



## Investments Committee Report 21-05

Date: September 17, 2021

To: Investments Committee

From: Staff

Subject: Search Process for DCP Actively Managed Mandates:

- Active International Developed Markets Equity
- Active International Emerging Markets Equity
- Active International Small-Cap Markets Equity

Investments  
Committee

Raymond Ciranna

*Chairperson*

Joshua Geller

Neil Guglielmo

### Recommendation:

That the Investments Committee develop finalists for Stage 3 review of the Active International Developed Markets Equity, Emerging Markets Equity, and Small-Cap Markets Equity mandates.

### Discussion:

#### A. Background

The Board of Deferred Compensation Administration (Board) and the Investments Committee have taken a number of actions with respect to procurements and search processes for Deferred Compensation Plan (DCP) investment managers. Following is a summary of actions to date regarding these ongoing searches:

- On **June 18, 2019**, the Board directed staff to draft revisions to the DCP Core Menu Investment Management Services and Stable Value Fund (SVF) Management Services RFPs to include an evaluation process aligning with the Board's established mutual fund search process. The Board also asked staff to work with the City Attorney's Office and Office of Contract Compliance to identify all non-applicable provisions of the City's general contracting requirements for the investment of DCP funds.
- On **July 16, 2019**, the Board approved staff's proposed process to administer parallel mutual fund and institutional product procurement searches for all DCP investment mandates.
- On **January 14, 2020**, the Investments Committee (Committee) reviewed and approved staff's proposed revised RFPs.
- On **February 18, 2020**, the Board approved and authorized the release of RFPs for (i) DCP Investment Management Services and (ii) SVF Investment Management Services.

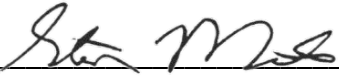
- On **August 17, 2020**, the DCP Core Menu RFP was released; responses were due October 1, 2020. Along approximately the same time frame the DCP investment consultant, Mercer Investments (Mercer), executed the parallel mutual fund search process.
- On **February 16, 2021**, following Investments Committee review on October 30, 2020, and prior Board consideration at its meetings on December 15, 2020, and January 19, 2021, the Board selected Galliard Capital Management to complete its SVF procurement process.
- On **May 18, 2021**, the Board selected Vanguard to provide passive management services for the passively managed components of the DCP Bond, DCP Large-Cap Stock, DCP Mid-Cap Stock, and DCP Small-Cap Stock investment options, following prior consideration at its meeting on April 20, 2021.
- On **June 23, 2021**, the Investments Committee approved a proposal from staff and Mercer Investments (Mercer) for the methodology to be used for reviewing candidates for the actively managed mandates. The process provides that following evaluation of all RFP respondents and mutual fund candidates on RFP evaluation categories, as part of its Stage 1 review Mercer will provide recommendations regarding removing from the candidate list those funds not meeting certain key criteria outlined in Section 5.1, Evaluation Process and Review Criteria, of the RFP and which would otherwise be the basis for ranking candidates in any event.
- On **July 22, 2021**, the Investments Committee approved a refined number of candidate strategies for the Mid-Cap Value Equity, International Small-Cap Equity, International Emerging Markets Equity, and International Developed Markets Equity investment mandates. Consideration of the Core Plus Bond, Mid-Cap Growth Equity, Small-Cap Value Equity, and Small-Cap Growth Equity mandates was deferred.
- On **August 23, 2021**, the Investments Committee approved a refined number of candidate strategies for the DCP Core Plus Bond, Mid-Cap Growth Equity, Small-Cap Value Equity, and Small-Cap Growth Equity investment mandates.

