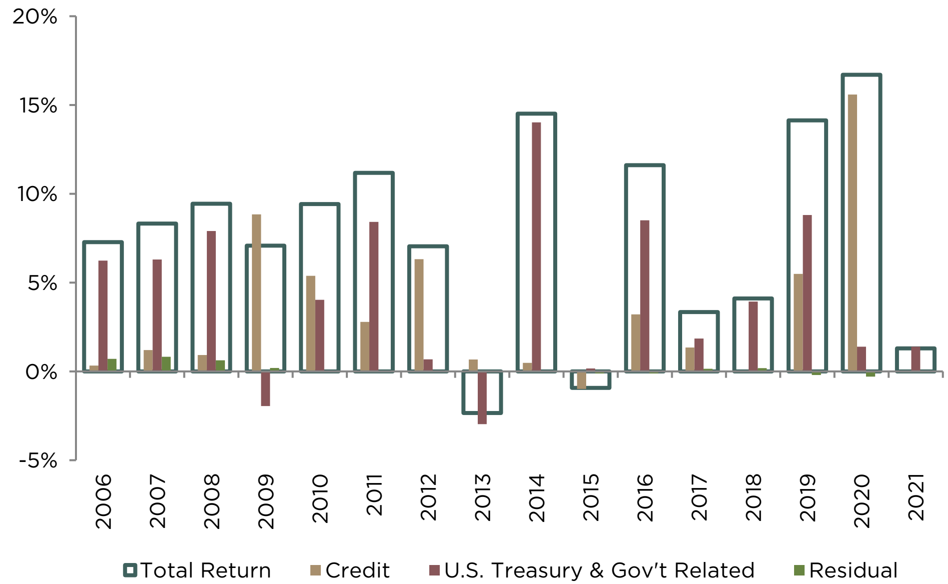
January 2006 - December 2021   Results shown in USD

U.S. Fixed Income Composite Annualized Gross Return: 7.50%

Total Return Composition



Annual Contribution to Total Return



U.S. Treasury and Gov't Related debt are government and government-related securities.

Credit is corporate and mortgage-backed securities.

Residual is the unexplained portion of excess return resulting from methodology differences between transaction versus holdings-based returns. The residual portion of the total return is excluded from the pie chart above. The percent allocation is proportionately distributed amongst U.S. Treasury & Gov't Related and Credit.

**Supplemental information to the attached U.S. Fixed Income GIPS compsite presentation.*

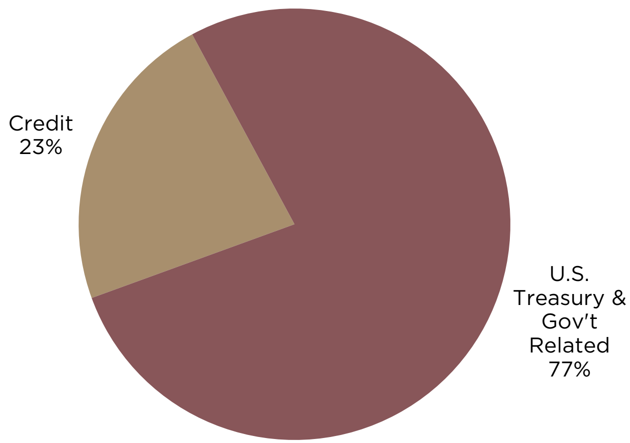
For use in 'one-on-one' presentations with sophisticated, institutional investors. Not for further distribution. Data is obtained from Wilshire Axiom and is based on the representative portfolio for the named strategy which Brandywine Global believes to be reliable and accurate. The actual characteristics with regard to any particular client account may vary based on any investment restrictions applicable to the account. Performance results are presented gross of fees. Gross performance results include transaction costs but do not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees, which is available upon request. Please see Appendix 1 for important disclosure information. Past performance is no guarantee of future results.

