SFERS
San Francisco Employees' Retirement System

**San Francisco City and County Employees' Retirement System**

# RETIREMENT BOARD MEETING CALENDAR SHEET

**February 12, 2025**

**To:** Retirement Board

**Through:** Alison Romano, CEO & CIO

**From:** Diane Chui Justen, Deferred Compensation Director

**Date:** February 12, 2025

**Agenda Item:** Stable Value Manager Recommendation

---

**Recommendation:**

Approve Galliard as the SFDCP Stable Value Manager.

*Rationale*: Galliard has a track record of strong performance, deep expertise, and alignment with the Plan's objectives. Key factors supporting this recommendation include:

- **Proven Performance:** A strong track record of delivering competitive returns while maintaining a conservative risk profile.
- **Deep Expertise:** Significant experience in the stable value market, being the second-largest manager in the industry.
- **Dedicated Focus:** A business model primarily centered around stable value, ensuring a high level of attention and expertise.
- **Cost-Effective:** A competitive fee structure that offers value to the Plan.
- **Robust Investment Process:** A well-diversified portfolio of both internal and external fixed income investments.
- **Successful Collaboration:** A strong working relationship with wrap providers.

**Background:**

The SFDCP Stable Value Fund ("SVF") currently holds over $900 Million in participant assets as of October 31, 2024, accounting for 16% of Plan total assets under management. SVF has been managed by Galliard Capital Management since 2013 and their current five-year contract with the SFDCP expires on June 30, 2025. As a result, an investment manager search is required, and Callan has conducted a custom Stable Value manager search process for the SFDCP.

The initial search resulted in nine Stable Value Managers based on the following criteria:

- **Proven Track Record:** A history of successful portfolio management.
- **Dedicated Resources:** A substantial team of experienced professionals focused on stable value.
- **Wrap Contract Expertise:** Proficiency in negotiating and managing wrap contracts.

- **External Manager Utilization:** Experience leveraging external managers to enhance portfolio diversification.
- **Dedicated Client Support:** A team of client-facing professionals to provide timely information and address participant inquiries.

Staff and Callan then narrowed the selection to three managers for deeper due diligence: Galliard, Invesco, and Goldman Sachs (GSAM). Callan's DC manager selection team also approved these three firms. Each firm submitted requested materials, portfolio design proposals, and participated in live interviews with Staff and Callan during the week of August 26, 2024. After a comprehensive analysis of these managers against the specified criteria and further due diligence, Galliard and Invesco were identified as the top contenders for the following reasons:

1. The overall firm focus and dedicated resource base at Galliard and Invesco for stable value is strong and deep, demonstrating their stakes in the business.
2. Galliard and Invesco's approach to fund construction, utilizing multiple investment managers, provides greater overall fixed income management diversification and reduces the reliance on any one single strategy.
3. There isn't a discernible benefit to wrap access or wrap terms from working with any of the three managers, so wrap management doesn't serve to differentiate in a way that would result in a preference for them over the others.
4. The attention to the specifics of SFDCP from the proposers was strongest at Galliard and Invesco, as you'd expect from the incumbent, and a proposer that employs the prior Client Portfolio Manager from the incumbent.
5. Less senior staff turnover and more consistency from Galliard and Invesco.

On October 2, 2024, Staff and Callan provided an overview of the search process for the semi-finalists, detailing the methodology and reasons for selecting Galliard and Invesco. Both firms participated in detailed interviews with the Deferred Compensation Committee (DCC). Following the DCC interviews, Staff and Callan completed a rigorous evaluation process, including:

- Comprehensive due diligence, including review of portfolio design proposals
- On-site visits to Invesco (Kentucky) on 10/29/24 and Galliard (Minnesota) on 10/30/24
- Reference checks from other government clients
- A Best and Final Fee Offer presented to both firms on November 7, 2024.

After careful consideration of all factors, including performance history, fee structure, and alignment with the Plan's objectives, Callan and Staff recommended retaining Galliard as the Plan's Stable Value Fund Manager to the DCC on December 18, 2024. The DCC voted unanimously to forward the recommendation to the Full Board for approval.

**Attachment:**
Callan Presentation
Manager Search book

Callan

January 2025

# San Francisco ERS - Deferred Compensation Plan

Investment Manager Search

Stable Value

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

# Stable Value/GIC Manager Evaluation

The following investment manager organizations have submitted information to Callan regarding their investment management capabilities. The information has been summarized in this report for the consideration of San Francisco ERS - Deferred Compensation Plan.

| Investment Manager | Strategy |
|---|---|
| Galliard Capital Management, LLC | Galliard Stable Value |
| Invesco | Stable Value |

The investment manager organizations contained herein have submitted information to Callan regarding their investment management capabilities, for which information Callan has not necessarily verified the accuracy or completeness of or updated. The information provided to Callan has been summarized in this report for your consideration. Unless otherwise noted, performance figures reflect a commingled fund or a composite of discretionary accounts. All written comments in this report are based on Callan's standard evaluation procedures which are designed to provide objective comments based upon facts provided to Callan. The appropriateness of the candidate investment vehicle(s) discussed herein is based on Callan's understanding of the client's portfolio as of the date hereof. Certain operational topics may be addressed in this investment evaluation for information purposes. Unless Callan has been specifically engaged to do so, Callan has not conducted due diligence of the operations of the candidate or investment vehicle(s), as may be typically performed in an operational due diligence evaluation assignment. The investment evaluation and any related due diligence questionnaire completed by the candidate may contain highly confidential information that is covered by a non-disclosure or other related agreement with the candidate which must be respected by the client and its representatives. The client agrees to adhere to the conditions of any applicable confidentiality or non-disclosure agreement.

# Table of Contents

**Search Process, Profile & Summary** **Section I**

- Manager Search Process
- Candidate Profile
- Candidate Summary Matrix

**Candidate Firm Information** **Section II**

**Candidate Product Information** **Section III**

**Candidate Portfolio Characteristics** **Section IV**

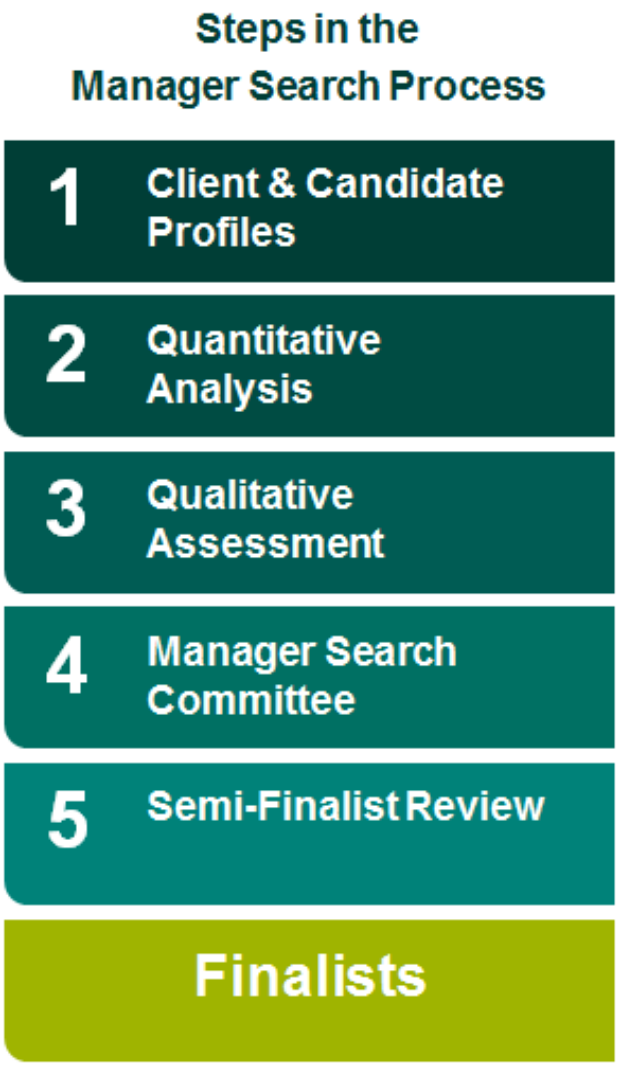
**Candidate Performance** **Section V**

**Appendix** **Section VI**

- Firm Overview Profiles
- Definitions
- Disclosures

# Search Process, Profile & Summary

## Search Process



# Manager Summary Matrix

| | Organization/Team | Strategy/Portfolio | Summary Opinion |
|---|---|---|---|
| **Galliard Capital Management, LLC**<br><br>Galliard Stable Value | - Subsidiary of Allspring Global Investments; the firm is located in Minneapolis.<br>- Legacy parent company Wells Fargo Asset Management was acquired by private equity firms GTCR and Reverence Capital in November 2021. The announcement was made in early 2021 and the firm was later rebranded as Allspring Global Investments.<br>- Galliard's AUM is dominated by stable value (80-85%), which translates to investments in mostly short duration and short-intermediate duration securities.<br>- Head of Stable Value Nick Gage leads a deep pool of dedicated stable value professionals that manage wrap contract structure, negotiate and administer contracts, and monitor external subadvisors.<br>- Investment Committee serves as an oversight body to its stable value and fixed income strategies; comprised of senior fixed income and stable value professionals.<br>- Dedicated teams of sector PMs and analysts support Galliard's stable value and unwrapped fixed income strategies. | - Typically favor multi-manager approach on larger separate accounts; the flagship Stable Return Fund is 100% managed internally.<br>- Firm emphasizes a team approach with a focus on generating alpha primarily through security selection and sector allocation.<br>- Fixed income style focuses on winning by not losing, maintaining a slight yield advantage, and strong risk management.<br>- Historically have maintained a shorter duration relative to peers, but maintained a yield advantage from exposure to spread sectors and longer dated securities.<br>- Underlying fixed income is typically benchmarked to a blend of Short G/C and Intermediate G/C benchmarks.<br>- Customized approach to structuring stable value accounts; has historically utilized multiple tools (e.g., synthetic contracts, insurance separate accounts, GICs, SV CITs) to achieve client objectives; 10 approved wrap issuers. | - Galliard has maintained its autonomy under Allspring's new private equity owners GTCR and Reverence Capital.<br>- Continuing to monitor parent company's (Allspring) ownership change that occurred in November 2021. Wells was rebranded to Allspring Global Investments and Joseph Sullivan replaced Nico Marais as CEO.<br>- The team has experienced very low turnover since the founding partners' retirements in 2019. The team continues to maintain strong experience and depth within its stable value and fixed income pods.<br>- Conviction in Galliard's stable value platform for both its flagship collective trust and its custom separate account solutions. |

# Manager Summary Matrix

| | Organization/Team | Strategy/Portfolio | Summary Opinion |
|---|---|---|---|
| **Invesco**<br><br>Stable Value | - Wholly owned subsidiary of Invesco Ltd. (NYSE IVZ); employees and employee trust own approximately 10%.<br>- In June 2023, Andrew Schlossberg succeeded Marty Flanagan as President and CEO of Invesco. He also became a member of the Invesco Ltd. Board of Directors on June 30, 2023. Flanagan will serve as Chairman Emeritus until December 31, 2024.<br>- Long tenured stable value team in Louisville, KY managing over $70bn in stable value assets.<br>- Stable value is a flagship product for the organization and have committed to growing the business by continually adding resources.<br>- Head of SV George Baumann retired in 1Q2024. Head of Portfolio Management Jennifer Gilmore assumed his role, leading new business opportunities, distributing resources, and staffing decisions.<br>- SV PMs are supported by dedicated SV account management, Invesco's legal counsel, and external manager monitoring.<br>- Proprietary fixed income managed by Atlanta-based investment grade team. | - Multi-manager stable value solution complementing proprietary active fixed income with subadvisors.<br>- Proprietary fixed income managed with a top-down, bottom-up approach. Invesco strategy committee's views are fed into all strategies and FI PMs allocate to sector teams.<br>- Strategies are managed to conservative guidelines to adhere to stable value contract terms.<br>- Disciplined approach to monitoring pool of subadvisors to review adherence to guidelines and ensure styles complement one another.<br>- Underlying fixed income is a mix of short, intermediate, and core fixed income.<br>- Generally prefers synthetic structures; 11 providers on its approved list. | - There are no immediate concerns regarding the retirement of CEO Marty Flanagan and the subsequent succession of Andrew Schlossberg as CEO. This transition is not expected to materially impact the firms' underlying investment strategies.<br>- Invesco was transparent with regards to George Baumann's succession plans. The team was provided with ample runway to transition any remaining accounts before his retirement.<br>- Large dedicated SV team with deep resources for supporting and monitoring accounts.<br>- Conviction in Invesco's stable value team and its multi-manager centric focus for implementing portfolios.<br>- Strict subadvisory monitoring is well-suited for larger plans requiring frequent and detailed compliance surveillance. |

| | Product / Vehicle AUM ($mm) | Minimum Account Size ($mm) | Proposed Fee on $926mm (%) Mgmt/All In | Wrap Fee (%) | Subadvisor Fee (%) | Comments |
|---|---|---|---|---|---|---|
| Galliard Capital Management, LLC<br>Sep Acc | 42,556 / 42,556 | 0 | 0.063 (mgmt)<br>0.257 (all-in) | 0.148 | 0.033 | |
| Invesco<br>Sep Acc | 67,430 / 50,027 | 50 | 0.066 (mgmt)<br>0.247 (all-in) | 0.143 | 0.034 | |

# Candidate Firm Information

# Candidate Firm Summary

| | Galliard Capital Management, LLC | Invesco |
|---|---|---|
| Headquarters | Minneapolis, MN | Atlanta, GA |
| Ownership / Parent | Subsidiary / Allspring Global Investments Holdings, LLC. | Publicly Owned / Invesco Ltd. |
| Minority / Women / Disabled - Owned | No | No |
| Total Firm Assets ($mm) | 82,728 | 1,795,610 |
| Have any open regulatory exams/investigations been escalated to enforcement? | No | No |
| Date of Last SEC Exam | 05/03/2024 | 01/11/2024 |
| GIPS Compliant | Yes | Yes |
| E&O Insurance | Yes | Yes |
| Disaster Recovery Plan in Place | Yes | Yes |
| Firm-Wide ESG Policy in Place | Yes | No |
| Publishes quarterly or annual sustainability or responsible investing report | No | Yes |
| UNPRI Signatory | Yes | Yes |

# Total Firm Assets Under Management

## Total Firm Assets by Type ($mm) as of September 30, 2024

| | Corporate | Public(Govt) | Sub-Advised | Other | Total Org Assets |
|---|---|---|---|---|---|
| Galliard Capital Management, LLC | 31,871 | 25,303 | 632 | 24,922 | 82,728 |
| Invesco | 218,474 | 58,681 | 29,148 | 1,489,307 | 1,795,610 |



# Candidate Product Information

# Candidate Product Summary

| | Galliard Capital Management, LLC | Invesco |
|---|---|---|
| Product Name | Galliard Stable Value | Stable Value |
| Product Benchmark | 3 Month T-Bill | 3 Month T-Bill |
| Proposed Vehicle | Sep Acc | Sep Acc |
| Product / Vehicle Inception | 1995 / 1995 | 1988 / 2004 |
| Product / Vehicle AUM ($mm) | 42,556 / 42,556 | 67,430 / 50,027 |
| Average Quality* | AA | AA |
| Value Add (Sector/ Security/Duration/Yield) | 50 / 40 / -- / 10 | 40 / 20 / 20 / 20 |
| Yield on Underlying Assets | 4.4% | 4.4% |
| Number of Wrap Providers | 5 | 7 |

*Average of trailing 5 years, or since inception.