## B. Committee Action and Timeline

At the Committee meeting Mercer will review its Stage 2 report (**Attachment A**) providing further analysis and details regarding the finalist candidates for each international mandate. The objective of the meeting is to develop finalists for Stage 3 review. The following table provides a timeline for Investments Committee review of the remaining mandates and tentative subsequent consideration by the full Board:

Topic	Investments Committee Meeting Date	Board Meeting Date for Considering Investment Committee Recommendations
Stage 2 – <b>International</b>	September 17, 2021	N/A
Stage 2 – <b>Mid-Cap</b>	Week of September 27	N/A
Stage 2 – <b>Small-Cap</b> Stage 3 – <b>International</b>	Week of October 18	November 16, 2021 ( <b>International</b> )
Stage 2 – <b>Bond</b> Stage 3 – <b>Mid-Cap</b>	Week of October 25	November 16, 2021 ( <b>Mid-Cap</b> )
Stage 3 – <b>Small-Cap</b> Stage 3 – <b>Bond</b>	Week of November 29	December 21, 2021 ( <b>Small-Cap</b> and <b>Bond</b> )

Submitted by:



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Steven Montagna, Chief Personnel Analyst

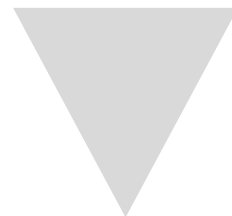
HEALTH WEALTH CAREER

# City of Los Angeles

## Deferred Compensation Plan

### International Developed Equity Search – Stage 2

September, 2021





# BACKGROUND

## Finalists – 11 total strategies

### Institutional Product RFP Response

Baillie Gifford*	Pyrford
Capital Group (Intl Eq)	T. Rowe Price*
ClearBridge	Walter Scott*
J P Morgan*	Wellington*
MFS*	William Blair**
Lazard	

\*Indicates mutual fund vehicle meeting screening requirements.

\*\*Indicates mutual fund vehicle not meeting screening requirements (Fees).

- For the International Equity Developed Markets manager search, the City received 18 RFP responses, of which 16 met the minimum requirements outlined in section 2.2 of the RFP.
- In addition to the institutional products, Mercer evaluated 13 mutual funds, all of which passed the minimum requirements for Stage 1 evaluation presented to the City in July 2021.
- Stage 1 resulted in 11 candidates emerging as finalists, and they are reviewed throughout this document, including the incumbent manager MFS, who passed the Stage 1 evaluation.

# STAGE 2 CANDIDATES

- 11 finalist candidates (all RFP respondents) are presented in this document:
  - Baillie Gifford
  - ClearBridge Investments
  - Capital Group
  - JP Morgan Asset Management
  - Lazard Asset Management
  - MFS Investment Management (Incumbent)
  - Pyrford International
  - T. Rowe Price
  - Walter Scott & Partners
  - Wellington Management
  - William Blair

## Notes:

- All performance is net of fees, unless otherwise noted
- Portfolio characteristics are as of 3/31/21 and performance exhibits are as 6/30/21, unless otherwise noted
- Mandate size is approximately \$498.5 million as of June 30, 2021

\* Eligible mutual fund also available

# SUMMARY EVALUATION MATRIX

	Manager			Strategy		Performance			Fees
	Business Strength	Team Depth	Personnel Stability	AUM	Appropriate Fit for Mandate	Long-Term Performance (10-Year)	Performance Consistency (10-Year)	Information Ratio (10-Year)	Attractiveness of Fees
Baillie Gifford	✓	✓	✗	✓	✗	✓	✓	✓	✓
Capital Group	✓	✓	✓	✓	✗	✓	✓	✓	✓
ClearBridge	✓	✓	✓	=	✗	✓	✓	✓	=
JP Morgan	✓	✓	=	✓	✓	=	✓	=	✓
Lazard	✓	✓	✓	✓	✓	=	✓	✓	✗
MFS (Incumbent)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pyrford	✓	✓	=	=	✓	✗	✗	✗	✓
T. Rowe Price	✓	✓	✓	✓	✓	=	✓	=	=
Walter Scott	✓	✓	=	✓	✗	✓	✓	✓	=
Wellington	✓	✓	=	✓	✓	=	✓	✓	✗
William Blair	✓	✓	=	=	✗	✓	✓	✓	✗