U.S. Fixed Income: Performance Attribution*

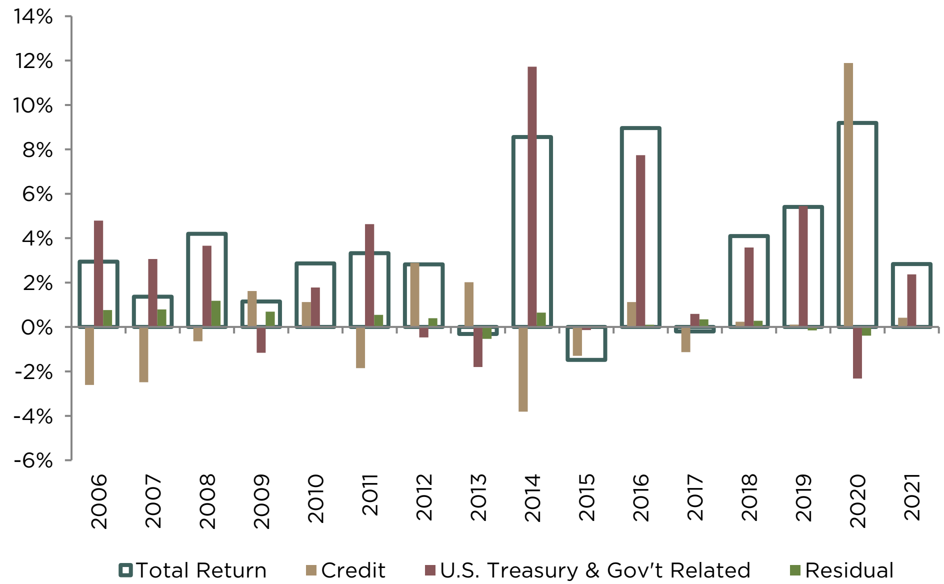
January 2006 - December 2021 Results shown in USD

U.S. Fixed Income Composite Annualized Gross Return:	7.50%
Bloomberg U.S. Aggregate Index Annualized Return:	4.10%
Annualized Excess Return Gross of Fees:	3.40%

Excess Return Attribution



Relative Excess Return



U.S. Treasury and Gov't Related debt are government and government-related securities.

Credit is corporate and mortgage-backed securities.

Residual is the unexplained portion of excess return resulting from methodology differences between transaction versus holdings-based returns. The residual portion of the total return is excluded from the pie chart above. The percent allocation is proportionately distributed amongst U.S. Treasury & Gov't Related and Credit.

*Supplemental information to the attached U.S. Fixed Income GIPS compsite presentation.

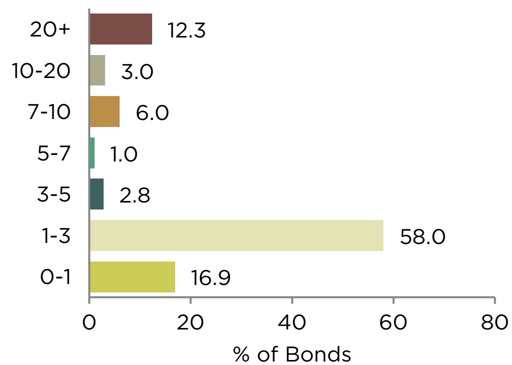
U.S. Fixed Income: Portfolio Characteristics*

As of 12/31/2021

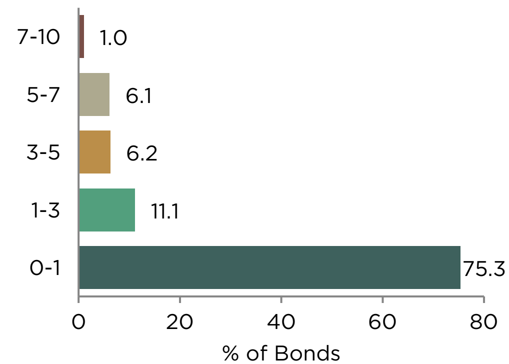
Portfolio Characteristics

	Portfolio	Primary Benchmark
Yield-to-Maturity (%)	0.78	1.76
Yield-to-Worst (%)	0.77	1.75
Modified Duration	3.45	6.77
Effective Duration	3.48	6.78
Average Maturity	5.91	8.71
Average Market Price	102.06	
Average Coupon (%)	1.06	2.54
Current Yield (%)	0.94	2.33
# of Issues	37	12,350