## Candidate Product Summary
## ESG Integration

| | Galliard Capital Management, LLC | Invesco |
|---|---|---|
| Product Name | Galliard Stable Value | Stable Value |
| Dedicated ESG strategy; ESG considerations are primary objective | No | No |
| Not a dedicated ESG strategy; ESG considerations are part of investment framework | Yes | Yes |
| Strategy utilizes proprietary scoring (or metrics) for ESG research | No | Yes |
| Reports provided to clients that highlight holdings' ESG metrics (impact, scoring, etc) | No | No |

# Product Level Investment Professionals

| | Product Level Resources | | | | Gained (5 Yr) | | Lost (5 Yr) | |
|---|---|---|---|---|---|---|---|---|
| | Portfolio Managers | Central Research Analysts | Dedicated Fundamental Analysts | Quantitative Analysts | Portfolio Managers | Dedicated Fundamental Analysts | Portfolio Managers | Dedicated Fundamental Analysts |
| Galliard Composite | 7 | | 10 | | 0 (0%) | 2 (20%) | 3 (43%) | 1 (10%) |
| Invesco | 12 | 15 | | | 0 (0%) | 6 (0%) | 0 (0%) | 10 (0%) |

# Key Investment Professionals

## Galliard Composite

| Key Professionals | Started with Product | Joined Firm | Investment Experience |
|---|---|---|---|
| Ajay Mirza - PM | 1995 | 1995 | 1993 |
| Chad Callahan - PM | 1999 | 1999 | 1995 |
| Matt Robertson - PM | 2004 | 2004 | 2001 |
| Andrea Johnson - PM | 2005 | 2005 | 2002 |
| Brandon Kanz - PM | 2005 | 2005 | 2002 |
| Nick Gage - PM | 2008 | 2008 | 2001 |
| Tyler Wadsworth - PM | 2011 | 2011 | 2011 |

## Invesco

| Key Professionals | Started with Product | Joined Firm | Investment Experience |
|---|---|---|---|
| Paul English - PM | 1998 | 1998 | 1995 |
| Chuck Burge - PM | 2002 | 2002 | 1993 |
| Jennifer Gilmore - PM | 2002 | 1999 | 1997 |
| Brian Norris - PM | 2006 | 2001 | 1997 |
| Ken Purnell - PM | 2011 | 2002 | 1990 |
| Philip Armstrong - PM | 2015 | 2015 | 2015 |

# Product Assets Under Management

## Product Assets by Vehicle ($mm) as of September 30, 2024

| | Separate Account | Commingled | MF Institutional | MF Retail | Total |
|---|---|---|---|---|---|
| Galliard Composite | 42,556 | | | | 42,556 |
| Invesco | 50,027 | 17,403 | | | 67,430 |

# Product Asset Turnover

## Product Asset Turnover ($mm) as of September 30, 2024

| | Total Product Assets | Largest Account | Total Accounts | 5-Year Net Asset Growth* | 2023 Assets | 2022 Assets | 2021 Assets | 2020 Assets | 2019 Assets |
|---|---|---|---|---|---|---|---|---|---|
| Galliard Composite | 42,556 | 4,050 | 82 | -13,280 | 44,542 | 49,908 | 49,111 | 51,750 | 49,552 |
| Invesco | 67,430 | 5,278 | 621 | -288 | 70,602 | 75,296 | 69,993 | 68,456 | 59,191 |

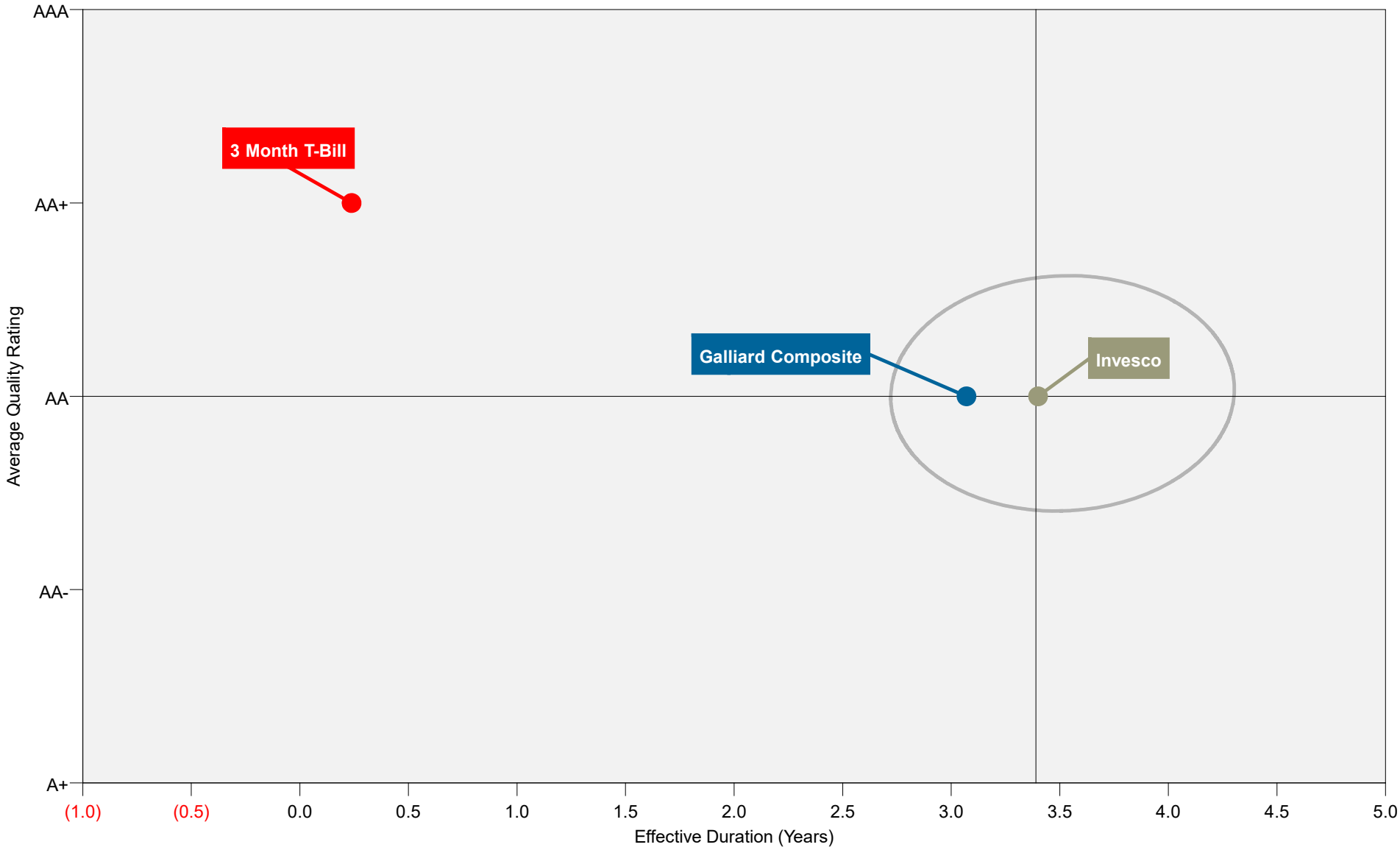
** Net Asset Growth measures net asset flows by removing the performance impact on reported asset growth, thereby isolating growth due to net asset flows into or out of the product. This calculation is based upon each product's beginning and ending assets as well as the representative product return.*

# Candidate Portfolio Characteristics

# Average Quality Rating vs. Effective Duration

## Average Quality Rating vs. Effective Duration for Quarter Ended September 30, 2024

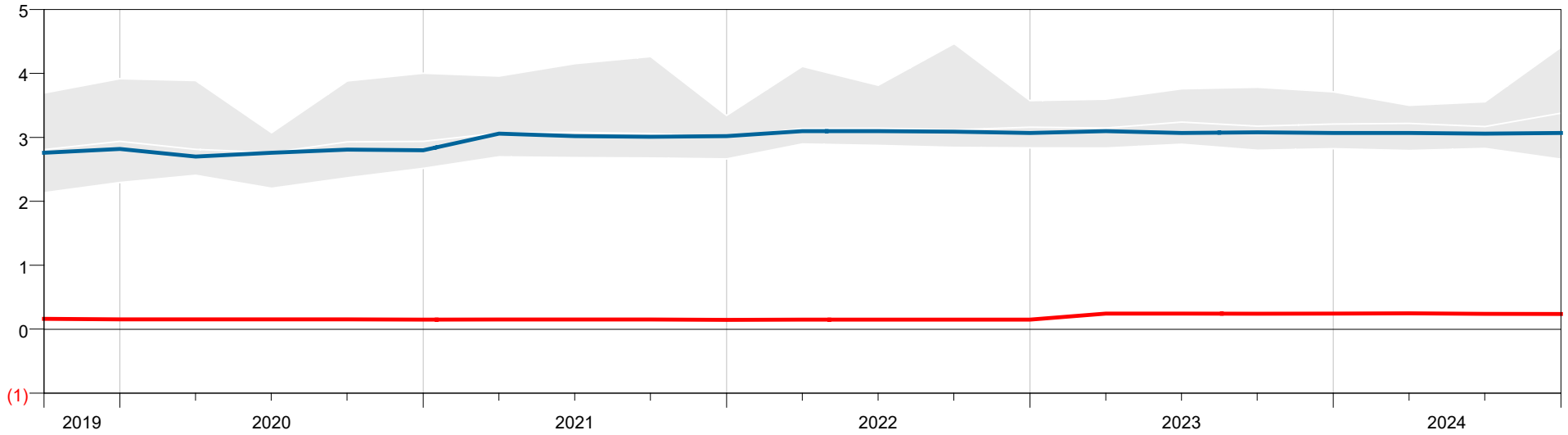
**Group: Callan Stable Value SA Group (Ellipse with Median at Central Axis)**



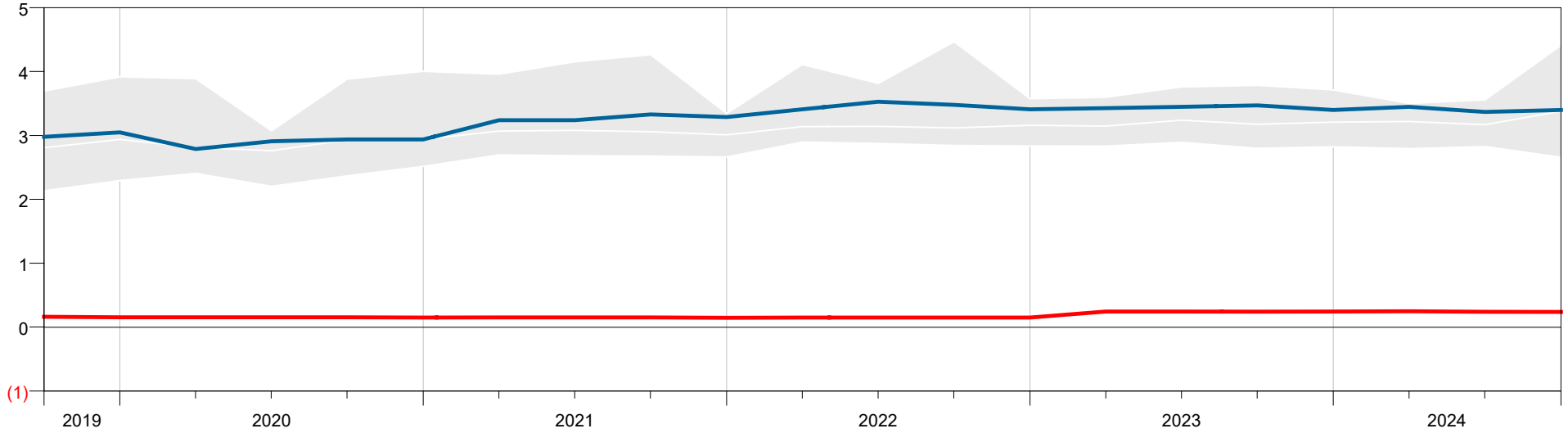
# Effective Duration

The charts below illustrate Effective Duration (Years) for different managers over time. As a backdrop, the range (from 10th to 90th percentile) is shown for the Callan Stable Value SA group. The 3-month Treasury Bill index is shown in red for comparison.