# SUMMARY EVALUATION

- **Firm strength** – All candidates have well run businesses with substantial levels of overall assets under management and internal resources to support the DCP.
- **Strategy team depth and stability** – While all candidates possess strong depth in terms of team resources devoted to the respective strategies, stability for some firms is a differentiator. Firms such as Capital Group, Lazard, MFS, and T. Rowe Price reported less turnover of relevant staff making them more attractive in this dimension.
- **Strategy Assets Under Management (AUM)** – All strategies have sufficient assets under management such that the DCP would not represent a disproportionate percentage of strategy assets, though Pyrford, ClearBridge, and William Blair are slightly smaller in this regard.
- **Mandate fit** – Given that screening incorporates a component of trailing performance evaluation, several candidates that screened favorably through Stage 1 exhibit a substantial style bias (most commonly a growth tilt). Ultimately, it is desirable for the strategy to reside close to “core” from a style perspective and within range of benchmark market cap. This dimension of evaluation serves to counterbalance gravitating to top performing strategies over recent years since we expect growth and value styles to rotate over time. JPMorgan, Lazard, MFS, Pyrford, T. Rowe Price, and Wellington all display less style bias over trailing periods.
- **Performance** – While all candidates generally have strong performance, Pyrford falls below the group. JPMorgan, and T. Rowe Price, meanwhile, have good performance metrics, but a bit below the remaining candidates over the trailing ten years, which may be in part explained by style biases (e.g., growth-orientation for some managers may have aided performance over this period).
- **Fees** – All fee proposals represent substantial savings to the DCP (we expect minimum fee savings of approximately \$500,000 annually), Baillie Gifford, Capital Group, JPMorgan, MFS, and Pyrford are particularly attractive.

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<b>Baillie Gifford</b>	Baillie Gifford & Co is an independent investment management firm based in Edinburgh, 100% owned and managed by the partners in the firm. Baillie Gifford was formed in 1908 and began managing money in 1909 when it launched an investment trust, which it still manages today. The firm began a phase of more rapid growth in the 1980s when it successfully attracted assets from international clients, including US clients which now account for approximately 38% of total assets managed. Historically, the firm had one investment office with the entire investment team being based in Edinburgh. In the second half of 2019, Baillie Gifford opened a research office in Shanghai to support the research efforts in China.	Baillie Gifford's investment approach is focused on finding stocks with an identifiable competitive advantage that can sustain above average growth in earnings and cash flow. The investment style tends to be biased to quality growth. The Portfolio Construction Group (PCG) collectively shares responsibility for decision-making. There is no lead portfolio manager, and there is no formal voting mechanism by which stocks are selected for the portfolio. The PCG has responsibility for the overall portfolio, ensuring it has no unintended risks and ensuring that all the managers involved in this strategy are aware of the issues affecting the overall portfolio.
<b>Capital Group</b>	The Capital Group (Capital) was founded in 1931, and is a privately held organization. It is known for its American Funds, one of the largest mutual fund groups globally. Capital Group, including Capital Research and Management Company, is headquartered in Los Angeles, with 85% of the company owned by active key investment and administrative personnel, and the balance owned by retired employees who must sell back their shares within a few years of retirement.	The strategy's primary objective is to provide long-term growth of capital and income by investing in non-US securities. The four Portfolio Counselors are responsible for investing in their individual sleeves of the portfolio according to their own conviction, producing a portfolio that is diversified by portfolio management style. Once the individual portfolios are constructed, they are combined and the overall portfolio country, industry, and sector weights are reviewed for adherence to client guidelines. Style tilts are monitored on an on-going basis by a separate committee. Capital Group manages risk through diversified decision making and a balance of investment styles.
<b>ClearBridge Investments</b>	ClearBridge Advisors formed in 2006 to house the former Citigroup Asset Management US Active Equity Group (CAM). ClearBridge includes affiliated investment advisers CAM North America, LLC, Smith Barney Fund Management LLC, and Salomon Brothers Asset Management Inc.,. Owned by Franklin Resources, ClearBridge operates from its headquarters in New York City with offices in Baltimore, London, San Francisco, Sydney and Wilmington.	The International Growth ADR strategy seeks to achieve long-term growth of capital by investing in American Depositary Receipts (ADRs) of well-managed businesses whose intrinsic value does not appear to be recognized by the markets. The strategy seeks to implement and apply a systematic and repeatable process to identify mispriced growth companies and generate alpha over the long term. The portfolios invest approximately 80-90% in larger companies and primarily in ADRs. ClearBridge aims to provide above-market returns with market-level volatility over the long-term.
<b>JPMorgan</b>	JP Morgan Asset Management (JPM) is the investment management business of JP Morgan Chase & Co, formed in 2000 through the merger of J.P. Morgan & Co and The Chase Manhattan Corporation. This merger resulted in the consolidation of their respective investment management subsidiaries, J.P. Morgan Investment Management (JPMIM), and Chase Fleming Asset Management (CFAM). CFAM had, in turn, been established earlier in 2000 after Chase Manhattan purchased Robert Fleming Holdings Limited. J.P. Morgan was founded in 1861, and the Fleming group in 1873. The merged firm is headquartered in New York City, with additional investment management offices around the globe.	The Fund seeks total return from long-term capital growth and income. The strategy invests in foreign developed markets and, opportunistically, in emerging markets. JPMorgan employs a bottom-up, active approach focusing on proprietary fundamental research at the local and global sector levels. In managing the Fund, the team will seek to help manage risk in the portfolio by investing in issuers in at least three different countries other than the United States. However, the Fund may invest a substantial part of its assets in just one region or country.

