



# Invesco Stable Value

## Prepared for the City of Los Angeles Deferred Compensation Plan

January 19, 2021

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# Presenters



**Delia Roges**  
**Managing Director, North America Institutional**

Delia earned an MBA from the University of Southern California and a Bachelor in Business Administration from Loyola Marymount University. She presently serves on the Board of Visitors at the School of Education at LMU and on the Board of the Catholic Community Foundation of Los Angeles. She holds the Series 3, 7, 30, 63, and 79 registrations.

Delia is responsible for institutional business development and relations in the western US. Delia has been in the institutional investment management industry for over 25 years. Prior to joining Invesco in 2011, she held similar roles at a boutique investment banking and private placement firm and served 14 years at Trust Company of the West as a Senior Vice President.



**Andy Apostol, CEBS**  
**Senior Stable Value Strategist**

Andy earned his Bachelors degree in business administration from the University of Oregon. He holds the Certified Employee Benefits Specialist designation.

Andy has served on the Invesco team for over 16 years and has 25 years of stable value experience. As head of stable value client service, he is responsible for leading the team's servicing initiatives. Andy began his career with Willis Towers Watson in 1991 where he focused on consulting on stable value investments with large defined contribution plan sponsors.



**Matt Kline**  
**Senior Stable Value Strategist**

Matt earned his BS degree in finance and a BA in history from the University of Minnesota.

Matt joined Invesco in 2019 as a Senior Stable Value Strategist and Head of Stable Value New Business Development. Matt works closely with the stable value portfolio management team in setting strategy for the Invesco Stable Value Trust and large separate accounts. Prior to joining Invesco, Matt was a Principal at Galliard Capital Management where he managed relationships and developed customized stable value solutions for large public separate account clients. Prior to Galliard, Matt was a Finance Manager at General Mills where his team oversaw \$10 billion in DB and DC assets, including direct oversight of the stable value fund.

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# Organizational Background & Investment Experience



# Invesco is a leading independent global investment management firm



We are privileged to manage **\$1.2 trillion** in assets on behalf of clients worldwide.

**Invesco Ltd. is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life.**

## We have:

- Specialized investment teams managing investments across a comprehensive range of asset classes, investment styles and geographies
- More than 8,000 employees focused on client needs across the globe
- Proximity to our clients with an on-the-ground presence in more than 25 countries
- Solid financials, investment-grade debt rating, and strong balance sheet
- Invesco revenue for the twelve months ending September 30, 2020 was \$6.258B
- Invesco manages \$140 billion in defined contribution plans assets and \$37 billion for public fund plans (as of 9/30/20).

## A wide range of investment capabilities

Equity	Fixed Income, Stable Value & Money Market	Balanced	Alternative
<b>AUM: \$592.4 B</b> + Market cap + Investment style + Global/regional/ single country + Developed/emerging + Sector + Quantitative + Directional long/ short (130/30)	<b>AUM: \$385.7 B</b> + Cash management + Duration + Sector + Investment grade/ high yield + Global/regional + Developed/emerging + Tax-free bonds	<b>AUM: \$68.1 B</b> + Active balanced + Risk parity (risk premia capture) + Target maturity + Target risk + Traditional balanced	<b>AUM: \$172.0 B</b> + Absolute return - Market neutral - Multistrategy + Global macro + Private equity - Fund of funds - Buyout, emerging + Commodities + Financial structures - Bank loans - Credit arbitrage - Opportunistic + Real estate - Public real estate securities - Private direct - US, Asian, European, global

Invesco Ltd. AUM of \$ 1,218.2 billion as of Sept. 30, 2020. Locations shown indicate offices hosting Portfolio Manager, Analyst, Trader, Economist, Strategist and/or Distribution staff. AUM figure includes all assets under advisement, distributed and overseen by Invesco. Please consult your Invesco representative for more information.

# Invesco stable value business overview

Uniquely positioned to deliver superior stable value solutions



**1985**

Business inception; Louisville, Kentucky

**\$66.9 billion**

Stable Value AUM

**78 investment professionals**

**22 years average experience**

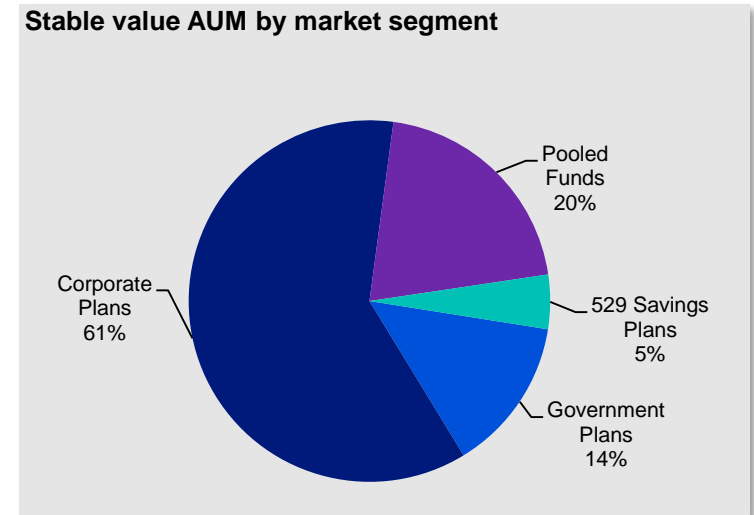
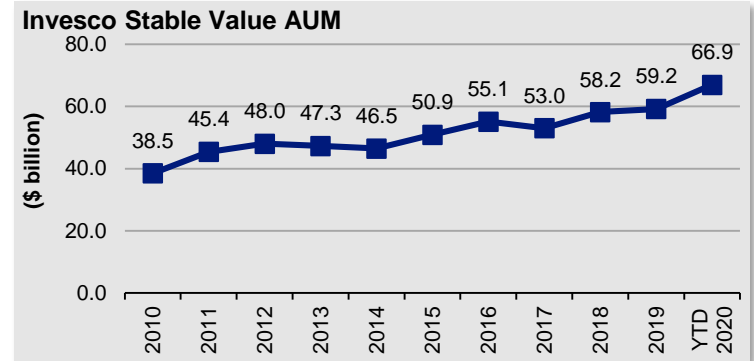
across dedicated stable value professionals