## Galliard Composite



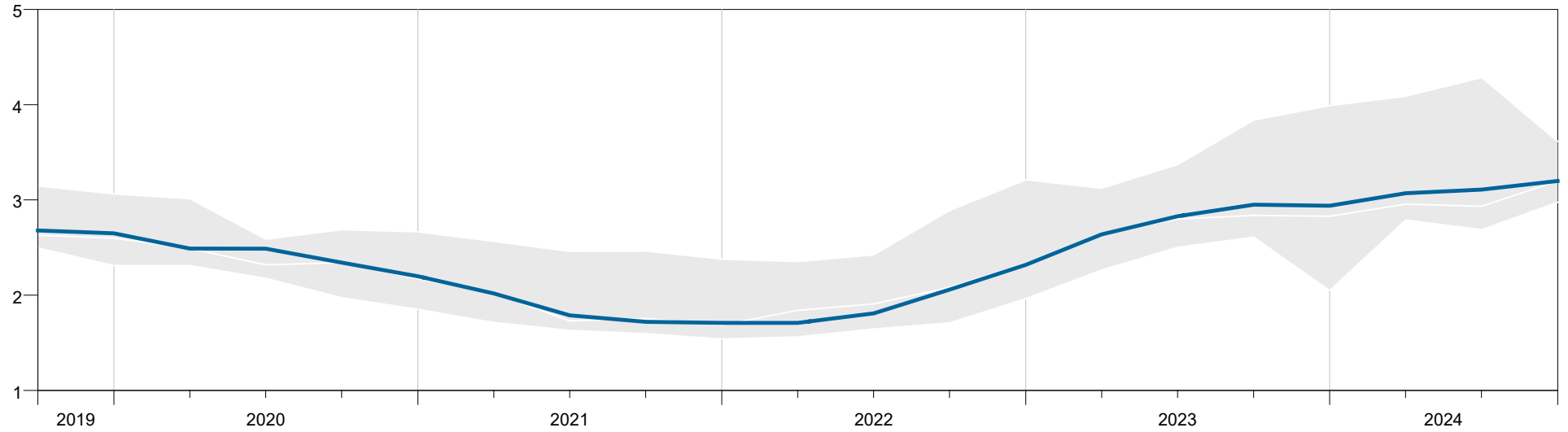

## Invesco



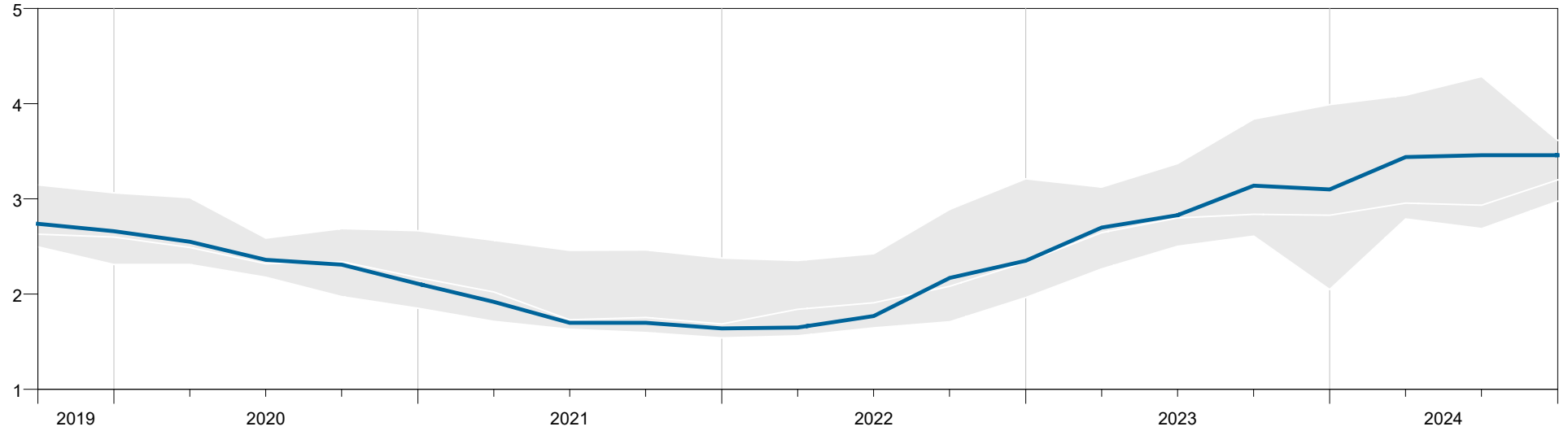
# Crediting Rate

The charts below illustrate Crediting Rate for different managers over time. As a backdrop, the range (from 10th to 90th percentile) is shown for the Callan Stable Value SA group.

## Galliard Composite



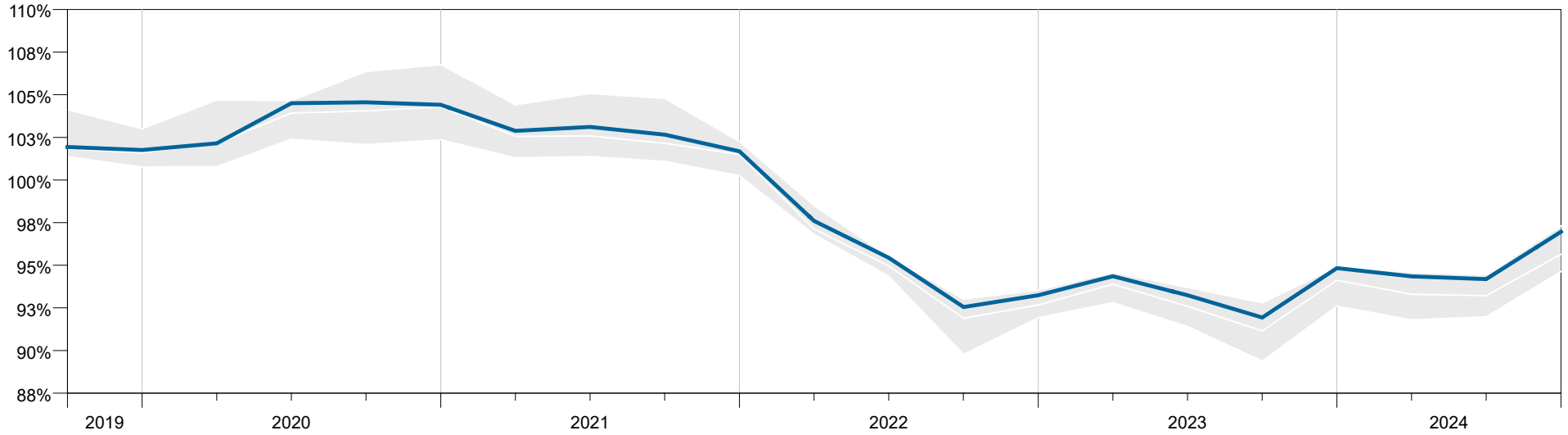

## Invesco



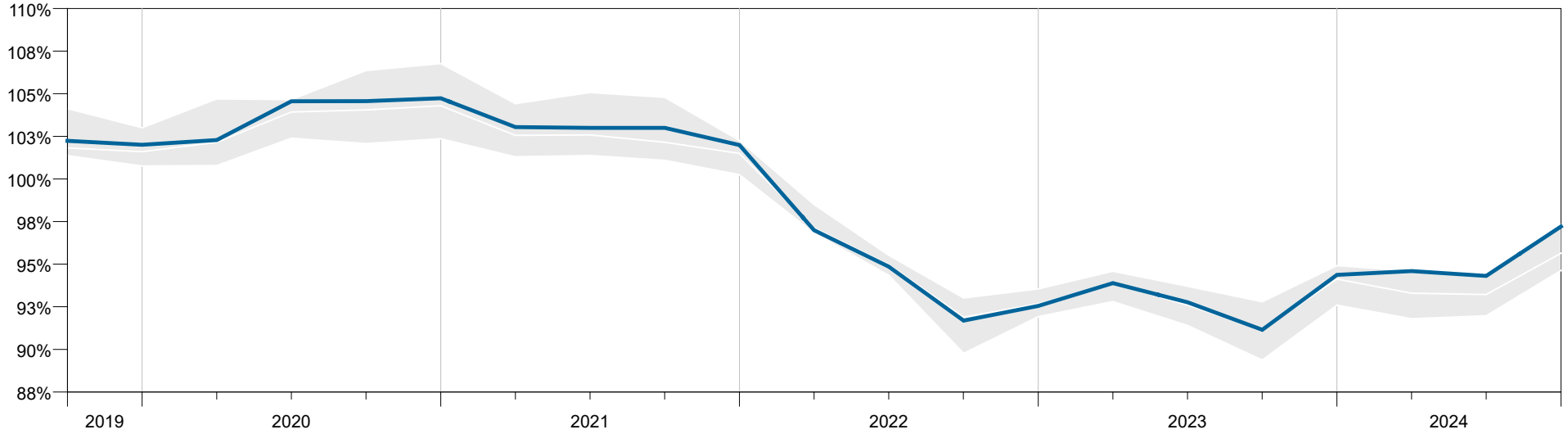
# Market-to-Book Ratio

The charts below illustrate Market-to-Book Ratio for different managers over time. As a backdrop, the range (from 10th to 90th percentile) is shown for the Callan Stable Value SA group.

## Galliard Composite

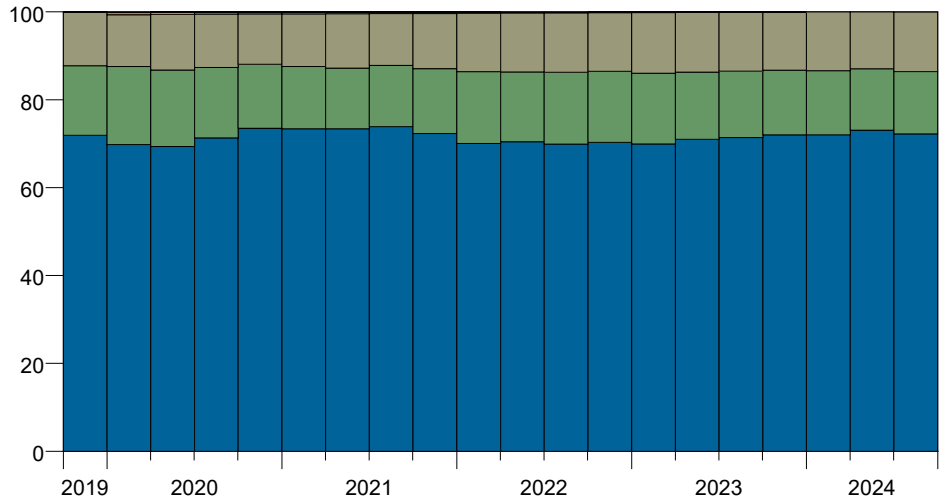



## Invesco

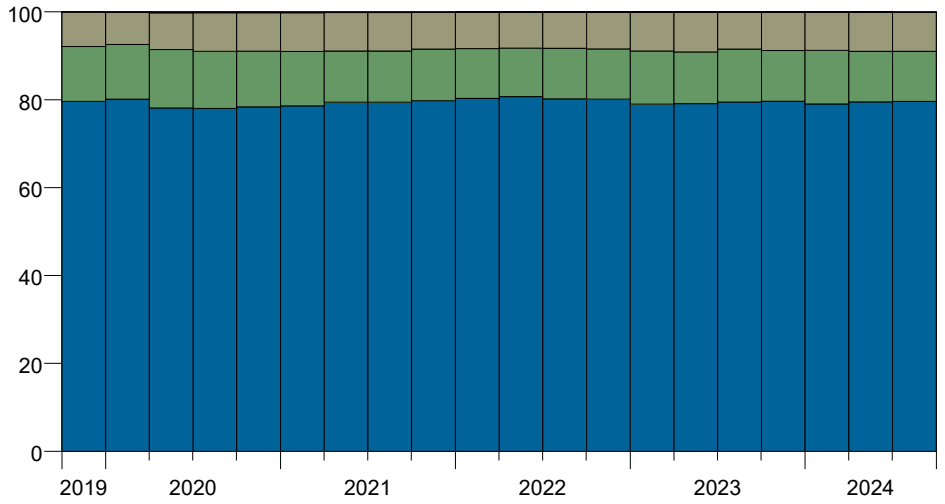


# Quality Exposure

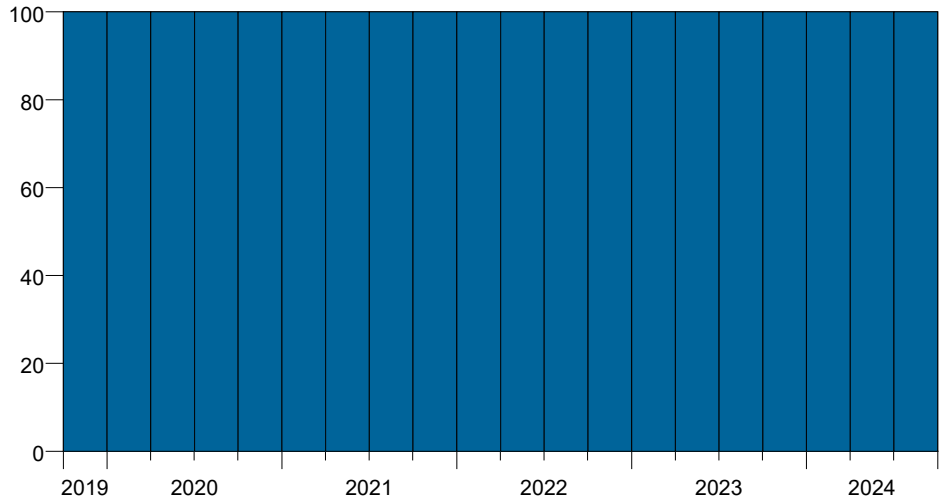
## Galliard Composite




## Invesco




## Index: 3-month Treasury Bill






# Wrap Contract Allocation ended September 30, 2024

| | Constant Duration Synthetic | Maturing Synthetic | SA GIC Constant Duration | SV Pooled Fund | Traditional GIC/ BIC | SA GIC Maturing | Cash |
|---|---|---|---|---|---|---|---|
| Galliard Composite | 97.00 | 0.00 | 0.00 | 0.41 | 0.02 | 0.00 | 2.58 |
| Invesco | 98.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.79 |
| **Callan Stable Value SA Group*** | **91.13** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **2.82** |

*Results reflect group median.