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<b>Lazard</b>	Lazard Asset Management, LLC (Lazard) was founded in 1970 as the investment management division of Lazard Ltd., a global financial advisory firm involved in investment banking, corporate finance and real estate finance services. In 1997, Lazard combined its American and British investment management units. At the end of 2002, Lazard changed its operating structure from being a division of Lazard Ltd. to a separately-organized limited-liability company owned by Lazard Ltd. Lazard Ltd. went public in 2005; approximately 18% of the equity is owned by employees.	Lazard employs a bottom up, fundamental research driven strategy. The team seeks to exploit inefficiencies created from the short-term perspective of the market by taking advantage of opportunities created by negative news flow, restructuring or the market simply fading the returns of a company too quickly. The bottom-up research process is the key driver of the value-added, and country or regional allocations are an outcome of the stock selection process that is benchmark agnostic. Risk management is incorporated into the investment process, focusing on factors such as company specific risk and operational risk, as well as risk linkages between positions in the portfolio.
<b>MFS – Incumbent</b>	MFS Investment Management (MFS) was originally founded in 1924, and became a wholly-owned subsidiary of Sun Life Financial of Canada (Sun Life) in 1982. In 1996, MFS initiated a program that offers senior management and investment professionals the opportunity to participate in non-voting equity ownership of the firm. MFS employees own 20% of the firm. In 2011, Sun Life transferred its investment subsidiary, Canadian-based McLean Budden, to MFS. The transfer was finalized in 2013. MFS is headquartered in Boston with investment management offices in London, Tokyo, Singapore, Sydney, Hong Kong, Sao Paulo, Mexico City, and Toronto.	MFS' philosophy focuses on bottom-up, fundamental analysis to find high quality companies that are trading at attractive valuations. The firm uses quantitative screening tools to supplement traditional research, but stresses internal fundamental research as its primary strength. The strategy typically has a quality bias, and is best classified as core, although it may tend to have a slight growth tilt. The strategy's "quality growth" orientation favors companies in the top three of market share. MFS typically likes stocks that have a high return on invested capital, low capital expenditures, free cash flows greater than net income, and growth levels that are conservatively stated by management.
<b>Pyrford</b>	Pyrford International Ltd is a wholly-owned and autonomously-operated subsidiary of Bank of Montreal. Pyrford originated in 1982 in Melbourne, Australia, as Elders Investment Management Ltd (EIM), the investment management company formed by Bruce Campbell to run the pension funds of the Elders Group (now the Foster's Brewing Group). In 1985, EIM began to manage the assets of external pension plans, and in 1987 the firm moved to London. Campbell completed a buy-out of EIM from the Elders Group in 1991 and the business was re-named Pyrford. In October 2001 approximately 20% of Pyrford's equity was acquired by Strategic Investment Group Ventures LLC (a partnership between the Strategic Investment Group of Arlington, Virginia and the California Public Employees' Retirement System - CalPERS). In December 2007 the business was fully acquired by Bank of Montreal.	Pyrford believes that preserving capital is key to long-term success. Therefore, they favor a focus on quality and value through identifying high yielding stocks and markets with sustainable earnings growth. The strategy employs top down strategic analysis, which is implemented through bottom-up stock selection. The top down country allocation is decided by the ISC based on the assessment of total value, which is done for developed countries in the benchmark plus select emerging markets. Stock selection within each country is driven by the regional team, with regional portfolios maintained regardless of the allocation to the region. There are no risk limits at a sector level, although portfolios will be well diversified. Position sizes are based on the level of perceived value rather than benchmark weight, but no stock may account for more than 5% of the total portfolio.