Maturity



Coupon



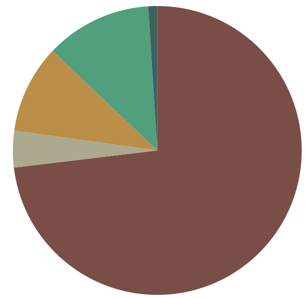
Sector Breakdown

	Market Value (%)
Government Sovereign	70.2
Corporate Bond - Investment Grade	22.0
Mortgage Backed Securities	4.8
Futures (Notional %)	4.0
Cash	2.1
Government Owned - No Guarantee	1.0
Total:	**100.0**

Portfolio Credit Quality (Blended Weighted Average Rating)

Combined Rating	%	Cumulative %
AAA	73.1	73.1
AA	4.1	77.2
A	9.9	87.1
BBB	11.9	99
BB	1.0	100

Blended Weighted Average Rating: AA



Benchmark = Bloomberg U.S. Aggregate Index

**Supplemental information to the attached U.S. Fixed Income GIPS composite presentation.*

All Averages are US DOLLAR - weighted by the net market value. Average Market Price includes accrued interest. The 'Blended Weighted Average Rating' is determined as follows: in line with the methodology used by Barclays Global indices, the middle rating from the three major NRSROs (S & P, Moody's, and Fitch) will be assigned to each security. In the event that ratings are provided by only two agencies, the lowest rating will be assigned. If only one agency assigns a rating, that rating will be applied. If the security is not rated by one of the three major agencies, U.S. treasuries and certain U.S. agencies are given the U.S. issuer rating. Sovereign treasuries are given the sovereign issuer rating. All other unrated securities are given a rating equivalent to a defaulted bond. The equivalent numerical rating is assigned to each security based on the Security Level scale. A Portfolio Level scale is applied on the weighted average calculation to round for fractional numerical ratings and then converted to an alpha weighted average rating. Cash is included and received the highest rating.. Please refer to the Appendix at the end of this presentation for our fee schedules and GIPS presentations, which include performance footnotes, index descriptions, and disclosures. Past performance is not a guarantee of future returns.

U.S. Fixed Income: Outlook & Positioning

4Q 2021

Outlook

- The impact of new waves and variants of COVID-19 could be less onerous as we adapt to living with the virus and new therapeutics are introduced. Trajectory of global GDP is expected to converge toward the pre-pandemic potential trend; many investors expect to see U.S. inflation retreat this year, although the surprise could be a bigger drop.

- On the monetary policy front, the Fed pivoted and now expects to raise rates in 2022 after its bond buying program ends in mid-March. Markets have currently priced in three to four rate hikes in 2022. The U.S. mid-term elections, geopolitical hot spots and Central Bank missteps are all added risk factors.

- Persistent earnings growth, low expected defaults, and search for yield should continue to provide further support within the capital markets. Delinquencies continue to be lower within residential real estate and strong housing fundamentals remain a positive backdrop within structured product.

Portfolio Positioning

Underweight U.S. Treasury Duration

- While continuing to remain underweight, we've tactically increased exposure to long-dated U.S. treasuries following robust back up in yields in 3Q, coupled with rising geopolitical risk and concerns emanating from a slowing Chinese economy. Roughly 65% allocation continues to be held in short-dated Treasury floaters, providing safety and the ability to benefit from rising rates.

Underweight Investment Grade Corporate Credit

- We continue to reduce exposure to corporate credit. Most of our remaining exposure is to energy and industrials.

The views expressed above are the opinions of Brandywine Global and are not intended as a forecast or guarantee of future results. Please refer to the Appendix at the end of the presentation for important disclosure information Past performance does not guarantee future results.