# Candidate Performance

# Returns and Peer Group Rankings - Trailing Periods

## Returns for Periods Ended September 30, 2024

### Group: Callan Stable Value SA Group (Percentile Rankings in Parentheses)

| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|---|---|---|---|---|---|---|
| Galliard SFDCP Portfolio | 0.77 (38) | 3.02 (39) | 2.48 (45) | 2.37 (48) | 2.33 (59) | 2.07 (88) |
| Galliard Composite | 0.80 (32) | 3.09 (37) | 2.53 (37) | 2.42 (42) | 2.43 (42) | 2.30 (58) |
| Invesco | 0.79 (37) | 3.11 (32) | 2.52 (42) | 2.39 (47) | 2.42 (47) | 2.32 (47) |
| Galliard Short Duration | 3.03 | 8.13 | 2.09 | 2.23 | -- | -- |
| Invesco Short Duration | 3.55 | 8.75 | 1.43 | 1.77 | -- | -- |
| **Callan Stable Value SA Group*** | **0.72** | **2.85** | **2.42** | **2.35** | **2.39** | **2.32** |
| **3 Month T-Bill** | **1.37 (2)** | **5.46 (2)** | **3.49 (4)** | **2.32 (52)** | **2.22 (82)** | **1.65 (94)** |

*Peer group results reflect group median.
**Galliard performance represents actual historical returns, net of a 0.26% annual fee
Manager candidate performance shown is gross-of-fees unless otherwise noted.

# Returns and Peer Group Rankings - Calendar Years

## Returns for Periods Ended September 30, 2024

### Group: Callan Stable Value SA Group (Percentile Rankings in Parentheses)

| | 3 Qtrs. 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Galliard SFDCP Portfolio | 2.28 (40) | 2.86 (24) | 1.87 (62) | 1.79 (53) | 2.40 (50) | 2.53 (73) | 2.14 (74) | 1.71 (88) | 1.48 (92) | 1.30 (95) |
| Galliard Composite | 2.34 (37) | 2.84 (27) | 1.96 (50) | 1.85 (44) | 2.44 (41) | 2.68 (29) | 2.38 (33) | 2.05 (53) | 2.03 (44) | 1.95 (47) |
| Invesco | 2.34 (32) | 2.89 (20) | 1.92 (57) | 1.76 (56) | 2.35 (59) | 2.65 (35) | 2.45 (27) | 2.08 (47) | 2.08 (38) | 2.14 (29) |
| Galliard Short Duration | 5.00 | 5.57 | (3.54) | (0.35) | 4.15 | 4.65 | -- | -- | -- | -- |
| Invesco Short Duration | 5.01 | 5.33 | (5.12) | (0.51) | 4.12 | 4.64 | -- | -- | -- | -- |
| **Callan Stable Value SA Group*** | **2.14** | **2.71** | **1.96** | **1.84** | **2.39** | **2.62** | **2.33** | **2.07** | **1.96** | **1.95** |
| **3 Month T-Bill** | **4.03 (2)** | **5.01 (2)** | **1.46 (89)** | **0.05 (98)** | **0.67 (98)** | **2.28 (91)** | **1.87 (83)** | **0.86 (98)** | **0.33 (98)** | **0.05 (99)** |

*Results reflect group median.
**Galliard performance represents actual historical returns, net of a 0.26% annual fee
Manager candidate performance shown is gross-of-fees unless otherwise noted.

# Returns and Peer Group Rankings - Rolling Three-Year Periods

## Returns for Rolling Three-Year Periods Ended September 30, 2024

**Group: Callan Stable Value SA Group (Percentile Rankings in Parentheses)**

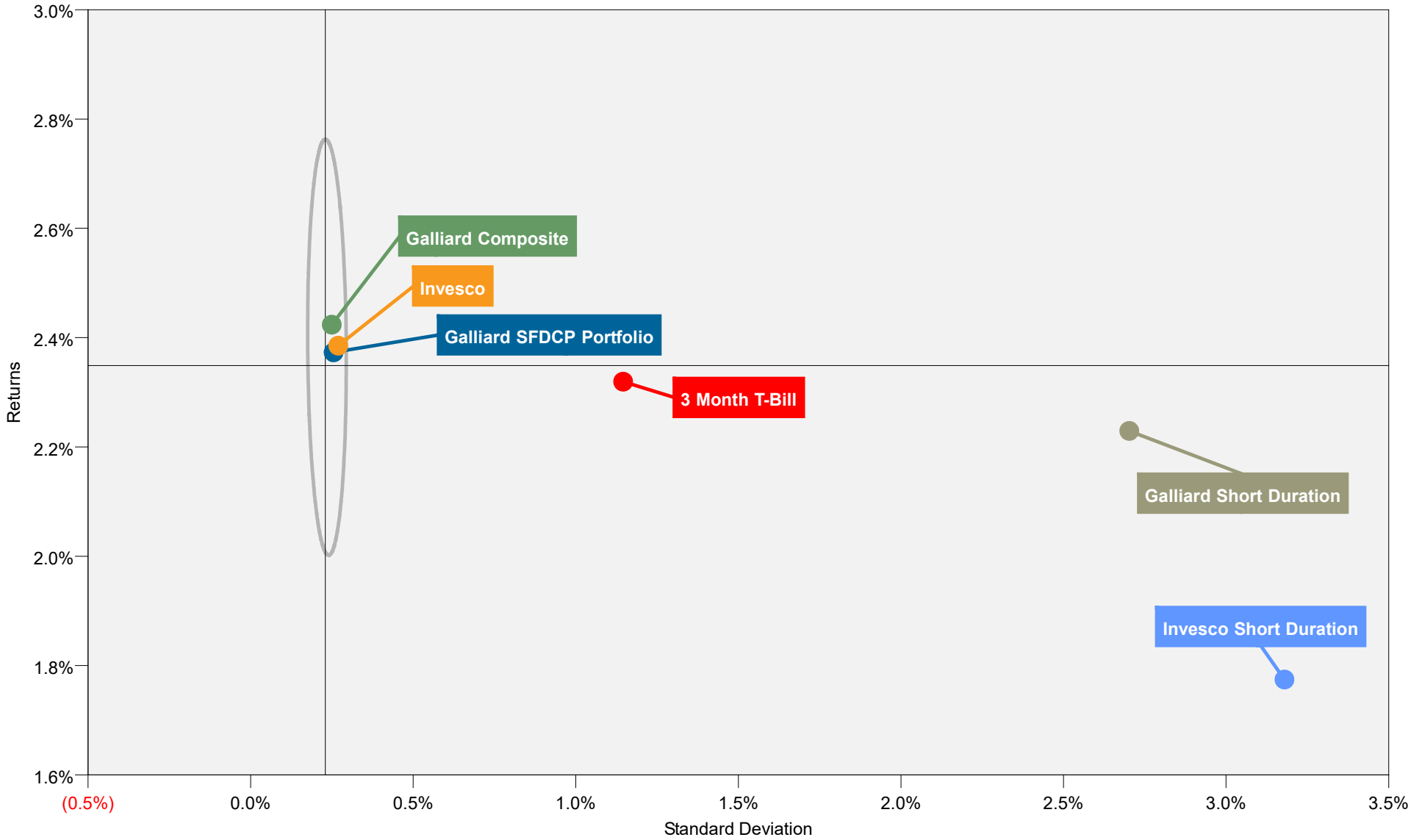
| | Last 3 Yrs. | 3 Yrs. Ending 9/30/23 | 3 Yrs. Ending 9/30/22 | 3 Yrs. Ending 9/30/21 | 3 Yrs. Ending 9/30/20 |
|---|---|---|---|---|---|
| Galliard SFDCP Portfolio | 2.48 (45) | 2.12 (49) | 2.06 (52) | 2.30 (64) | 2.33 (77) |
| Galliard Composite | 2.53 (37) | 2.16 (36) | 2.12 (40) | 2.39 (44) | 2.49 (44) |
| Invesco | 2.52 (42) | 2.11 (50) | 2.04 (53) | 2.33 (56) | 2.49 (38) |
| Galliard Short Duration | 2.09 | (0.38) | (0.10) | 3.34 | -- |
| Invesco Short Duration | 1.43 | (1.20) | (0.77) | 3.35 | -- |
| **Callan Stable Value SA Group*** | **2.42** | **2.11** | **2.07** | **2.33** | **2.49** |
| **3 Month T-Bill** | **3.49 (4)** | **1.70 (88)** | **0.59 (97)** | **1.18 (97)** | **1.69 (95)** |

*Results reflect group median.
**Galliard performance represents actual historical returns, net of a 0.26% annual fee
Manager candidate performance shown is gross-of-fees unless otherwise noted.

# Risk/Reward Structure

## Risk/Reward for Five Years Ended September 30, 2024

**Group: Callan Stable Value SA Group (Ellipse with Median at Central Axis)**

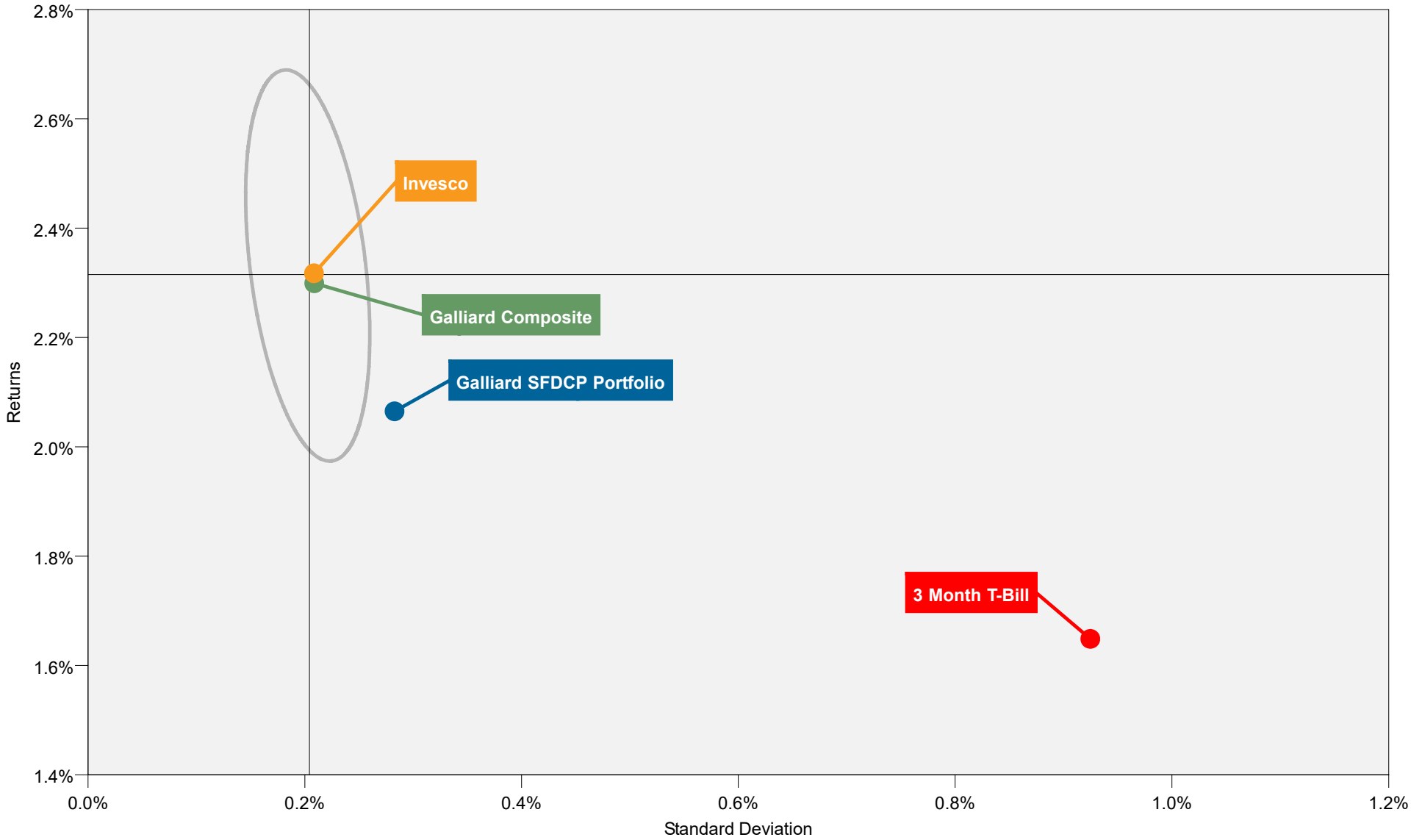



Manager candidate performance shown is gross-of-fees unless otherwise noted.

# Risk/Reward Structure

## Risk/Reward for Ten Years Ended September 30, 2024

**Group: Callan Stable Value SA Group (Ellipse with Median at Central Axis)**

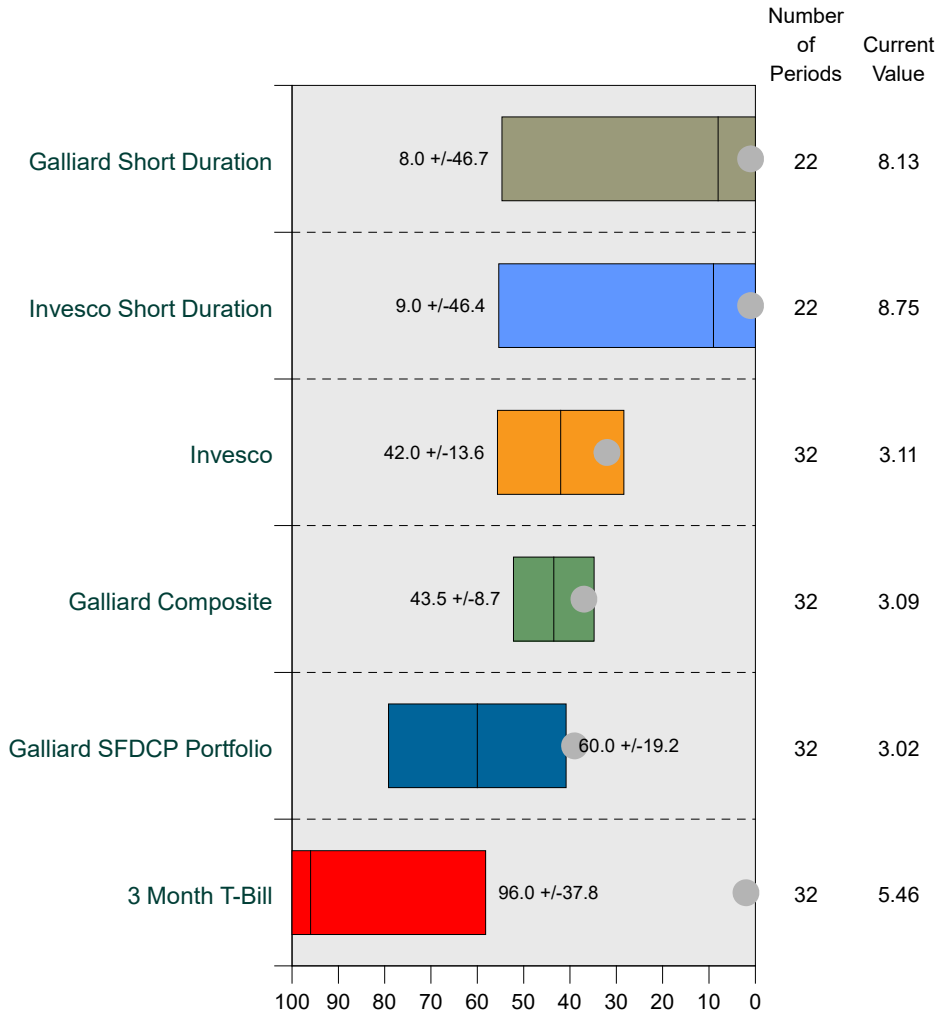



Manager candidate performance shown is gross-of-fees unless otherwise noted.