**\$40 billion corporate plan assets**

**\$13 billion government plan assets**

**21 fortune 500 clients;  
10 fortune 100 clients**

- Investment solutions utilizing pooled funds and separately managed portfolios
- Tailored strategies utilizing Invesco – only investment management or subadvisors
- Diverse, experienced Leadership Team with 31 years average experience
- 15 years average client tenure



Source: Invesco, as of Sept. 30, 2020.

# Invesco stable value business overview

## Distribution of account tenure & size



### We are focused on delivering a favorable stable value solution for clients

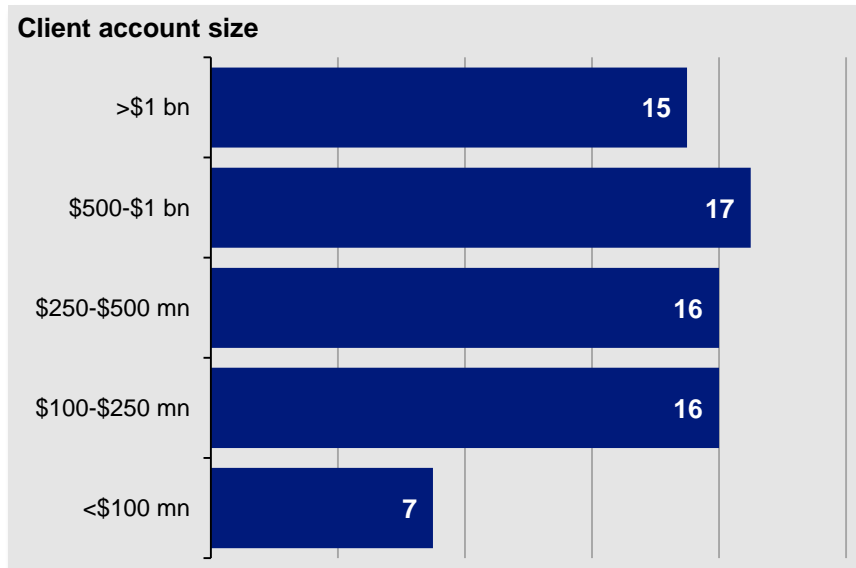
- Highly customized stable value solutions
- One of the largest, most experienced investment teams in the industry
- Controlled growth maintaining focus on favorable client outcomes (8:1 ratio of clients to client-facing professionals)

#### **Corporate:**

Automotive Industry	\$5.7 billion
Aerospace	\$4.8 billion
Aerospace	\$4.0 billion
Health & Wellness	\$3.1 billion
Health & Wellness	\$2.4 billion

#### **Government:**

Los Angeles County	\$5.0 billion
Virginia	\$1.3 billion
Pennsylvania	\$1.2 billion
Rhode Island	\$1.1 billion
Hawaii	\$1.0 billion



As of Sept. 30, 2020.

# Invesco stable value resources



## Stable Value Leadership Team

Stable Value Leadership Team					
George Baumann, CFA	Andy Apostol, CEBS	LeAnn Bickel, CEBS	Jessica Cole, JD	Jennifer Gilmore, CFA	Chris Utz, CFA
Senior Stable Value Strategists <i>26 Average Years of Experience</i>	Stable Value Portfolio Management <i>21 Average Years of Experience</i>	Fixed Income Portfolio Management* <i>24 Average Years of Experience</i>	Stable Value Product Development & Analytics <i>18 Average Years of Experience</i>	Stable Value Contract Management <i>20 Average Years of Experience</i>	
William Weber Senior Stable Value Strategist; Head of Client Service	Jennifer Gilmore, CFA Head of Portfolio Management	Tony Wong Head of Fixed Income	Chris Utz, CFA** Managing Director	Jessica Cole, JD Head of Contract Management	
Andy Apostol, CEBS Senior Stable Value Strategist	Ling Chiu, CFA Senior Portfolio Manager	Mario Clemente Head of Structured	Matt Kline** Head of SV Business Development	Angela Demling Senior Contract Analyst	
George Baumann, CFA Senior Stable Value Strategist	Jeff Deetsch** Senior Portfolio Manager	Michael Hyman, FRM CIO, Global IG & EMD	Jack Feist Quantitative Analyst	Greg Pereiro Senior Contract Analyst	
Todd Egger Senior Stable Value Strategist	Brad Hobson, CFA Senior Analyst	Glenn Bowling Head of ABS Credit	James Kaelin Senior Data Analyst		
Tara Wurdock Senior Stable Value Strategist	Mike Leonberger, ASA** Senior Portfolio Manager	Kevin Collins Head of Commercial Credit	<b>Client Support &amp; Reporting</b> <i>22 Average Years of Experience</i>		
	Lori Radford Head of SV Portfolio Construction	Paul English, CFA Head of US IG Research			
	Keith Ragland, CFA Portfolio Manager	David Lyle Head of Residential Credit			
	Matt Straub Portfolio Manager	Ken Purnell, CFA Head of ABS PM			
		Philip Armstrong, CFA Senior Portfolio Manager			
		Chuck Burge Senior Portfolio Manager	LeAnn Bickel, CEBS Chief Administrative Officer	Dave Blakeman Senior Business Analyst	
			Jill Kamer, CEBS Senior Client Manager	Blair Wilson Manager of Administration	
			Tricia Gettelfinger Senior Client Manager	Levi Adkisson Associate Client Manager	
			Brian Osbourne Client Manager	Karen Brock Associate Client Manager	
			Amber Reardon Client Manager	Dana Nichols-Frazier Associate Client Manager	