U.S. Fixed Income: Core Themes & Allocations

As of 12/31/2021

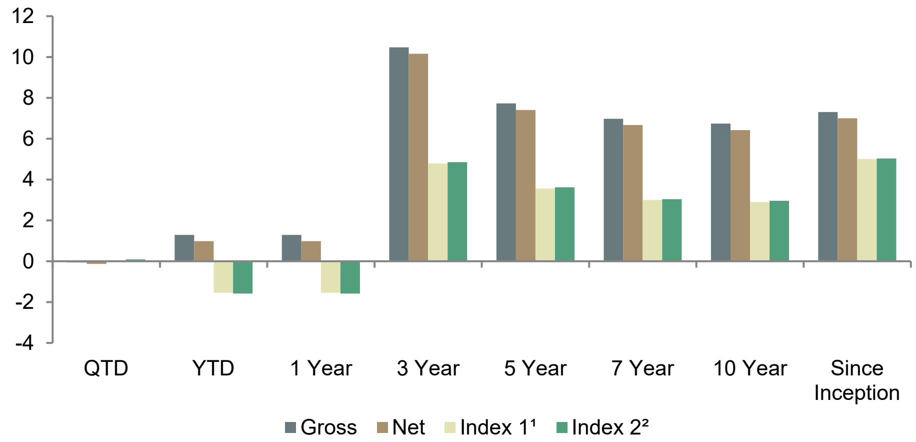
Underweight U.S. Government	Underweight IG Corporate Credit
Description • Reopening trade, growth and inflation in upward trajectory, but should normalize. • Longer-duration Treasuries and higher quality-credits carry significant interest rate risk; tactical opportunities may exist	**Description** • Cyclical tilt • Tactical exposure • Continuing to reduce spread duration
Allocation • Tactically increased longer-dated U.S. treasury duration • Primarily allocated to short dated Treasury floaters	**Allocation** • <1 year duration exposure in investment-grade credit -Favor cyclicals, energy and industrials
Exposure Trending: Increased	*Exposure Trending: Decrease*

The above table represents the current core themes of the portfolio and is not indented to be an exhaustive list of all portfolio holdings. Any opinions expressed above are the views of Brandywine Global and are not a guarantee of future results. Please see Appendix 1 for important disclosure information. 1870324

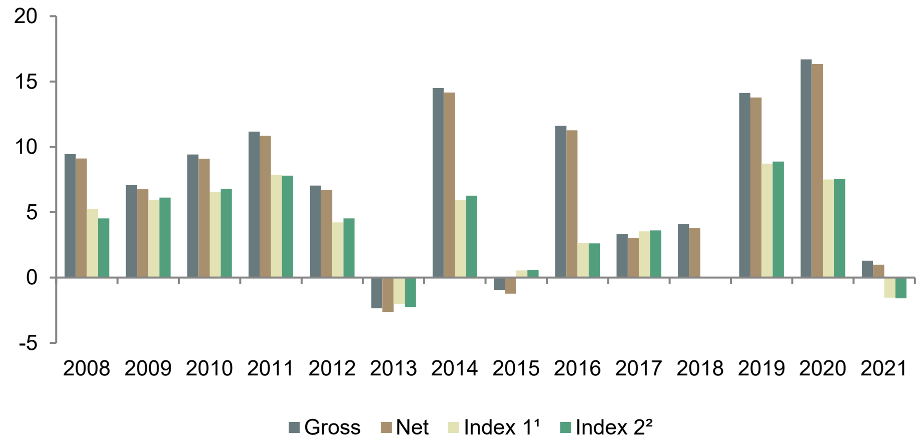
U.S. Fixed Income Composite Performance*

As of 12/31/2021   Results shown in USD

Annualized Performance (%)



Calendar Year Performance (%)



Period	Returns (%)				Excess Gross Return (%)	
	Gross	Net	Index 1[1]	Index 2[2]	vs. Index 1[1]	vs. Index 2[2]
QTD	-0.06	-0.13	0.01	0.09	-0.07	-0.15
YTD	1.29	0.99	-1.54	-1.58	2.83	2.87
1 Year	1.29	0.99	-1.54	-1.58	2.83	2.87
3 Year	10.48	10.16	4.79	4.85	5.69	5.63
5 Year	7.73	7.41	3.57	3.62	4.16	4.11
7 Year	6.98	6.67	3.00	3.04	3.98	3.94
10 Year	6.74	6.42	2.90	2.96	3.84	3.78
Since Inception	7.31	7.00	5.01	5.03	2.30	2.28