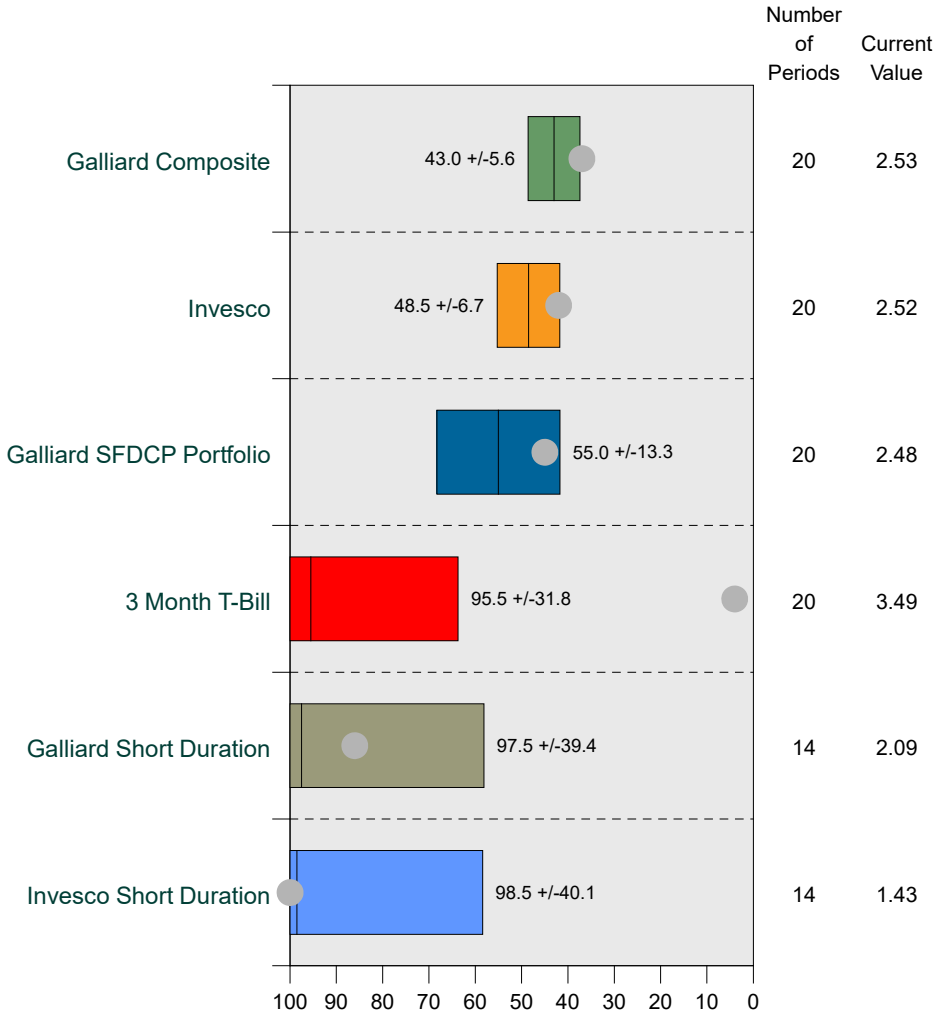
# Historical Rankings - Returns

This page compares multiple portfolios to each other by analyzing both the historical median ranking for a given metric versus a relevant peer group, and the consistency and range (standard deviation) of that ranking over time. The midpoint of each sideways bar represents the median ranking of a given portfolio over time, and the width of the bar represents the consistency and range of that ranking (+/- 1 standard deviation). The slash-separated numbers show the median and standard deviation, respectively, of the portfolios' ranking. The current ranking of each portfolio is demarcated by a dot, while the corresponding current value of the metric is displayed on the far right.

## Rolling One-Year Returns Against Callan Stable Value SA Group for Eight Years Ended September 30, 2024




## Rolling Three-Year Returns Against Callan Stable Value SA Group for Five Years Ended September 30, 2024




Manager candidate performance shown is gross-of-fees unless otherwise noted.

# Appendix

# Firm Overview: Galliard Capital Management, LLC

Galliard Capital Management, headquartered in Minneapolis, Minnesota, specializes in stable value management and short to intermediate duration fixed income. The firm was founded in 1995 by John Caswell, Richard Merriam, and Karl Tourville as a wholly-owned subsidiary of Norwest Bank. In 1998, Norwest merged with Wells Fargo Bank and adopted the Wells Fargo name. In July 2017, Galliard became a wholly-owned subsidiary of Wells Fargo Asset Management ("WFAM"). In November 2021, private equity firms GTCR LLC and Reverence Capital Partners completed their acquisition of Wells Fargo Asset Management and rebranded the firm as Allspring Global Investments.

## Firm

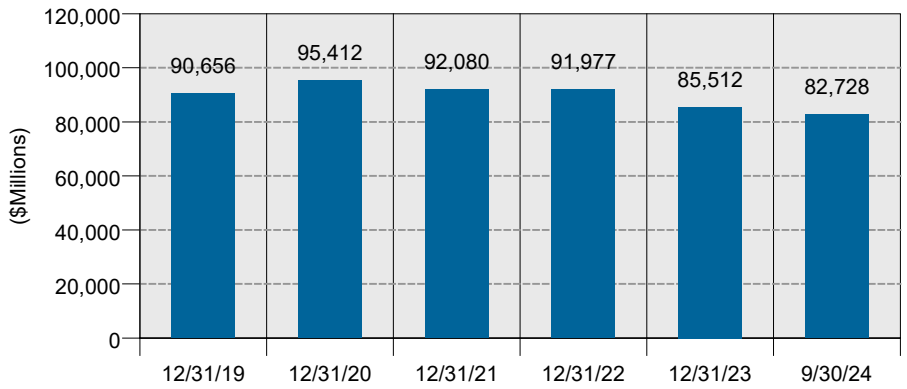
Galliard Capital Management, LLC
800 LaSalle Avenue
Suite 1400
Minneapolis, MN 55402

## Contact

Conor Murphy
612-842-0840
conor.murphy@galliard.com

| Ownership | Founded | Portfolio Managers | Analysts |
|---|---|---|---|
| Subsidiary | 1995 | 7 | 10 |

## Total Firm Asset Growth ($mm) as of September 30, 2024



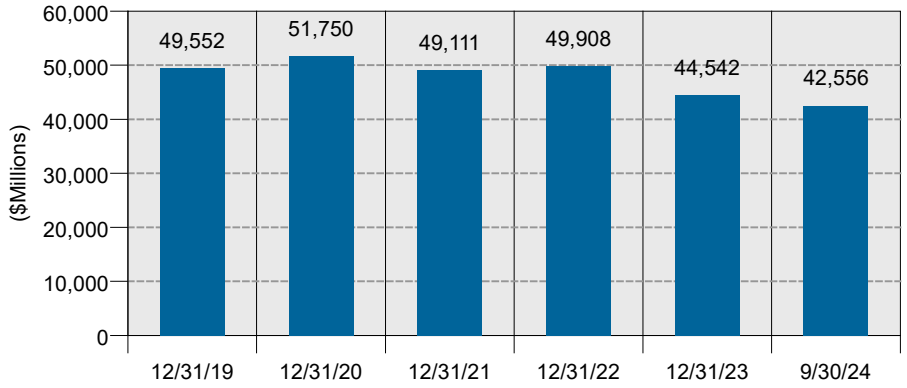

## Total Firm Asset Breakdown

| Domestic | $(mm) |
|---|---|
| Fixed Income | 82,728 |
| **Total** | **82,728** |

| Global | $(mm) |
|---|---|

| Client Type | $(mm) |
|---|---|
| Corporate | 31,871 |
| Public(Govt) | 25,303 |
| Union/Multi-Employer | 1,259 |
| Foundation/Endowment | 1,679 |
| Health Care | 4,075 |
| Insurance | 2,015 |
| Sub-Advised | 632 |
| Other | 15,895 |
| **Total Org Assets** | **82,728** |
| **Total Defined Contribution** | **66,285** |

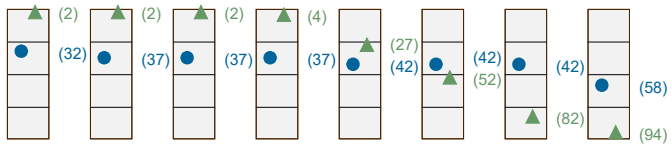
## Total Product Asset Growth ($mm) as of September 30, 2024




Client Type AUM Total does not include DC assets.

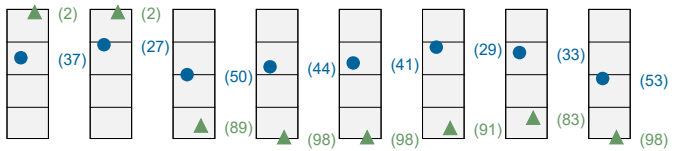
# Product Overview: Galliard Composite

## Returns vs. Callan Stable Value SA Group



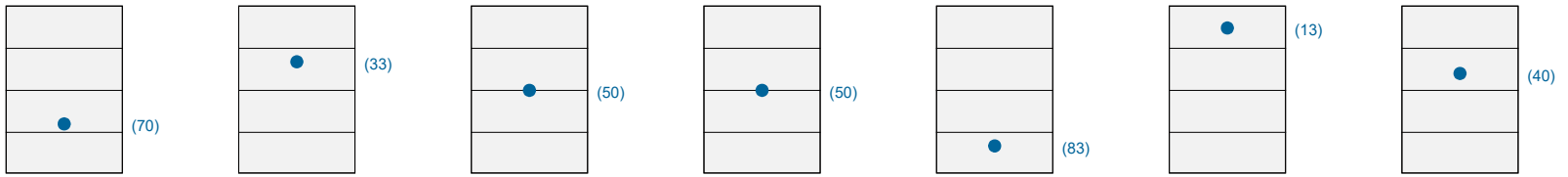

| | Last Quarter | Last Year | Last 2 Yrs. | Last 3 Yrs. | Last 4 Yrs. | Last 5 Yrs. | Last 7 Yrs. | Last 10 Yrs. |
|---|---|---|---|---|---|---|---|---|
| Galliard Composite | 0.8 | 3.1 | 2.9 | 2.5 | 2.4 | 2.4 | 2.4 | 2.3 |
| 3 Month T-Bill | 1.4 | 5.5 | 5.0 | 3.5 | 2.6 | 2.3 | 2.2 | 1.6 |

## Calendar Year Returns




| | 3 Qtrs. 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Galliard Composite | 2.3 | 2.8 | 2.0 | 1.8 | 2.4 | 2.7 | 2.4 | 2.1 |
| 3 Month T-Bill | 4.0 | 5.0 | 1.5 | 0.0 | 0.7 | 2.3 | 1.9 | 0.9 |

## Portfolio Characteristics and Fees




| | Effective Duration | Market/Book Ratio | Crediting Rate | Yield on Underlying Assets | Number of Wrap Providers | Wrap Fees | Sub-Advisor Fees |
|---|---|---|---|---|---|---|---|
| Galliard Composite | 3.1 | 97.0 | 3.2 | 4.4 | 5.0 | 0.20 | 0.08 |

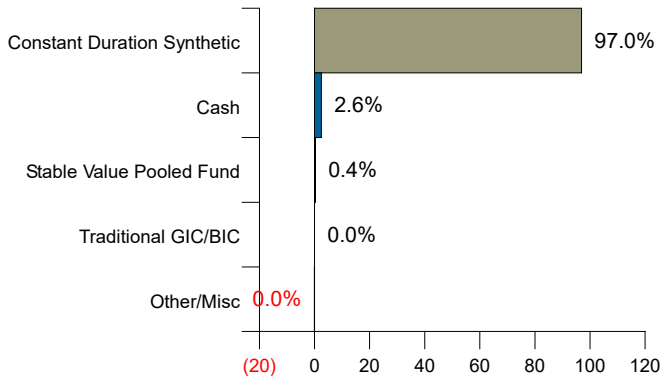
## Quality Distribution (%)

| | Galliard Composite |
|---|---|
| AAA | 24 |
| AA | 48 |
| A | 14 |
| BBB | 14 |
| BB | 0 |
| B | 0 |
| CCC | 0 |
| Not Rated | 0 |

## Duration Distribution (%)

| | Galliard Composite |
|---|---|
| <1 Year | 14 |
| 1-3 Years | 42 |
| 3-5 Years | 26 |
| 5-7 Years | 14 |
| 7-10 Years | 4 |
| >10 Years | 0 |

## Portfolio Wrap Exposure




Performance shown is gross-of-fees unless otherwise noted.