## Invesco Shared Services

Human Resources	Legal	Risk Management	Application Development	Sales & Marketing
Finance	Compliance	Portfolio Analytics	Information Technology	Trust Operations

- Diverse, experienced leadership team overseeing all aspects of the business
- Fixed income and stable value investment teams fully integrated
- Global investment footprint providing expansive sector/industry research and specialization

As of Sept. 30, 2020.

\* Key leaders of a team of 62 professionals.

\*\* Denotes additional individuals with direct client service responsibilities.



# Invesco stable value resources



## Structured Credit Team

17 Investment Professionals  
17 Average Years of Experience

John Anzalone, CFA* Head of Structured PM	Aaron Kemp, CFA Senior Analyst
Philip Armstrong, CFA Senior Portfolio Manager	David Lyle Head of Residential Credit
Ian Blaiklock, CFA CMBSCRE Sr Debt Analyst	Brian Norris, CFA Senior Portfolio Manager
Glenn Bowling Head of ABS Credit	Ken Purnell, CFA Head of ABS PM
Mario Clemente Head of Structured	Daniel Saylor, CFA Senior Analyst
Kevin Collins Head of Commercial Credit	Ken Vereen Senior Analyst
Garrett Dean, CFA Senior Analyst	Michael Zhang, CFA Senior Quantitative Analyst
Clint Dudley, CFA Senior Portfolio Manager	Jane Zhao, CFA CMBSCRE Debt Analyst
Rebecca Howard, CPA Credit Analyst	

## Investment Grade Credit Team

15 Investment Professionals  
16 Average Years of Experience

Michael Breuer, CFA Senior Analyst	Audrey McCoy Senior Analyst
Matt Brill, CFA Senior Portfolio Manager	Megan Rand Senior Research Analyst
Chuck Burge Senior Portfolio Manager	Jay Sammons, CFA Credit Analyst
Paul English, CFA Head of US IG Research	Todd Schomberg, CFA Senior Portfolio Manager
Ken Frey Senior Analyst	Bixby Stewart Senior Analyst
Jacob Habibi, CFA Portfolio Manager	Ryan Watts, CFA Portfolio Manager
Michael Hyman, FRM* CIO, Global IG & EMD	Tony Wong* Head of Global Research
Ray Janssen Senior Analyst	

## Global Liquidity Team

11 Investment Professionals  
19 Average Years of Experience

Laurie Brignac, CFA Head of Global Liquidity	Marques Mercier Senior Portfolio Manager
Jennifer Brown Senior Analyst	Wes Rager, CPA Portfolio Manager
Matt Bubriski, CFA Senior Analyst	Lucas Simmons, CFA Senior Analyst
Justo Gonzalez Head of GL Research	Lucas Staggs, CFA Analyst
Joseph Madrid, CFA Senior Analyst	Bryn Zinser Portfolio Manager
Justin Mandeville Portfolio Manager	

## Ex-US Investment Grade Credit Team

9 Investment Professionals  
18 Average Years of Experience

Ian Centis Senior Analyst	Chris Maurice, CFA Credit Analyst
Luke Greenwood Senior Portfolio Manager	Sam Morton Senior Credit Analyst
Yi Hu, CFA Senior Credit Analyst	David Todd, ACA Head of Global (ex-US) IG & EM Res
Matthew Kong Senior Credit Analyst	Maynard Xu, CFA Credit Analyst
Lyndon Man, CFA Senior Portfolio Manager	

## Investment Strategy Team

3 Investment Professionals  
30 Average Years of Experience

Gareth Isaac, CFA CIO, EMEA
Joseph Portera CIO, HY and MSC
Rob Waldner, CFA Chief Strategist

## Municipal Team

4 Investment Professionals  
16 Average Years of Experience

Grace Amalfitano Associate Analyst
Allen Davis, CAIA Senior Analyst
Mark Gilley, CFA Head of Muni Credit Research
Steve Hong Senior Analyst

## Macro & Global Quantitative Research

3 Investment Professionals  
21 Average Years of Experience

Scott Case, CFA Portfolio Manager
Noelle Corum, CFA Portfolio Manager
James Ong Director – Derivatives

Invesco, as of Sept. 30, 2020. \*Also members of the Investment Strategy Team.