Year or YTD	Returns (%)				Excess Gross Return (%)	
	Gross	Net	Index 1[1]	Index 2[2]	vs. Index 1[1]	vs. Index[2]
2021	1.29	0.99	-1.54	-1.58	2.83	2.87
2020	16.70	16.35	7.51	7.56	9.19	9.14
2019	14.13	13.79	8.72	8.88	5.41	5.25
2018	4.11	3.80	0.01	0.04	4.10	4.07
2017	3.34	3.04	3.54	3.61	-0.20	-0.27
2016	11.61	11.27	2.65	2.62	8.96	8.99
2015	-0.93	-1.23	0.55	0.60	-1.48	-1.53
2014	14.51	14.17	5.95	6.27	8.56	8.24
2013	-2.34	-2.63	-2.02	-2.25	-0.32	-0.09
2012	7.04	6.72	4.22	4.53	2.82	2.51
2011	11.18	10.85	7.85	7.80	3.33	3.38
2010	9.42	9.10	6.56	6.80	2.86	2.62
2009	7.08	6.76	5.93	6.12	1.15	0.96
2008	9.44	9.12	5.24	4.53	4.20	4.91

*[1]Bloomberg U.S. Aggregate   [2]ICE BofAML U.S. Broad Market Index   Inception Date: 10/1/1995   *Supplemental information to the attached GIPS U.S. Fixed Income Composite presentation   Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by the investment advisory fee and other expenses incurred in the management of the account. Net of fee performance was calculated using the highest management fee as described in Brandywine Global's Form ADV Part 2A, which is available upon request. The Bloomberg U.S. Aggregate 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 ICE BofAML U.S. Broad Market Index tracks the performance of U.S. dollar denominated investment grade debt publicly issued in the U.S. domestic market, including U.S. Treasury, quasigovernment, corporate, securitized and collateralized securities. All indices are unmanaged and are not available for direct investment. Indices do not incur costs including the payment of transaction costs, fees and other expenses. Please refer to our GIPS® presentations, which include performance footnotes, fee schedules, detailed index descriptions, and disclosures. Past performance is no guarantee of future results.*

U.S. Fixed Income Composite Disclosure

As of 12/31/2021 Results shown in USD

Year or YTD	Returns (%) Composite Gross of Fees	Composite Net of Fees	BUSA[1]	BAUSBM[2]	# of Accts	Market Value (MM)	Firm Assets (MM)	Composite Dispersion (%)	St. Dev. (% 3-Year Rolling) Composite	BUSA[1]	BAUSBM[2]
2021	1.29	0.99	-1.54	-1.58	4	765	67,356	-	5.22	3.35	3.50
2020	16.70	16.35	7.51	7.56	4	604	63,872	-	5.25	3.36	3.44
2019	14.13	13.79	8.72	8.88	5	429	74,024	-	4.31	2.87	2.93
2018	4.11	3.80	0.01	0.04	2	104	70,070	-	3.35	2.84	2.88
2017	3.34	3.04	3.54	3.61	2	112	74,382	-	5.95	2.78	2.86
2016	11.61	11.27	2.65	2.62	1	80	65,498	-	6.62	2.98	3.08
2015	-0.93	-1.23	0.55	0.60	1	69	68,819	-	6.26	2.88	3.01
2014	14.51	14.17	5.95	6.27	1	109	63,375	-	4.01	2.63	2.73
2013	-2.34	-2.63	-2.02	-2.25	1	89	50,050	-	3.93	2.71	2.78
2012	7.04	6.72	4.22	4.53	2	87	42,894	-	4.28	2.38	2.41
2011	11.18	10.85	7.85	7.80	2	95	33,122	-	5.24	2.78	2.86