# Firm Overview: Invesco

INVESCO, Inc. is the wholly-owned subsidiary of INVESCO Plc (NYSE - AVZ). INVESCO Capital Mgmt. was incorporated as a registered investment advisor in 1971. In May 2007, the firm moved its primary stock market listing from the London Stock Exchange to the NYSE and became domiciled in Bermuda, adopting the name Invesco Ltd. The firm has managed institutional assets since its inception, and has grown into a global investment organization through strategic partnerships, mergers and acquisitions. In June 2010, Invesco completed the acquisition of Morgan Stanley's retail asset management business, including Van Kampen Investments. Employees and employee trusts represent approximately 10% of the shares in Invesco Ltd. In April 2018, Invesco acquired the ETF business of Guggenheim Investments.

## Firm

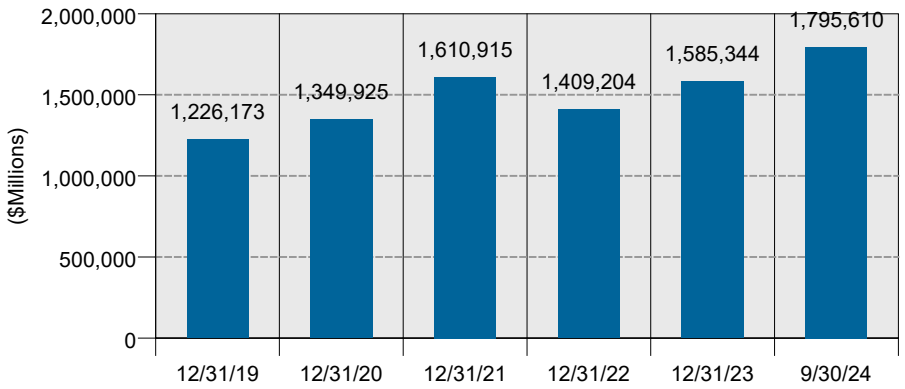
Invesco
1331 Spring Street NW, Suite 2500
Atlanta, GA 30309

## Contact

Brad Gillman
(415) 445-3321
brad.gillman@invesco.com

| Ownership | Founded | Portfolio Managers | Analysts |
|---|---|---|---|
| Publicly Owned | 1935 | 495 | 268 |

## Total Firm Asset Growth ($mm) as of September 30, 2024




## Total Firm Asset Breakdown

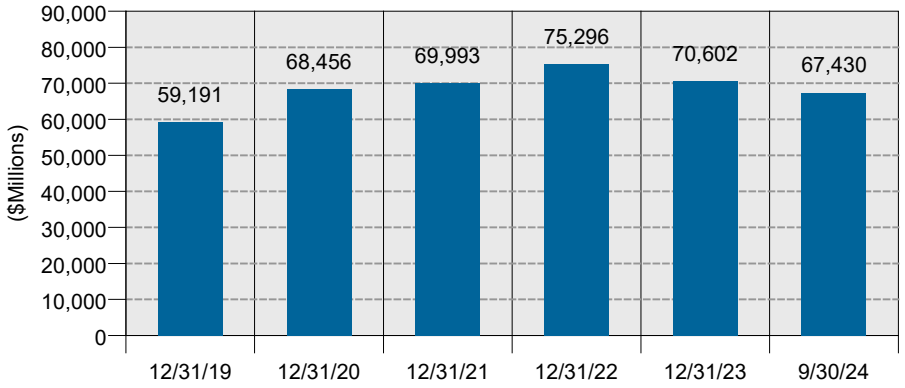
| Domestic | $(mm) |
|---|---|
| Equity | 765,248 |
| Fixed Income | 264,894 |
| Balanced | 15,840 |
| Alternatives | 109,616 |
| Other | 161,170 |
| **Total** | **1,316,769** |

| Global | $(mm) |
|---|---|
| Equity | 234,828 |
| Fixed Income | 92,361 |
| Balanced | 46,537 |
| Alternatives | 73,939 |
| Other | 31,177 |
| **Total** | **478,842** |

| Client Type | $(mm) |
|---|---|
| Corporate | 218,474 |
| Public(Govt) | 58,681 |
| Union/Multi-Employer | 28,338 |
| Foundation/Endowment | 776 |
| Health Care | 152 |
| Insurance | 12,588 |
| Wrap Account | 4,126 |
| Sub-Advised | 29,148 |
| Sovereign Wealth Funds | 7,577 |
| Other | 1,435,750 |
| **Total Org Assets** | **1,795,610** |

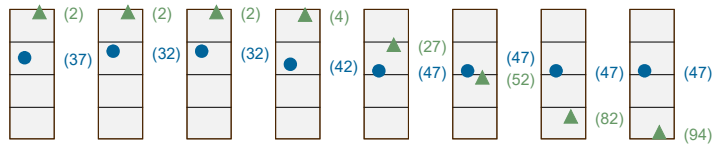
Client Type AUM Total does not include DC assets.

## Total Product Asset Growth ($mm) as of September 30, 2024



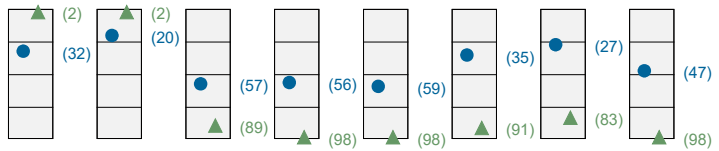
# Product Overview: Invesco

## Returns vs. Callan Stable Value SA Group



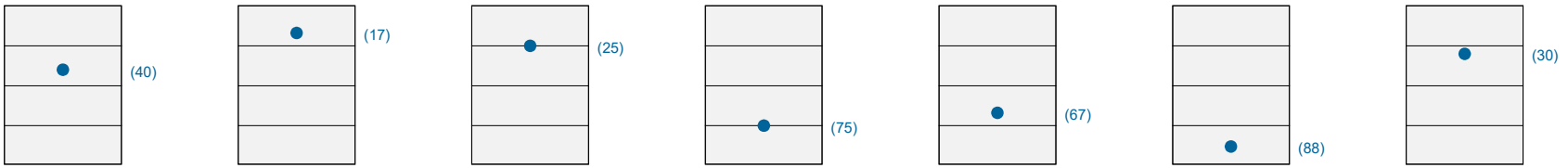

| | Last Quarter | Last Year | Last 2 Yrs. | Last 3 Yrs. | Last 4 Yrs. | Last 5 Yrs. | Last 7 Yrs. | Last 10 Yrs. |
|---|---|---|---|---|---|---|---|---|
| Invesco | 0.8 | 3.1 | 2.9 | 2.5 | 2.4 | 2.4 | 2.4 | 2.3 |
| 3 Month T-Bill | 1.4 | 5.5 | 5.0 | 3.5 | 2.6 | 2.3 | 2.2 | 1.6 |

## Calendar Year Returns




| | 3 Qtrs. 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Invesco | 2.3 | 2.9 | 1.9 | 1.8 | 2.4 | 2.7 | 2.5 | 2.1 |
| 3 Month T-Bill | 4.0 | 5.0 | 1.5 | 0.0 | 0.7 | 2.3 | 1.9 | 0.9 |

## Portfolio Characteristics and Fees




| | Effective Duration | Market/Book Ratio | Crediting Rate | Yield on Underlying Assets | Number of Wrap Providers | Wrap Fees | Sub-Advisor Fees |
|---|---|---|---|---|---|---|---|
| Invesco | 3.4 | 97.2 | 3.5 | 4.4 | 7.0 | 0.15 | 0.10 |

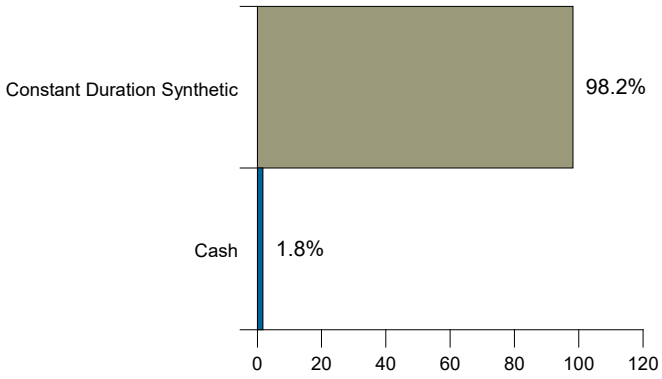
## Quality Distribution (%)

| | Invesco |
|---|---|
| AAA | 75 |
| AA | 5 |
| A | 11 |
| BBB | 9 |
| BB | 0 |
| B | 0 |
| CCC | 0 |
| Not Rated | 0 |

## Duration Distribution (%)

| | Invesco |
|---|---|
| <1 Year | 11 |
| 1-3 Years | 40 |
| 3-5 Years | 23 |
| 5-7 Years | 18 |
| 7-10 Years | 6 |
| >10 Years | 3 |

## Portfolio Wrap Exposure




Performance shown is gross-of-fees unless otherwise noted.

# Definitions

**Alpha** measures a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection. A positive alpha indicates that a portfolio was positively rewarded for the residual risk which was taken for that level of market exposure.

**Beta** measures the sensitivity of rates of portfolio returns to movements in the market index. A portfolio's beta measures the expected change in return per 1% change in the return on the market. If a beta of a portfolio is 1.5, a 1 percent increase in the return on the market will result, on average, in a 1.5 percent increase in the return on the portfolio. The converse would also be true.

**Combined Z Score** is the difference between the MSCI Growth Z Score and the MSCI Value Z Score (Growth - Value). A significant positive Combined Z Score implies significant "growthyness" in the stock or portfolio. A Combined Z Score close to 0.00 (positive or negative) implies "core-like" style characteristics, and a significantly negative Combined Z Score implies more "valueyness" in the stock or portfolio.

**Correlation** measures the degree to which two variables are associated. Correlation is a commonly used tool for constructing a well-diversified portfolio. Traditionally, equities and fixed-income asset returns have not moved closely together. The asset returns are not strongly correlated. A balanced fund with equities and fixed-income assets represents a diversified portfolio that attempts to take advantage of the low Correlation between the two asset classes. The value for Correlation ranges from +1.0 to -1.0. A positive Correlation means that the two variables move, to a degree, in the same manner or direction, and a negative Correlation means that the variables move, to a degree, in the opposite manner or direction. A Correlation of +1.0 (-1.0) means the two variables move in exactly the same (opposite) direction.

**Coupon Rate** is the market value weighted average coupon of all securities in the portfolio. The total coupon payments per year are divided by the total portfolio par value.

**Dividend Yield** reflects the total amount of dividends paid out for a stock over the proceeding twelve months divided by the closing price of a share of the common stock.

**Downside Risk** differentiates between "good risk" (upside volatility) and "bad risk" (downside volatility). Whereas standard deviation captures both upside and downside volatility, downside risk measures only the volatility of returns below the target. Returns above the target are assigned a deviation of zero. Both the frequency and magnitude of underperformance affect the amount of downside risk.

**Effective Yield** is the actual total annualized return that would be realized if all securities in the portfolio were held to their expected maturities. Effective yield is calculated as the internal rate of return, using the current market value and all expected future interest and principal cash flows.

**Effective Duration** is one measure of the portfolio's exposure to interest rate risk. Generally, the higher a portfolio's duration, the more that its value will change in response to interest rate changes. The option adjusted duration for each security in the portfolio is calculated using models which determine the expected stream of cash-flows for the security based on various interest rate scenarios.

## Definitions (continued)

**Excess Correlation** is the correlation of a portfolio's excess return to another portfolio's excess return. Excess return is the portfolio return minus the benchmark return. For instance Excess Correlation could measure the correlation of Manager A's return in excess of a benchmark with Manager B's return in excess of the same benchmark. Excess Correlation is used to indicate whether different managers outperform a market index at the same time.

**Excess Return** is the portfolio return minus the benchmark return.

**Excess Return Ratio** is a measure of risk adjusted relative return. This ratio captures the amount of active management performance (value added relative to an index) per unit of active management risk (tracking error against the index.) It is calculated by dividing the manager's annualized cumulative excess return relative to the index by the standard deviation of the individual quarterly excess returns. The Excess Return Ratio can be interpreted as the manager's active risk/reward tradeoff for diverging from the index when the index is mandated to be the "riskless" market position.

**Forecasted Growth in Earnings** is a measure of a company's expected long-term success in generating future year-over-year earnings growth. This growth rate is a market value weighted average of the consensus (mean) analysts' long-term earnings growth rate forecast for each company in the portfolio. The definition of long-term varies by analyst but is limited to a 3-8 year range. This value is expressed as the expected average annual growth of earnings in percent.

**Forecasted P/E** is a forward-looking valuation measure of a company's common stock. It encapsulates the amount of earnings estimated for next year per dollar of current share price. This value is calculated by dividing the present stock price of each company in the portfolio by the consensus (mean) analysts' earnings forecasts for the next year. These earnings estimates are for recurring, non-extraordinary earnings per primary common share. The individual P/E stock ratios are then weighted by their respective portfolio market values in order to calculate a weighted average representative of the portfolio as a whole.

**Growth Z Score** is a holdings-based measure of the "growthyness" of an individual stock or portfolio of stocks based on fundamental financial ratio analysis. The MSCI Growth Z Score is an aggregate score based on the growth score of five separate financial fundamentals: Long Term Forward Earnings Growth, Short Term Forward Earnings Growth, Current Internal Growth (ROE * (1-payout ratio)), Long Term Historical Earnings Growth, and Long Term Historical Sales Growth.

**Information Ratio** measures the manager's market risk-adjusted excess return per unit of residual risk relative to a benchmark. It is computed by dividing alpha by the residual risk over a given time period. Assuming all other factors being equal, managers with lower residual risk achieve higher values in the information ratio. Managers with higher information ratios will add value relative to the benchmark more reliably and consistently.

**Issue Diversification** is the number of stocks (largest holdings) making up half of the market value of the total portfolio.

**Market Capitalization (Weighted Median / Weighted Average)** - Market capitalization is the market value of a company's outstanding shares. This figure is found by taking the stock price and multiplying it by the total number of shares outstanding. The weighted median market cap is the point at which half of the market value of the portfolio is invested in stocks with a greater market cap, and consequently the other half is invested in stocks with a lower market cap. Weighted average market cap for a portfolio is defined as the sum of each of the security's weight in the portfolio multiplied by its intrinsic market capitalization.

## Definitions (continued)

**Price to Earnings Ratio (P/E)** is a measure of value for a company. It is equal to the price of a share of common stock divided by the earnings per share for a twelve-month period.