# Invesco City of Los Angeles service team



## Relationship Manager



**Delia Roges**  
US Institutional Sales  
& Service

## Portfolio Management & Strategy



**Jennifer Gilmore, CFA**  
Portfolio Management



**Ling Chiu, CFA**  
Portfolio Management



**Matt Kline**  
Senior Strategist



**Tara Wurdock**  
Senior Strategist

## Manager Oversight



**Brad Hobson, CFA**  
Senior Analyst



**Jeff Deetsch**  
Portfolio Manager



**Keith Ragland, CFA**  
Portfolio Manager

## Contracts



**Jessica Cole, JD**  
Contract Management

## Legal



**Odeh Stevens, JD**  
Senior Counsel

## Compliance



**Andrea Cunigan**  
Compliance Manager

# Investment Approach



# Investment Approach



Invesco's stable value investment approach is based on the understanding that Stable Value is the most conservative option in the City of Los Angeles' defined contribution plan line-up

Guiding Principals at all Levels:

- ***High Quality***
- ***Diversification***
- ***Rigorous and exacting Risk Management***

By consistently focusing on these key principals in all our investment decisions, Invesco stable value has successfully delivered principal preservation and competitive crediting rates to participants for over 35 years

# Invesco Stable Value Proposal

## Portfolio structure



Strategy Segment	Cash Buffer	Short Duration	Intermediate Investment Grade	Core Investment Grade
Target Allocation	<b>3.0%</b> STIF 3.0%	<b>47.0%</b> Invesco 47.0%	<b>30.0%</b> Invesco 10.0% Jennison 10.0% Loomis Sayles 5.0% PIMCO 5.0%	<b>20.0%</b> Invesco 5.0% Dodge & Cox 5.0% Loomis Sayles 5.0% PIMCO 5.0%

### Each component brings essential characteristics to the stable value portfolio

- Liquidity to fund participant distributions
- 5 fixed income managers
- Core allocation provides broad sector and yield curve opportunities
- Efficient structure for achieving income generation, target duration, and a competitive crediting rate

Book Value Balance	\$1,262,000,000
Market-to-Book Ratio	104.63%
Yield to Maturity	1.03%
Net Crediting Rate (net) <sup>1</sup>	2.36%
Duration (years)	2.92
Average Quality <sup>2</sup>	Aa2/AA
Number of holdings	4,992

As of June 30, 2020 .

<sup>1</sup> Crediting rate is net of all expenses including investment management, wrap, admin and subadvisor expenses.

<sup>2</sup> Average credit quality is an internal measurement calculated by taking the highest rating of the 3 major rating agencies (S&P, Moody's & Fitch) at a security level. It is then changed into a numerical value, asset weighted and then calculated to be shown at the portfolio level in **Moody's/S&P format**. Non-rated securities are not included in the average quality calculation. Information on non-rated securities is provided in the Quality Distribution chart, if applicable. Average credit quality calculations may vary across the industry and should not be the only factor in analyzing a portfolio. Please review all information carefully before investing.



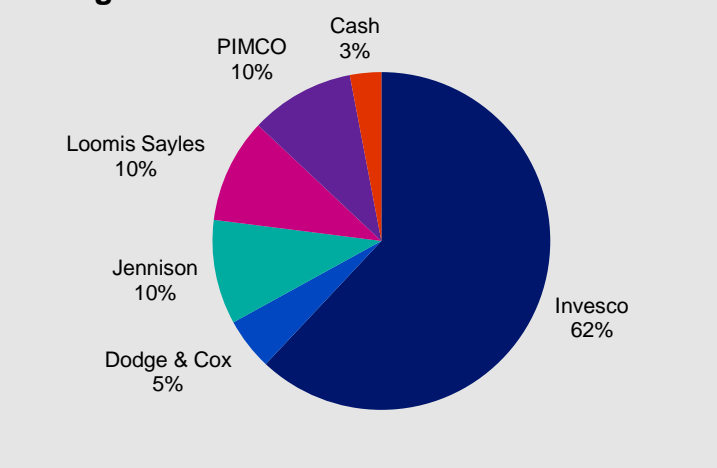
# Stable value investment strategy

## Manager style diversification



- Manager style diversification provides a compelling risk profile and downside protection
- Subadvisors selected to provide complimentary strategies
- Invesco's AUM scale delivers cost-effective access to leading fixed income managers
  - Weighted average fee of only 3.5 basis points

**Manager Allocation<sup>3</sup>**



**Manager Style Matrix<sup>1</sup>**

	Investment Approach		Active Duration		Yield Curve		Sector Rotation		Security Selection	
	Bottom	Top	Low	High	Low	High	Low	High	Low	High
Invesco	◆		◆		◆		◆		◆	
Dodge & Cox	◆		◆		◆		◆		◆	
Jennison	◆		◆		◆		◆		◆	
Loomis Sayles	◆		◆		◆		◆		◆	
PIMCO		◆		◆		◆		◆		◆

**Correlation of excess returns net of expenses<sup>2</sup>**

	Invesco	Jennison	Loomis Sayles	PIMCO
<b>Invesco</b>	1.00			
<b>Jennison</b>	-0.20	1.00		
<b>Loomis Sayles</b>	-0.04	-0.68	1.00	
<b>PIMCO</b>	0.47	0.12	-0.06	1.00

1. Source: Invesco's internal analysis, as of June 30, 2020. For illustrative purposes only.

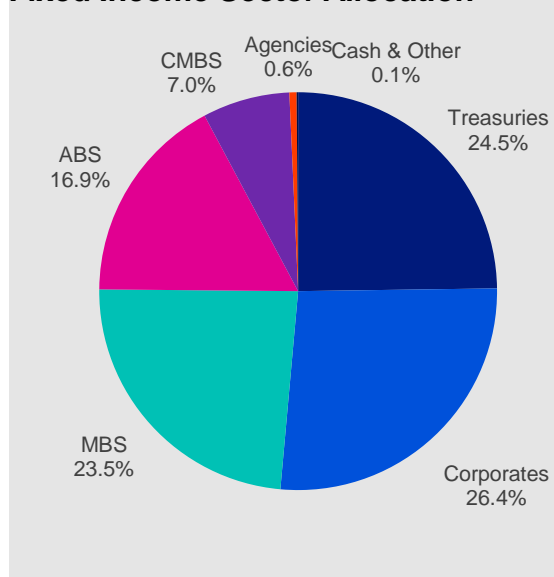
2. Source: Invesco's internal analysis of Intermediate strategy for 3 years ending June 30, 2020. Past performance is not a guarantee of future results.