Period	Returns (%) Composite Gross of Fees	Composite Net of Fees	BUSA[1]	BAUSBM[2]
QTD	-0.06	-0.13	0.01	0.09
YTD	1.29	0.99	-1.54	-1.58
1 Year	1.29	0.99	-1.54	-1.58
3 Year	10.48	10.16	4.79	4.85
5 Year	7.73	7.41	3.57	3.62
7 Year	6.98	6.67	3.00	3.04
10 Year	6.74	6.42	2.90	2.96
Since Inception	7.31	7.00	5.01	5.03

Year	Composite Return Gross of Fees (%) Q1	Q2	Q3	Q4	Composite Return Net of Fees (%) Q1	Q2	Q3	Q4	BUSA[1] Return (%) Q1	Q2	Q3	Q4	BAUSBM[2] Return (%) Q1	Q2	Q3	Q4
2021	-0.02	1.13	0.24	-0.06	-0.09	1.05	0.16	-0.13	-3.37	1.83	0.05	0.01	-3.58	2.02	-0.03	0.09
2020	1.27	7.44	2.49	4.65	1.20	7.36	2.41	4.58	3.15	2.90	0.62	0.67	3.15	2.95	0.69	0.59
2019	3.95	4.70	4.11	0.72	3.88	4.62	4.03	0.65	2.94	3.08	2.27	0.18	2.99	3.15	2.38	0.11
2018	0.55	0.33	0.73	2.45	0.47	0.26	0.66	2.37	-1.46	-0.16	0.02	1.64	-1.45	-0.15	0.02	1.64
2017	0.69	1.72	0.38	0.51	0.62	1.65	0.30	0.44	0.82	1.45	0.85	0.39	0.87	1.46	0.83	0.40
2016	7.54	3.24	1.57	-1.03	7.47	3.16	1.49	-1.11	3.03	2.21	0.46	-2.98	3.07	2.28	0.43	-3.08
2015	3.96	-5.90	2.54	-1.24	3.88	-5.97	2.46	-1.31	1.61	-1.68	1.23	-0.57	1.67	-1.69	1.24	-0.58
2014	6.00	3.95	0.77	3.12	5.93	3.88	0.69	3.05	1.84	2.04	0.17	1.78	1.94	2.12	0.23	1.84
2013	0.45	-0.32	-0.02	-2.44	0.38	-0.40	-0.09	-2.52	-0.12	-2.32	0.57	-0.14	-0.11	-2.45	0.53	-0.22
2012	2.17	1.60	2.31	0.78	2.10	1.53	2.23	0.71	0.30	2.06	1.58	0.22	0.37	2.17	1.66	0.27
2011	-0.20	2.01	7.98	1.13	-0.28	1.94	7.90	1.06	0.43	2.29	3.82	1.12	0.44	2.30	3.75	1.11