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<b>T. Rowe Price</b>	<p>T. Rowe Price Group (T. Rowe) was established in 1937 by Thomas Rowe Price as an independent investment advisory firm. In 1979, T. Rowe and the Fleming Group established a London-based joint venture called Rowe Price Fleming to manage non-U.S. assets. In 2000, T. Rowe purchased Fleming Group's 50% share of the joint venture and reorganized its operations into a holding company structure under the name of T. Rowe Price Group. It is T. Rowe's intention, come mid-2022, to create a separate operating unit, T. Rowe Price Investment Management. It will initially consist of 5 US equity strategies and 1 US high yield strategy. T. Rowe is a publicly owned company, headquartered in Baltimore, Maryland with offices located worldwide.</p>	<p>Portfolio Manager Ray Mills believes the market often misprices stocks as investors overreact to adverse events and underestimate a company's ability to create value over time. He believes that active management driven by bottom-up, fundamental research can uncover and benefit from these anomalies among non-US equities. Mills has a long-term investment horizon that emphasizes stock selection as the primary source of excess return. The investment process focuses on bottom-up stock selection at the individual company level. Through fundamental research, Mills and the investment analysts work together to investigate industry trends and competitive dynamics. Mills and the analysts assess a stock's valuation across a range of metrics, including price-to-earnings, price-to-sales, price-to-book value, and price-to-cash flow. When constructing the portfolio, Mills selects stocks offering the most compelling growth and value combination while positioning the portfolio to have a relatively consistent core style orientation, with slight tactical deviations based on market conditions. The holdings attempt to be broadly diversified across sectors and countries. Mills maintains a long-term focus that results in modest turnover.</p>
<b>Walter Scott &amp; Partners</b>	<p>Walter Scott &amp; Partners (WS&amp;P) is a specialist equity management firm whose sole office is located in Edinburgh. It was formed in 1983 by Walter Scott, Ian Clark and Marilyn Harrison, who had worked together at Edinburgh-based fund manager Ivory &amp; Sime. WS&amp;P was bought by Mellon in 2006, which subsequently merged with Bank of New York to form BNY Mellon. WS&amp;P operates autonomously as one of a stable of investment managers owned by BNY Mellon.</p>	<p>WS&amp;P believes that the returns from investing in the shares of a company will reflect the wealth generated by that business. By investing in companies able to deliver sustainably high internal rates of return, at reasonable valuations, the team believe they can outperform. Country and sector weightings will be driven by stock selection decisions, and may at times deviate significantly from their benchmark weightings.</p>
<b>Wellington Mgt.</b>	<p>Wellington Management Company, LLP (Wellington) is an independent investment management firm with over 150 active partners. Wellington began operations in 1928 and created America's first balanced mutual fund the following year. In 1967, Wellington merged with Thorndike, Doran, Paine &amp; Lewis. Wellington's employees purchased the firm in 1979. Wellington is headquartered in Boston and has additional investment management and client servicing offices in Radnor, Pennsylvania, London, Singapore, Tokyo, and Hong Kong.</p>	<p>Wellington believes mispriced returns on capital drive stock prices either because the market underestimates improvements in returns or underestimates the sustainability of returns. To that end, the team applies a bottom-up, fundamental process to find companies where opportunities to improve returns are misunderstood by the market place. While the style is characterized as core, it has a growth bias. The strategy is broadly diversified and benchmark sensitive.</p>
<b>William Blair</b>	<p>William Blair &amp; Company (Blair) was founded in 1935. Headquartered in Chicago, IL, Blair is a full service investment bank, offering investment management, securities brokerage, and corporate and public finance underwriting services. The firm employs roughly 1,400 people, including approximately 190 partners.</p>	<p>Blair employs a fundamentally based bottom-up philosophy predicated on the belief that the market is inefficient with respect to distinguishing between an average growth company and a quality growth company that can achieve a higher growth rate for a longer period of time than markets expect. Blair describes the approach as high quality growth, falling in-between GARP and aggressive growth, with an emphasis on companies displaying high returns on capital and low leverage. Blair uses a bottom-up, research-intensive, fundamental approach to select stocks. Due to its focused nature, there are broad regional and sector ranges for the portfolio.</p>