**Price to Book Value (P/B)** is a measure of value for a company. It is equal to the market value of all the shares of common stock divided by the book value of the company. The book value is the sum of capital surplus, common stock, and retained earnings.

**Quality Rating** is a way to measure the credit quality as determined by the individual security ratings. The ratings for each security are compiled into a composite rating for the whole portfolio. Quality symbols range from AAA (highest investment quality and lowest credit risk) to D (lowest investment quality and highest credit risk).

**R-Squared (R2)** is a statistical measure that indicates the extent to which the variability of a security or portfolio's returns is explained by the variability of the market. The value will be between 0 and 1. The higher the number, the greater the extent to which portfolio returns are related to market return.

**Residual Risk** is the unsystematic, firm-specific, or diversifiable risk of a security or portfolio that can be reduced by including assets that do not have similar unique risk. It is the portion of the total risk of a security or portfolio that is unique to the security or portfolio itself and is not related to the overall market.

**Return on Equity (ROE)** is a measure of a company's profitability, specifically relating profits to the equity investment employed to achieve the profits. Return on Equity focuses on the returns accruing to the residual owners of a company, the equity holders. It is equal to income divided by total common equity. Income is after all expenses, including income taxes and minority interest, but before provision for dividends, extraordinary items, and discontinued operations. Common equity includes common stock outstanding, capital surplus, and retained earnings.

**Rising/Declining Periods** is determined by evaluating the cumulative relative sub-asset class index performance to that of the broader asset class index. For example, in determining the Growth Style cycle, the S&P 500 Growth Index (sub-asset class) performance is compared to that of the S&P 500 Index (broader asset class). The analysis determines if a significant "cycle reversal" has occurred over a period. If the magnitude of the cumulative relative return is greater than one standard deviation when the number of periods is four or more quarters-or two standard deviations for periods less than 4 quarters-a significant reversal has occurred. The process is repeated until all the different combinations of recent periods are evaluated, and a break point is determined.

**Sharpe Ratio** is a measure of risk-adjusted return. It is calculated by subtracting the "risk-free" return (usually 3 Month Treasury Bill) from the portfolio return and dividing the resulting "excess return" by the portfolio's risk level (standard deviation). The result is a measure of return gained per unit of risk taken.

**Stability Score** is calculated as the difference between the Defensive and Dynamic scores and can range from -1 to +1. A stability score of +1 indicates a Low Risk and High Quality portfolio (or stock), whereas, a stability score of -1 indicates a High Risk and Low Quality portfolio (or stock). The underlying variables that drive the stability scores are Total Return Volatility, Debt/Equity Ratio, Earnings Volatility and Return on Assets and together encompass both observed price risk and current balance sheet risk.

## Definitions (continued)

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

**Style Map (Holdings Based)** - Morgan Stanley Capital International (MSCI) has developed security-level style scores which are based on multiple fundamental ratios that classify stocks as "value" or "growth." On a relative basis we can match these to a manager's portfolio holdings to get a score for the portfolio that is more reliable and current than traditional returns-based regression analysis. Using the combined Z score and weighted median market cap, the holdings based style map allows for viewing manager style in a two dimensional space.

**Tracking Error** is a statistical measure of a portfolio's risk relative to an index. It reflects the standard deviation of a portfolio's individual quarterly or monthly returns from the index's returns. Typically, the lower the Tracking Error, the more "index-like" the portfolio.

**Up Market (Down Market) Capture** is a measure of relative performance in up-markets (down-markets). It is determined by the index which has an Up Capture (Down Capture) ratio of 100% when the index is performing positively (negatively). If a manager captures more than 100% of the rising (declining) market it is said to be "offensive" ("defensive").

**Value Z Score** is a holdings-based measure of the "valueyness" of an individual stock or portfolio of stocks based on fundamental financial ratio analysis. The MSCI Value Z Score is an aggregate score based on the value scores of three separate financial fundamentals: Price/Book, Price/Forward Earnings, and Dividend Yield.

**Weighted Average Life** is the weighted average time remaining until the principal is paid off for all securities in a portfolio.

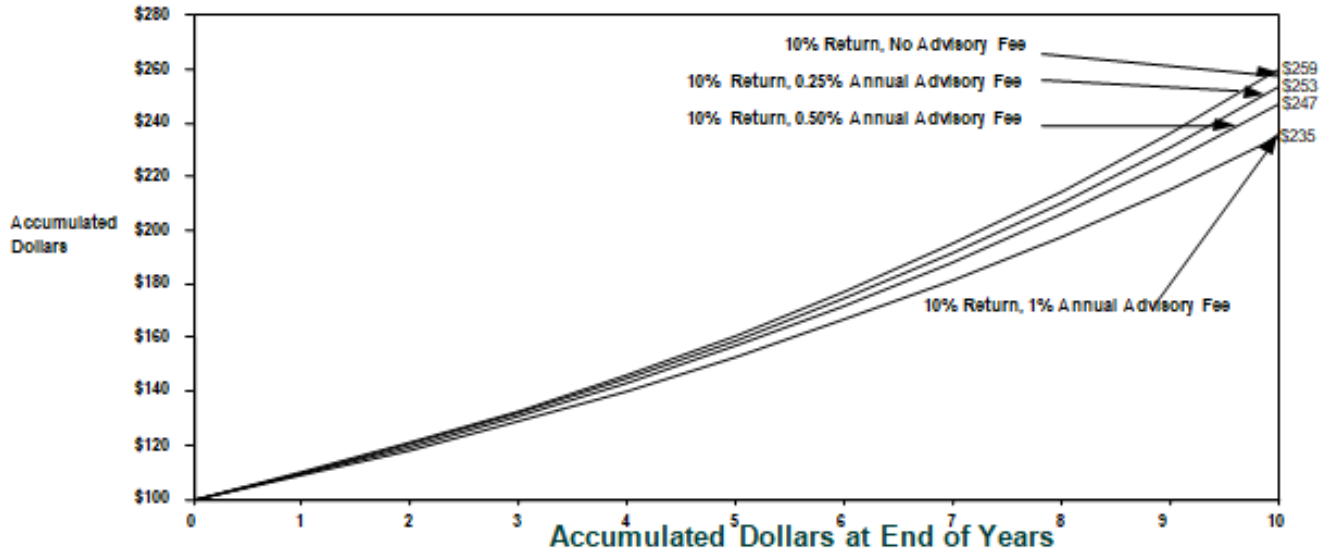
# Disclosure Statement

The preceding report has been prepared for the exclusive use of the San Francisco ERS - Deferred Compensation Plan. Unless otherwise noted, performance returns contained in this report do not reflect the deduction of investment advisory fees. The returns in this report will be reduced by the advisory fees and any other expenses incurred in the management of an investment account. The investment advisory fees applicable to the advisors listed in this report are described in Part II of each advisor's form ADV.

The following graphical and tabular example illustrates the cumulative effect of investment advisory fees on a $100 investment growing at 10% over ten years.
Fees are assumed to be paid monthly.

In addition to asset-based investment advisory fees, some strategies may include performance-based fees ("carry") that may further lower the returns realized by investors. These performance-based fees can be substantial, are most prevalent in "Alternative" strategies like hedge funds and many types of private markets, but can occur elsewhere. The effects of performance-based fees are dependent on investment outcomes and are not included in the example below.

## The Cumulative Effect of Advisory Fees




| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| No Fee | 110.0 | 121.0 | 133.1 | 146.4 | 161.1 | 177.2 | 194.9 | 214.4 | 235.8 | 259.4 |
| 25 Basis Points | 109.7 | 120.4 | 132.1 | 145.0 | 159.1 | 174.5 | 191.5 | 210.1 | 230.6 | 253.0 |
| 50 Basis Points | 109.5 | 119.8 | 131.1 | 143.5 | 157.1 | 172.0 | 188.2 | 206.0 | 225.5 | 246.8 |
| 100 Basis Points | 108.9 | 118.6 | 129.2 | 140.7 | 153.3 | 166.9 | 181.8 | 198.0 | 215.6 | 234.9 |

10% Annual Return Compounded Monthly, Annual Fees Paid Monthly.

## List of Callan's Investment Manager Clients

Confidential – For Callan Client Use Only

Callan takes its fiduciary and disclosure responsibilities to clients very seriously. We recognize that there are numerous potential conflicts of interest encountered in the investment consulting industry, and that it is our responsibility to manage those conflicts effectively and in the best interest of our clients. At Callan, we employ a robust process to identify, manage, monitor, and disclose potential conflicts on an ongoing basis.

The list below is an important component of our conflicts management and disclosure process. It identifies those investment managers that pay Callan fees for educational, consulting, software, database, or reporting products and services. We update the list quarterly because we believe that our fund sponsor clients should know the investment managers that do business with Callan, particularly those investment manager clients that the fund sponsor clients may be using or considering using. Please note that if an investment manager receives a product or service on a complimentary basis (e.g., attending an educational event), they are not included in the list below. Callan is committed to ensuring that we do not consider an investment manager's business relationship with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Please refer to Callan's ADV Part 2A for a more detailed description of the services and products that Callan makes available to investment manager clients through our Institutional Consulting Group, Independent Adviser Group, and Fund Sponsor Consulting Group. Due to the complex corporate and organizational ownership structures of many investment management firms, parent and affiliate firm relationships are not indicated on our list.

Fund sponsor clients may request a copy of the most currently available list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by particular fund manager clients. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance department.

| Manager Name |
|---|
| abrdn Investments |
| Acadian Asset Management LLC |
| Adams Street Partners, LLC |
| Aegon Asset Management |
| AllianceBernstein |
| Allspring Global Investments, LLC |
| Altrinsic Global Advisors, LLC |
| American Century Investments |
| Amundi US, Inc. |
| Antares Capital LP |
| Apollo Global Management, Inc. |

| Manager Name |
|---|
| AQR Capital Management |
| Ares Management LLC |
| ARGA Investment Management, LP |
| Ariel Investments, LLC |
| Aristotle Capital Management, LLC |
| Atlanta Capital Management Co., LLC |
| Audax Private Debt |
| AXA Investment Managers |
| Baillie Gifford International, LLC |
| Baird Advisors |
| Barings LLC |

| Manager Name |
| --- |
| Baron Capital Management, Inc. |
| Barrow, Hanley, Mewhinney & Strauss, LLC |
| BentallGreenOak |
| Beutel, Goodman & Company Ltd. |
| BlackRock |
| Blackstone Group (The) |
| Blue Owl Capital, Inc. |
| BNY Mellon Asset Management |
| Boston Partners |
| Brandes Investment Partners, L.P. |
| Brandywine Global Investment Management, LLC |
| Brookfield Asset Management Inc. |
| Brown Brothers Harriman & Company |
| Brown Investment Advisory & Trust Company |
| Capital Group |
| CastleArk Management, LLC |
| Cercano Management LLC |
| CIBC Asset Management |
| CIM Group, LP |
| ClearBridge Investments, LLC |
| Cohen & Steers Capital Management, Inc. |
| Columbia Threadneedle Investments |
| Comvest Partners |
| Crescent Capital Group LP |
| Dana Investment Advisors, Inc. |
| DePrince, Race & Zollo, Inc. |
| Dimensional Fund Advisors L.P. |
| DoubleLine |
| DWS |
| EARNEST Partners, LLC |

| Manager Name |
| --- |
| Fayez Sarofim & Company |
| Federated Hermes, Inc. |
| Fidelity Institutional Asset Management |
| Fiera Capital Corporation |
| First Eagle Investment Management, LLC |
| First Hawaiian Bank Wealth Management Division |
| Fisher Investments |
| Franklin Templeton |
| Fred Alger Management, LLC |
| GAMCO Investors, Inc. |
| GlobeFlex Capital, L.P. |
| Goldman Sachs |
| Golub Capital |
| GW&K Investment Management |
| Harbor Capital Group Trust |
| Hardman Johnston Global Advisors LLC |
| Heitman LLC |
| Hotchkis & Wiley Capital Management, LLC |
| HPS Investment Partners, LLC |
| IFM Investors |
| Impax Asset Management LLC |
| Income Research + Management |
| Insight Investment |
| Intercontinental Real Estate Corporation |
| Invesco |
| J.P. Morgan |
| Janus |
| Jennison Associates LLC |
| Jobs Peak Advisors |
| Kayne Anderson Rudnick Investment Management, LLC |

| Manager Name |
| --- |
| King Street Capital Management, L.P. |
| Kohlberg Kravis Roberts & Co. L.P. (KKR) |
| Lazard Asset Management |
| LGIM America |
| Lincoln National Corporation |
| Longview Partners |
| Loomis, Sayles & Company, L.P. |
| Lord, Abbett & Company |
| LSV Asset Management |
| MacKay Shields LLC |
| Macquarie Asset Management |
| Manulife Investment Management |
| Manulife \| CQS Investment Management |
| Marathon Asset Management, L.P. |
| Mawer Investment Management Ltd. |
| MetLife Investment Management |
| MFS Investment Management |
| Mondrian Investment Partners Limited |
| Montag & Caldwell, LLC |
| Morgan Stanley Investment Management |
| MUFG Bank, Ltd. |
| Natixis Investment Managers |
| Neuberger Berman |
| Newton Investment Management |
| Northern Trust Asset Management |
| Nuveen |
| Oaktree Capital Management, L.P. |
| Orbis Investment Management Limited |
| P/E Investments |
| Pacific Investment Management Company |

| Manager Name |
| --- |
| Parametric Portfolio Associates LLC |
| Partners Group (USA) Inc. |
| Pathway Capital Management, LP |
| Peavine Capital |
| Peregrine Capital Management, LLC |
| PGIM DC Solutions |
| PGIM Fixed Income |
| PGIM Quantitative Solutions LLC |
| Pictet Asset Management |
| PineBridge Investments |
| Polen Capital Management, LLC |
| PPM America, Inc. |
| Pretium Partners, LLC |
| Principal Asset Management |
| Raymond James Investment Management |
| RBC Global Asset Management |
| Regions Financial Corporation |
| S&P Dow Jones Indices |
| Sands Capital Management |
| Schroder Investment Management North America Inc. |
| Segall Bryant & Hamill |
| SLC Management |
| Star Mountain Capital, LLC |
| State Street Global Advisors |
| Strategic Global Advisors, LLC |
| T. Rowe Price Associates, Inc. |
| TD Global Investment Solutions – TD Epoch |
| The D.E. Shaw Group |
| The TCW Group, Inc. |
| Thompson, Siegel & Walmsley LLC |

| Manager Name |
| --- |
| TPG Angelo Gordon |
| UBS Asset Management |
| VanEck |
| Versus Capital Group |
| Victory Capital Management Inc. |
| Virtus Investment Partners, Inc. |
| Vontobel Asset Management |
| Voya |
| Walter Scott & Partners Limited |
| WCM Investment Management |
| Wellington Management Company LLP |
| Western Asset Management Company LLC |
| Westfield Capital Management Company, LP |
| William Blair & Company LLC |
| Xponance, Inc. |

## Callan Client Disclosure

The table below indicates whether one or more of the candidates listed in this report is, itself, a client of Callan as of the date of the most recent quarter end. These clients pay Callan for educational, software, database and/or reporting products and services; refer to our Form ADV 2A for additional information. Given the complex corporate and organizational ownership structures of investment management firms and/or trust/custody or securities lending firms, the parent and affiliate firm relationships are not listed here if they don't separately contract with Callan.