3. Manager allocation reflects illustrative portfolio as of June 30, 2020.

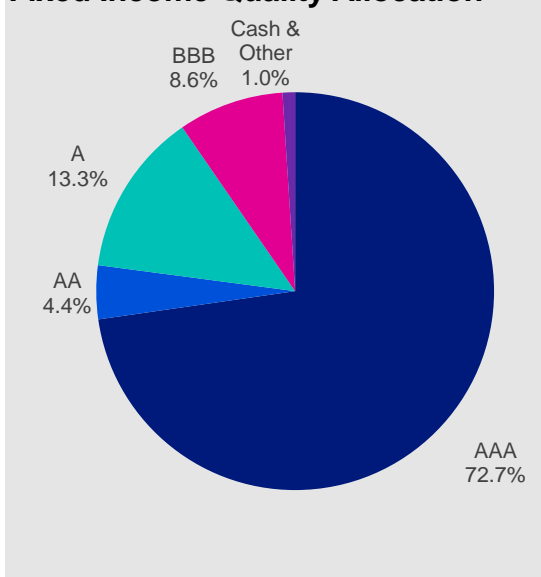
# Fixed Income Portfolio: Market Value Characteristics



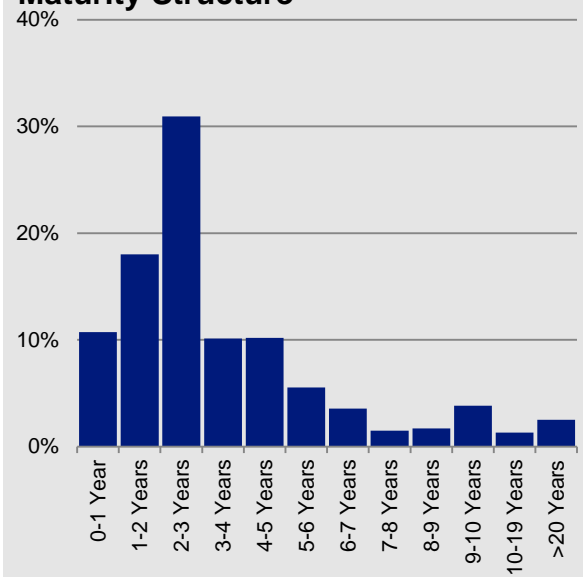
**Fixed Income Sector Allocation**



**Fixed Income Quality Allocation**



**Maturity Structure**



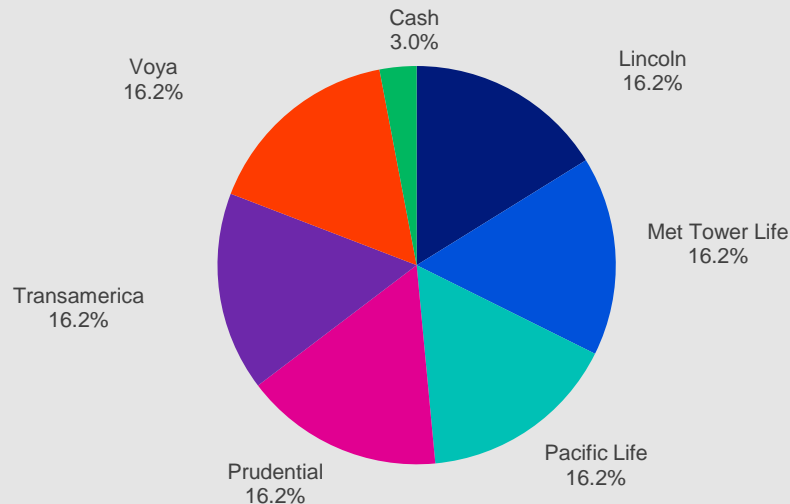
- Risk is reduced through broad diversification across investment-grade sectors and individual issuances
- Emphasis on quality, stability and realizable yield support stable value objectives
- Over 72% in AAA rated securities, modest allocation of ~8% to BBB securities
- Corporate sector looked after by 15 investment specialists with 16-years average experience
- ABS, MBS and CMBS sectors are looked after by 17 investment specialists with 17-years average experience

As of June. 30, 2020.

# Wrap Providers: Book Value Characteristics



## Wrap Providers



- Book value guarantees diversified across multiple contract issuers
- All wrap contracts are 'Security Backed Investment Contracts.' No Insurance Separate Accounts
- Diversification is designed to manage issuer concentrations and reduce investor risk
- Invesco leverages stable value scale to negotiate attractive contract provisions and pricing
- Crediting rates reset monthly to reduce rate volatility according to industry standard formula
- Average wrap expense is less than 15 bps at total account/fund level