# MERCER RATINGS SCALE

## A

Strategies assessed as having “**above average**” prospects of outperformance

## B+

Strategies assessed as having “**above average**” prospects of outperformance, but with some reservations.

## B

Strategies assessed as having “**average**” prospects of outperformance

## C

Strategies assessed as having “**below average**” prospects of outperformance

## R

The **R rating** is applied in two situations:

1. Mercer has carried out some research, but has not completed its full investment strategy research process
2. Mercer has in the past carried out its full investment strategy research process on the strategy, but we are no longer maintaining full research coverage

## N

**No rating**, strategies not currently rated by Mercer

## W

**Watch**: where there is some uncertainty about a rating that we do not expect to be resolved soon, but consider it unlikely that it will lead to a rating change

## T

**Tracking error**: potential for high tracking error or high volatility

## P

**Provisional rating**: where there is uncertainty about a rating that we expect to resolve quickly

Please see the Guide to Mercer’s Investment Strategy Ratings <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf>



# MERCER RESEARCH ASSESSMENT

While not part of the evaluation process, Mercer research ratings and evaluations are provided, where available, for additional context.

MERCER EVALUATION SUMMARY					
	Manager Rating	Idea Generation	Portfolio Construction	Implementation	Business Management
Baillie Gifford	A	■■■■□	■■■■□	■■■■□	■■■■■
Capital Group	B	N/A	N/A	N/A	■■■□□
ClearBridge Investments	N	N/A	N/A	N/A	N/A
JP Morgan Asset Management	R	N/A	N/A	N/A	N/A
Lazard Asset Management	A	■■■■■	■■■■□	■■■■□	■■■■□
MFS Investment Management (Incumbent)	B+	■■■■□	■■■■□	■■■□□	■■■■□
Pyrford International	B+ (T)	■■■■□	■■■■□	■■■■□	■■■■□
T. Rowe Price	A	■■■■■	■■■■■	■■■■□	■■■■□
Walter Scott & Partners	B+ (T)	■■■■■	■■■■□	■■■□□	■■■■□
Wellington Management	A	■■■■■	■■■■□	■■■■□	■■■■□
William Blair	A (T)	■■■■■	■■■■□	■■■■□	■■■■□

## Mercer's Rating Scale

<b>A</b>	Above average prospects of outperformance	<b>C</b>	Below average prospects of outperformance
<b>B+</b>	Above average prospects of outperformance but which are qualified by: 1) There are other strategies in which we have a greater conviction of outperformance and/or 2) Mercer requires more evidence to support its assessment	<b>R</b>	1) Early stage research 2) Research no longer maintained
<b>B</b>	Average prospects of outperformance	<b>N</b>	Not rated