[1]BUSA = Bloomberg U.S. Aggregate [2]BAUSBM = ICE BofAML U.S. Broad Market Index Inception Date: 10/1/1995 Organization: Brandywine Global Investment Management, LLC (the "Firm") is a wholly owned, independently operated, subsidiary of Franklin Resources, Inc. Brandywine Global Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Brandywine Global Investment Management, LLC has been independently verified for the periods January 1, 1993 through June 30, 2020. The verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Disclosed total firm assets represent the total market value of all discretionary and nondiscretionary, fee-paying and non-fee-paying assets under the Firm's management. Composite Description: The U.S. Fixed Income Composite (the "Composite") Inception date: October 1, 1995. Creation date: January 1, 2010. The Composite includes all fully discretionary, fee-paying portfolios with no minimum market requirement and no investment restrictions invested in the U.S. Fixed Income Strategy. The strategy invests primarily in debt securities, such as U.S. Government and corporate obligations, bonds, notes, debentures, mortgage-backed securities, asset-backed securities. The strategy seeks to provide maximum current income and achieve above average total return consistent with prudent investment management over a full market cycle. Primary Benchmark Description: The Bloomberg U.S. Aggregate 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. Secondary Benchmark Description: The ICE BofAML US Broad Market Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, quasi-government, corporate, securitized and collateralized securities. Performance Calculation: Preliminary data, if so noted, reflects unreconciled data for the most recent reporting period. Portfolios are valued daily on a trade date basis and include dividends and interest as well as all realized and unrealized capital gains and losses. Return calculations at the portfolio level are time-weighted to account for periodic contributions and withdrawals. Performance results are calculated on a before tax, total return basis. Prior to July 1, 2007, portfolios were included in the Composite beginning with the first full quarter of performance through the last full quarter of performance. After July 1, 2007, portfolios are included in the Composite beginning with the first full month of performance through the last full month of performance. Composite returns are reported on quarterly basis. The Composite returns consist of size-weighted portfolio returns using beginning of period values to weight the portfolio returns. Monthly linking of interim performance results is used to calculate quarterly and annual returns. Composite's valuations and returns are computed in U.S. Dollars ("USD"). The results are presented in USD or in other currencies (to accommodate overseas investors), the latter by converting monthly USD returns into other currency returns using the appropriate currency exchange rate returns. Gross returns reflect the deduction of trading expenses. Net of fee returns reflect the deduction of trading expenses and the highest investment management fees charged within the composite membership as stated in the fee schedule below. Composite dispersion is calculated using the asset-weighted standard deviation method for all portfolios that were in the Composite for the entire year. Composite dispersion is not presented for periods with five or fewer portfolios. The number of accounts and market values are as of the end of the period. The three-year annualized standard deviation, calculated using gross-of-fee returns, measures the variability of the composite and the benchmark returns over the preceding 36-month period. Past performance is no guarantee of future results. A list of composite descriptions and a list of limited distribution pooled fund descriptions are available upon request. Fee Schedule: Institutional Client Separate Account Management Fee Schedule (minimum initial investment: $10 million): 0.350% on the first $50 million; 0.300% on the next $50 million, and 0.250% on any portion of assets in excess of $100 million. Institutional Client Commingled Account Management Fee Schedule (Minimum investment $1 million): 0.350% on the first $50 million; 0.300% on the next $50 million; and 0.250% on the next $100 million. Additional information on the Firm's fee schedule can be found in Form ADV Part 2A which is available upon request.

Appendix 1 – Important Disclosure Information

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Brandywine Global believes that transactions in any option, future, commodity, or other derivative product are not suitable for all persons, and that accordingly, clients should be aware of the risks involved in trading such instruments. There may be significant risks which should be considered prior to investing. Derivatives transactions may increase liquidity risk and introduce other significant risk factors of a complex character. All securities trading, whether in stocks, options or other investment vehicles, is speculative in nature and involves substantial risk of loss.

Certain statements included in this presentation constitute forward looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could", and similar expressions to the extent they relate to the Firm. The forward-looking statements are not historical facts but reflect the current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Brandywine Global's investment process may prove incorrect, which may have a negative impact on performance.

Please see attached appendix containing description of indices used in connection with this product, if any. All indices are unmanaged and are not available for direct investment. The indices do not incur costs including the payment of transaction costs, fees and other expenses.

Past performance is no guarantee of future results.

Glossary of Indexes

Bloomberg U.S. Aggregate Index

The Bloomberg U.S. Aggregate 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.

Bloomberg U.S. High Yield Index

The Bloomberg U.S. Corporate High-Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt. It was created in 1986, with history backfilled to July 1, 1983.

Bloomberg Global Aggregate Bond Index

The Bloomberg Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets by including agencies, corporates and asset backed issues.

S&P 500® Index

The S&P 500® is a broad measure of U.S. domestic large cap stocks. The 500 stocks in this capitalization-weighted index are chosen based on industry representation, liquidity, and stability.

Bloomberg US Long Treasury Index: The Bloomberg US Treasury: Long Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with 10 years or more to maturity.

Bloomberg US Intermediate Govt/Credit Index: The Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity.

Bloomberg US 1-3 Year Govt/Credit Index: The Bloomberg U.S. Government/Credit 1 - 3 yr. Index includes securities in the Government and Credit Indices with a maturity band of 1 to 3 years. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies(i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.