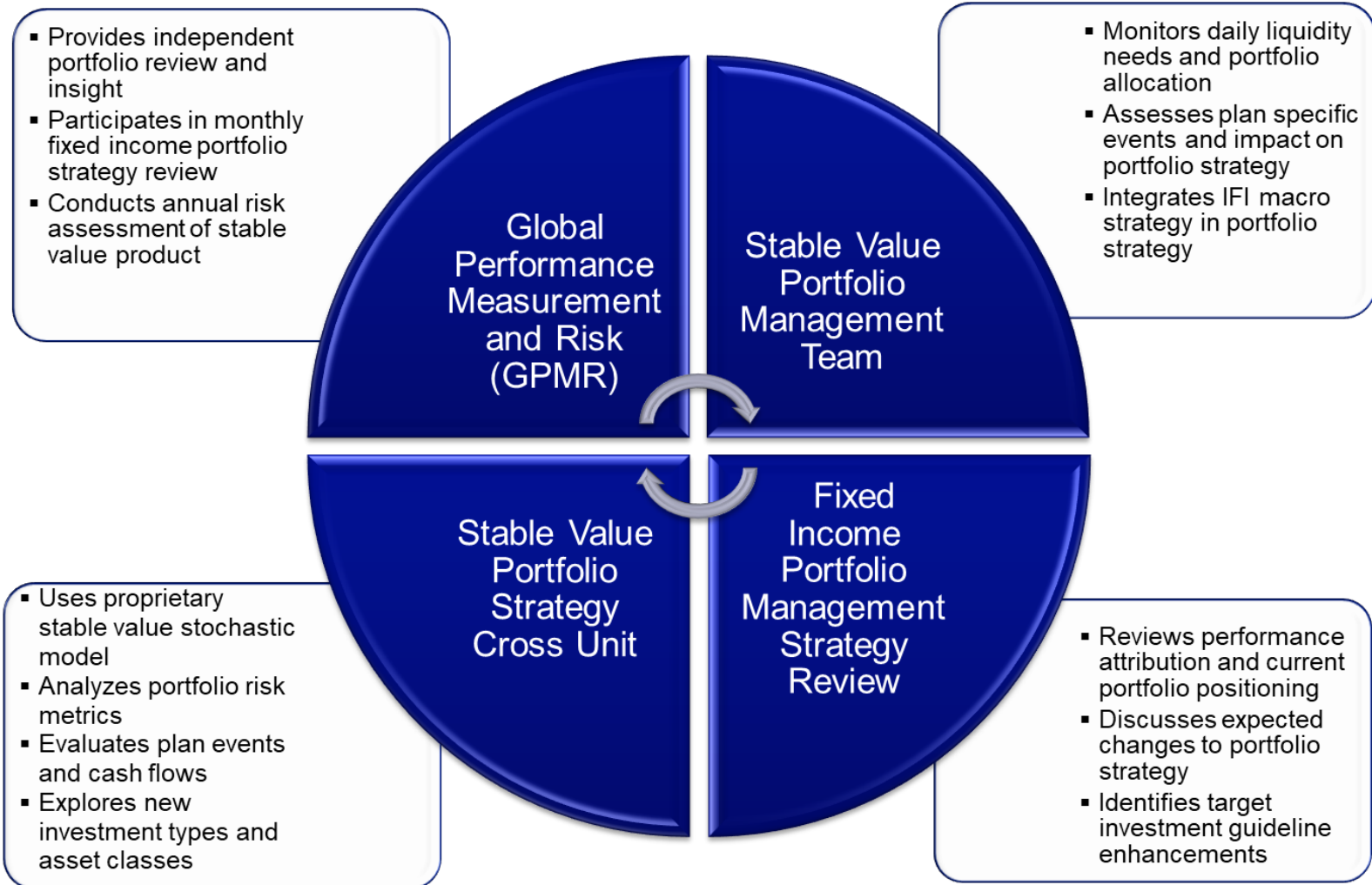
As of June. 30, 2020.