The client list below may include parent companies who allow their affiliates to use some of the services included in their client contract (eg, educational services including published research and attendance at conferences and workshops). Because Callan's investment manager client list changes periodically, the information below may not reflect changes since the most recent quarter end. Fund sponsor clients are welcome to request a complete list of Callan's investment manager clients at any time.

As a matter of policy, Callan follows strict procedures so that investment manager client relationships do not affect the outcome or process by which Callan's searches or evaluations are conducted.

| Firm | Is an Investment Manager Client of Callan* | Is not an Investment Manager Client of Callan |
|---|---|---|
| Galliard Capital Management, LLC* | X | |
| Invesco | X | |

*Galliard Capital Management's parent company, Allspring Global Investments, LLC, is a Callan Client
**Based upon Callan manager clients as of the most recent quarter end.

# Important Disclosures

Information contained in this document may include confidential, trade secret and/or proprietary information of Callan and the client. It is incumbent upon the user to maintain such information in strict confidence. Neither this document nor any specific information contained herein is to be used other than by the intended recipient for its intended purpose.

The content of this document is particular to the client and should not be relied upon by any other individual or entity. There can be no assurance that the performance of any account or investment will be comparable to the performance information presented in this document.

Certain information herein has been compiled by Callan from a variety of sources believed to be reliable but for which Callan has not necessarily verified for accuracy or completeness. Information contained herein may not be current. Callan has no obligation to bring current the information contained herein.

Callan's performance, market value, and if applicable, liability calculations are inherently estimated based on data available at the time each calculation is performed and may later be determined to be incorrect or require subsequent material adjustment due to many variables including, but not limited to, reliance on third party data, differences in calculation methodology, presence of illiquid assets, the timing and magnitude of unrecognized cash flows, and other data/assumptions needed to prepare such estimated calculations. In no event should the performance measurement and reporting services provided by Callan be used in the calculation, deliberation, policy determination, or any other action of the client as it pertains to determining amounts, timing or activity of contribution levels or funding amounts, unless the client understands and accepts the inherent limitations of Callan's estimated performance, market value, and liability calculations.

Callan's performance measurement service reports estimated returns for a portfolio and compares them against relevant benhmarks and peer groups, as appropriate; such service may also report on historical portfolio holdings, comparing them to holdings of relevant benchmarks and peer groups, as appropriate ("portfolio holdings analysis"). To the extent that Callan's reports include a portfolio holdings analysis, Callan relies entirely on holdings, pricing, characteristics, and risk data provided by third parties including custodian banks, record keepers, pricing services, index providers, and investment managers. Callan reports the performance and holdings data as received and does not attempt to audit or verify the holdings data. Callan is not responsible for the accuracy or completeness of the performance or holdings data received from third parties and such data may not have been verified for accuracy or completeness.

Callan's performance measurement service may report on illiquid asset classes, including, but not limited to, private real estate, private equity, private credit, hedge funds and infrastructure. The final valuation reports, which Callan receives from third parties, for these types of asset classes may not be available at the time a Callan performance report is issued. As a result, the estimated returns and market values reported for these illiquid asset classes, as well as for any composites including these illiquid asset classes, including any total fund composite prepared, may not reflect final data, and therefore may be subject to revision in future quarters.

The content of this document may consist of statements of opinion, which are made as of the date they are expressed and are not statements of fact. The opinions expressed herein may change based upon changes in economic, market, financial and political conditions and other factors. Callan has no obligation to bring current the opinions expressed herein.

The information contained herein may include forward-looking statements regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties. Actual results may vary, perhaps materially, from the future result projected in this document. Undue reliance should not be placed on forward-looking statements.

Callan is not responsible for reviewing the risks of individual securities or the compliance/non-compliance of individual security holdings with a client's investment policy guidelines.

This document should not be construed as legal or tax advice on any matter. You should consult with legal and tax advisers before applying any of this information to your particular situation.

Reference to, or inclusion in this document of, any product, service or entity should not necessarily be construed as recommendation, approval, or endorsement of such product, service or entity by Callan. This document is provided in connection with Callan's consulting services and should not be viewed as an advertisement of Callan, or of the strategies or products discussed or referenced herein.

The issues considered and risks highlighted herein are not comprehensive and other risks may exist that the user of this document may deem material regarding the enclosed information. Please see any applicable full performance report or annual communication for other important disclosures.

Unless Callan has been specifically engaged to do so, Callan does not conduct background checks or in-depth due diligence of the operations of any investment manager search candidate or investment vehicle, as may be typically performed in an operational due diligence evaluation assignment and in no event does Callan conduct due diligence beyond what is described in its report to the client.

Any decision made on the basis of this document is the sole responsibility of the client, as the intended recipient, and it is incumbent upon the client to make an independent determination of the suitability and consequences of such a decision.

Callan undertakes no obligation to update the information contained herein except as specifically requested by the client.

Past performance is no guarantee of future results.

Callan

February 12th, 2025

# San Francisco Deferred Compensation Plan:
## Stable Value Search Summary & Board Recommendation


**Ben Taylor**
Head of US Tax-Exempt DC Research

**Greg Ungerman, CFA**
Defined Contribution Practice Leader

# Process Summary and Recommendation

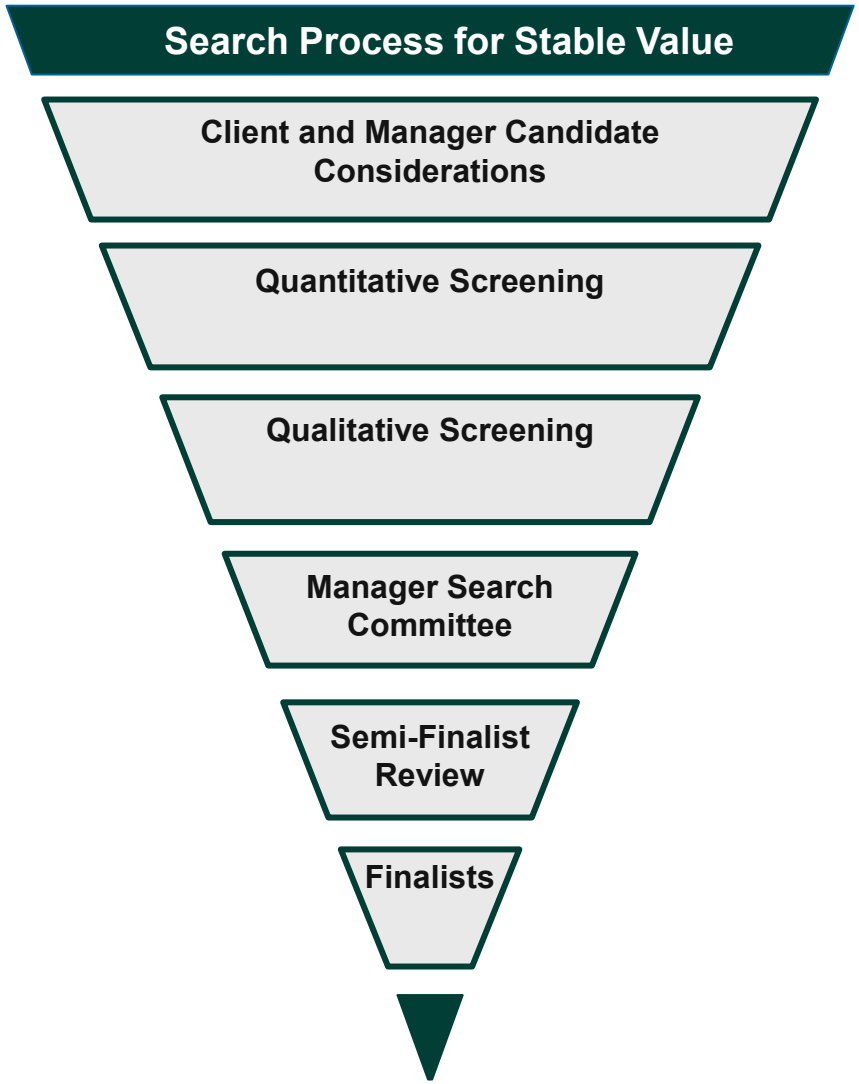
## Stable Value Fund Management Search Process

## Background Summary and Recommendation

- Callan was asked to perform a separate account search for a stable value manager to be completed by the end of 2024, in anticipation of Galliard's contract expiring the next year. Callan and Staff interviewed three semi-finalist candidate firms, and presented the results to the Deferred Compensation Committee
  - The three firms were Goldman Sachs, Invesco and Galliard Capital Management
  - Callan and Staff agreed that Invesco and Galliard were the two best firms to move forward in the process
  - Galliard and Invesco both presented to the DCC on October 2nd
  - The DCC requested that Callan and Staff conduct onsite visits with each manager. Staff and Callan conducted these onsite visits on October 29th and 30th
  - Callan – with the concurrence of staff – recommended the retention of Galliard as the Plan's Stable Value Fund Manager to the DCC at the December 18th meeting
  - The DCC approved the recommendation and forwarded it the Board for approval
- The rationale for the recommendation is based on the fact Galliard has performed very well in executing its objectives as a stable value manager since being hired in 2014 for the SFDCP. Galliard's business model is almost entirely focused on Stable Value: they are the second largest stable value manager in the industry by assets, and the depth of the team remains significant. The rest of this report details Galliard's strong, yet conservative risk and return history for the Stable Value Fund at a very low cost, expertise working with wrap providers, and the underlying asset portfolios that comprise the fund using both internal and external fixed income management.

# Callan Manager Search Process

## Custom Search for SFDCP's Stable Value Mandate




- Develop profile specifically for SFDCP
- Establish criteria for qualification
- Starting Universe included 22 unique stable value firms
- Screen out strategies that do not meet minimum criteria such as having at least $5 billion in separate account assets under management
- Conference call with Callan research and SFDCP Staff to discuss firms screened out
- Narrowed list to 9 firms for the Callan Manager Search Committee
- Peer review process to ensure quality, comprised of 10 senior consultants
- SFDCP Staff participated on Callan Manager Search Committee call
- Committee narrowed list to 3 candidates for SFDCP Staff Interviews through a qualitative and quantitative assessment
- Reviewed the 3 candidates with SFDCP Staff
- Interviewed Goldman Sachs, Invesco and Galliard
- ***Based on search criteria, Callan recommends Galliard***
- ***The DCC recommends the Retirement Board retain Galliard as the SFDCP Stable Value Fund manager***
- ***Negotiate terms, review agreements with legal by the June 30th contract expiration date***

# Summary Recommendation and Supporting Rationale for Galliard

## Organizational & Investment Process Summary Differentiators

**Organizational Considerations**

- Galliard is almost entirely focused on stable value as an organization and along with Invesco is one of the clear top two premier managers of large stable value separate account management services.
- There has been very low turnover at the team since the founders of the firm retired in 2019. Wells Fargo was Galliard's parent company since their inception in 1995, and ownership transitioned to Allspring Global Investments after being purchased by private equity firms GTCR and Reverence Capital in 2021. Allspring has throughout its history demonstrated a hands-off approach; they continue to communicate this will not change going forward.
- The current key professionals have been at Galliard for a long period of time and are deeply experienced in all of the key areas of stable value management including wrap contract management, fixed income management and front and back-office business management.

**Investment Process & Portfolio Construction**

- They are well experienced in managing separate account stable value mandates using both internal and external fixed income investment management capabilities.
- Given that the SFDCP Stable Value Fund should represent the most conservative fund option and is one of the largest funds within the plan, Galliard's conservative approach was viewed as a benefit in reviewing their style and risk controls.
- Galliard's size, solid relationship with the wrap industry, and conservative approach are attributes that should help them negotiate competitive wrap contract terms on behalf of their clients.

# Summary Recommendation and Supporting Rationale for Galliard

## Performance and Participant Experience Summary Differentiators

**Performance & Characteristic Highlights**

- Galliard has demonstrated since they were initially hired in 2014 that they are an excellent partner to the City and County of San Francisco by healing the predecessor stable value fund, improving the crediting rate, diversifying the wrap coverage and bond management, and drastically reducing fees for plan participants.
- Galliard's composite track record has remained very consistent over cumulative time periods in both return and their market to book value ratio.
- Access to wrap coverage remains healthy and robust across a very diversified set of issuers. They are currently working to help negotiate the best possible contract terms and fees for the SFDCP and announced a further reduction in wrap fees during the search process.
- Galliard's internally managed bond portfolios have outperformed their stated benchmarks, and they continue to attract and maintain a strong list of external bond managers with their dedicated team of professionals. They actively engage or terminate external bond managers, although these changes occur rarely.
- The all-in fee for the Galliard managed SFDCP Stable Value Fund is very low relative to others at 0.257% and includes Galliard reducing their management fee to 0.0625% from the current 0.0675%.
- A stable value transition for a roughly $920 million separate account should not be viewed as a costless change as it would be disruptive to participants and may incur heightened level of transaction costs that cannot be fully quantified. This was not a factor in the initial criteria but certainly needs to factor in any implementation considerations to be made.