# Stable value investment strategy

## Risk management and performance evaluation



Stable value investment process supported by systems and risk management



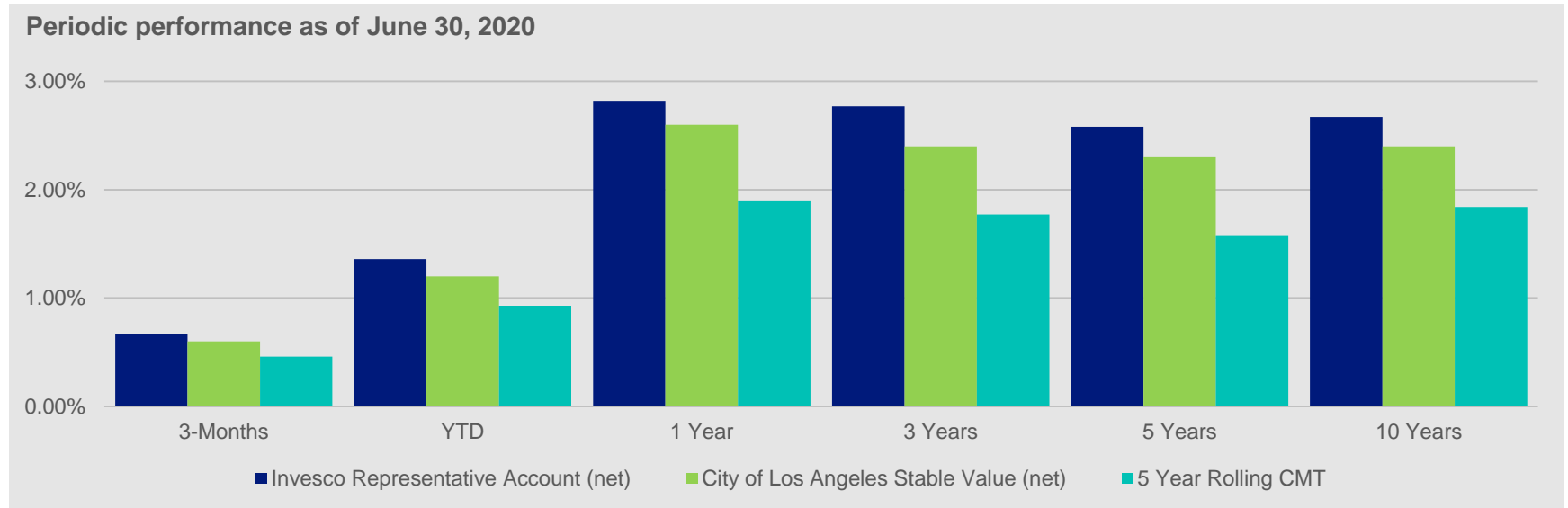
# Investment Results





# Stable value investment results

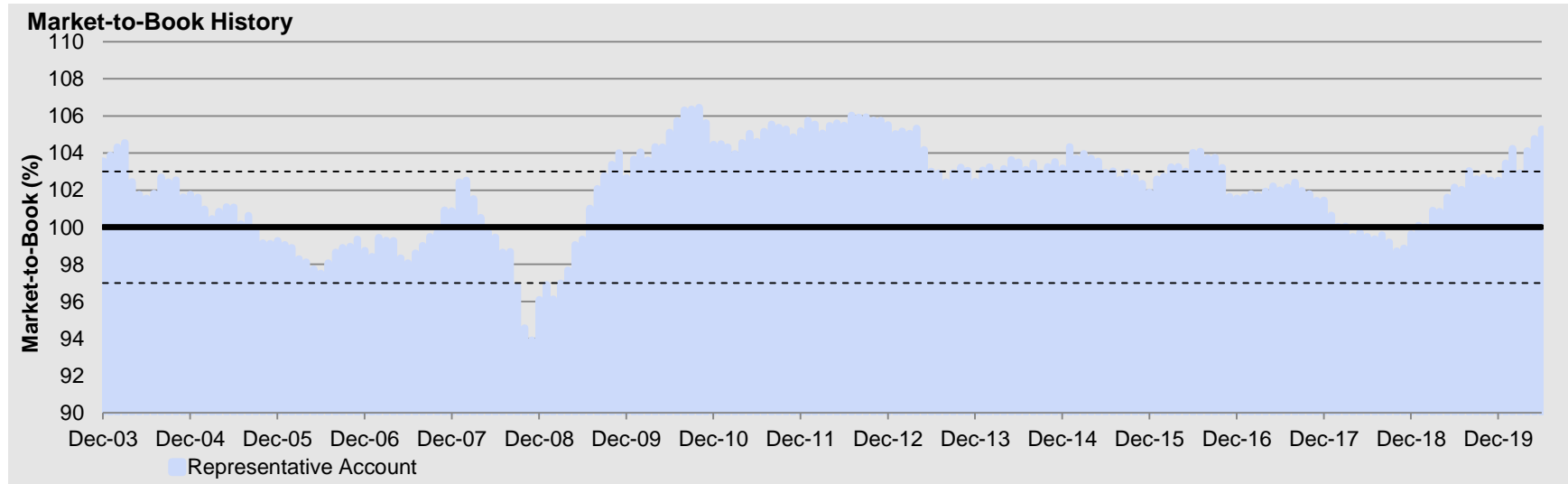
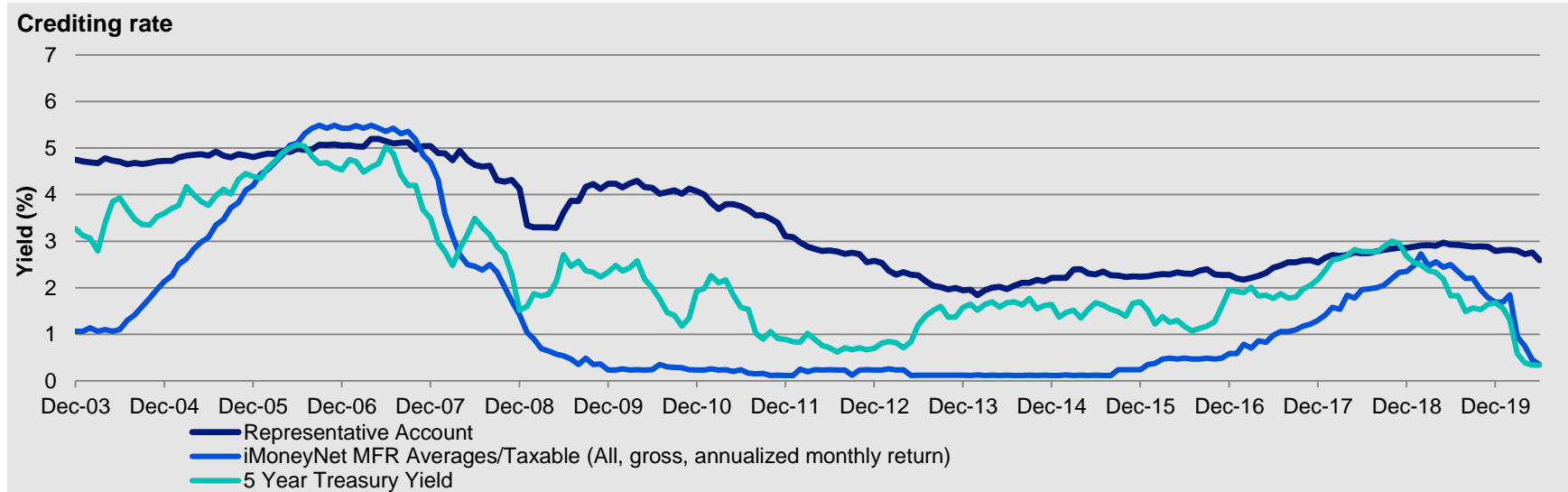
## Performance results



Periodic Performance	3-Months	YTD	1 Year	3 Years	5 Years	10 Years
Invesco Representative Account (net)	0.7%	1.3%	2.8%	2.7%	2.5%	2.6%
City of Los Angeles Stable Value (net)	0.6%	1.2%	2.6%	2.4%	2.3%	2.4%
5 Year Rolling CMT	0.5%	0.9%	1.9%	1.8%	1.6%	1.8%

Source: Invesco, as of June 30, 2020. Invesco Representative Account was selected based on similar characteristics to the City of Los Angeles stable value fund based on size, duration, investment strategy, and tenure. Representative account book value returns are net of wrap, admin, subadvisor, and the proposed Invesco management expense of 0.0619%. City of Los Angeles stable value fund returns from RFP evaluation summary. Past performance is not a guarantee of future results.

# Stable value investment results



The above portfolio characteristics are for a representative account except where indicated and are subject to change.

Source: Federal Reserve, Invesco; from Dec. 31, 2003, through June 30, 2020.

Crediting rates are presented before investment management expenses but after wrap, subadvisor and other expenses.

# Transition



# Transition process Experience



## **Invesco has had 100% success in client account transitions**

- Invesco has extensive experience in stable value transitions; we have transitioned 42 new accounts since the beginning of 2010
- Transition process can be completed in as little as 6-8 weeks
- Portfolio is immediately wrapped and fully invested on Day 1 of transition
- Portfolio assets may be transitioned in-kind when possible or in cash
- Invesco is a 3(21) and 3(38) fiduciary under ERISA Section 3

# Transition process – City of Los Angeles Stable Value Fund

## Book and market value transition summary



**Current Stable Value Fund**  
Galliard Portfolio

**Proposed Stable Value Fund**  
Invesco Portfolio



**Book Value Transition:**

- Transition equivalent book value to preserve crediting rate and positioning
- Minimize disruption; retain approved wrap contract issuers (with Invesco terms)
- Negotiate new contracts with 6-8 wrap issuers



**Market Value Transition:**

- Transition market value to preserve crediting rate and positioning
- Minimize disruption; evaluate current fixed income holdings
- Develop liquidation strategy with current manager to preserve value
- Allocate to target investments strategies



MV/BV Ratio  
104.63%

MV/BV Ratio  
104.63%

Source: current portfolio as of June 30, 2020 and Invesco proposed portfolio.



# Stable value transition process

## Transition timeline



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### Transition Launch

(1 week)

- **City of Los Angeles** provides authorization for Invesco to begin discussions with plan recordkeeper (Voya) to compile underwriting information (cash flow history, option balances and demographics)
- Invesco prepares bid specifications for contract negotiations with wrap issuers
- Invesco reviews portfolio holdings and positioning to prepare for transfer
- Invesco drafts IMA and guidelines for the **City of Los Angeles** oversight
- Invesco contacts recordkeeper to establish daily valuation procedures

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### Account Set Up

(4 to 6 weeks)

- Invesco's key transition steps:
  - Assists with participant communication materials
  - Reviews portfolio holdings and develops transition plan
  - Establishes daily valuation procedures
  - Loads holdings into accounting and compliance systems
  - Finalizes wrap issuer selection and contract documentation
- **City of Los Angeles** / Invesco complete negotiations of IMA and guidelines
- Invesco finalizes transition plan and reviews with **City of Los Angeles**

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### Final Steps

(2 weeks prior to Transition Date)

- Invesco holds weekly calls with issuers, recordkeeper and custodian
  - **City of Los Angeles** / Invesco execute legal agreements
  - Invesco assumes fiduciary responsibility for the Stable Value Fund
-

# Fees



# City of Los Angeles stable value Proposed strategy expense summary



Expense Category	Expenses
Management Expense <sup>1</sup>	0.0619%
Wrap Expenses	0.1500%
Subadvisor Expenses	0.0360%
Other/Admin Expenses	<u>0.0050%</u>
<b>Total</b>	<b>0.2529%</b>

**Competitive expense ratio of ~0.25% includes 35% allocation to 4 external fixed income subadvisors**

1. Management expense based on \$1,262 million in assets.

Note: Expense for liquidity vehicle unknown and not included as this is based on the City of Los Angeles' negotiation with their custodian/STIF provider

# Invesco stable value strategy

## Key differentiators



**Client focus** As a dedicated team within Invesco, the stable value team directs all our intellectual capital, industry experience, and operational stability toward helping clients achieve their investment objectives. The stable value team's client-facing professionals have over 24 years average experience.

**Ownership structure & leadership team** Invesco is an independent investment management firm. Stable value has been a flagship product offering at Invesco for over 30 years. Our diverse stable value leadership team is among the most experienced in the industry.

**Scale and footprint of our investment team** Deeply resourced fixed income team with more than \$377.3 billion in AUM<sup>1</sup>. Great ideas transcend borders; our investment team's footprint spans 25 countries, providing expansive fixed income sector/industry research and specialization.

**Risk management & compliance** Pioneered *independent* risk management and *daily* investment compliance in stable value and continue to be one of the few firms that consider this standard practice.

**Performance** Proven track record of delivering compelling investment performance while achieving capital preservation objectives.

**Proprietary wrap contract provisions** Invesco has negotiated exclusive wrap contract terms designed for an improved plan sponsor experience.



Thank you