# MERCER RESEARCH COMMENTARY

Candidate	Mercer Rating	Overall Assessment
<b>Baillie Gifford</b>	<b>A</b>	We like the fact that Baillie Gifford has a consistent philosophy across the firm and the firm's research effort is devoted to this; there is no distraction of having to find ideas that meet the needs of different philosophies nor competition for resources. This facilitates a truly collaborative, long-term culture across the firm. The partnership structure of the business provides an environment that is stable and allows investment professionals to focus on delivering alpha for clients. For this strategy, we particularly like the diversity of the Portfolio Construction Group and the thoughtfulness they apply in constructing portfolios that are diversified by growth categories. We believe this creates a best-in-class offering.
<b>Capital Group</b>	<b>B</b>	The strategy employs a bottom-up, fundamental research driven process that seeks to provide long term growth of capital, focusing on capital appreciation. It seeks out companies with above average growth prospects, has an all cap approach, and will typically be well-diversified by number of stocks, sector and geographic exposure. We have higher regard for other strategies in this space where we receive greater transparency on the investment process and performance attribution. Capacity management is an another area to monitor.
<b>ClearBridge Investments</b>	<b>N</b>	Mercer does not formally rate this strategy.
<b>JP Morgan Asset Management</b>	<b>R</b>	Mercer does not formally rate this strategy.

# MERCER RESEARCH COMMENTARY

Candidate	Mercer Rating	Overall Assessment
<b>Lazard Asset Management</b>	<b>A</b>	The strength of the International Strategic Equity strategy lies in its experienced portfolio managers, sound investment philosophy and disciplined investment process. Also, we like that the PMs work collaboratively with the broader resources across Lazard's global sector specialists and other global products. The focus on longer term opportunities within the trade-off between financial productivity and valuation creates a dynamic portfolio less dependent on the market environment for performance. The unconstrained flexibility of the approach allows the team to select the highest conviction ideas. The focus on risk at all levels of the process ensures the team is aware of the bets within the portfolio.
<b>MFS Investment Management</b>	<b>B+</b>	Our conviction in the MFS International Equity strategy is based on our high regard for the portfolio management team and its disciplined and consistent process. Also, the strategy benefits from ideas contributed by the broader global/international core equity team. We like the synergy between team members and the firm's collaborative culture which we maintain ensures that the focus of both portfolio managers and research analysts is on the strategy's investment performance. Given former co-portfolio manager Marcus Smith's retirement in April 2017, we have concerns regarding the depth of the portfolio management team and its overall leadership going forward.
<b>Pyrford International</b>	<b>B+ (T)</b>	Pyrford's total return philosophy is clearly defined and consistently adhered to in the disciplined approach the team employ to identify stocks that meet their criteria. The small team is cohesive and focused on finding ideas that display the characteristics Pyrford is looking for. As CEO, Cousins provides strong strategic leadership and a commitment to Pyrford's approach. He appears to foster a strong relationship with the parent company that keeps Pyrford largely autonomous. Whilst there is much to admire in these strategies, we hold a higher level of conviction in other managers in this space.
<b>T. Rowe Price</b>	<b>A</b>	The T. Rowe Price International Core Equity investment process is heavily reliant upon the fundamental, bottom-up research conducted by T. Rowe Price's analysts located around the globe. While there are no analysts dedicated solely to this product, Portfolio Manager Ray Mills has a smaller group that he regularly works with that helps him develop his ideas. Mills also regularly taps T. Rowe's broader set of portfolio managers. In general, we have a high view of T. Rowe Price's investment team. The portfolio has consistently adhered to strict region, country, and sector constraints that prevent significant deviations from the benchmark, resulting in a modest tracking error relative to the index. We believe that International Core Equity has an above-average chance of outperformance.

# MERCER RESEARCH COMMENTARY

Candidate	Mercer Rating	Overall Assessment
<b>Walter Scott &amp; Partners</b>	<b>B+ (T)</b>	We believe that Walter Scott & Partners' disciplined focus on companies that meet their quality growth criteria provides them with an edge. Their clear philosophy backed by a structured and meticulous process is appealing. The long term philosophy pervades the business, seen in their emphasis on succession planning across the firm. The culture is also team-centric and although the team seems to embrace diversity, they have a singular commitment to their approach. However the level of assets under management and the leadership's desire to grow continues to be a significant concern for us. We also have reservations around the lack of any real, systematic risk assessment at the aggregate portfolio level. These concerns prevent us from awarding our highest rating.
<b>Wellington Management</b>	<b>A</b>	Nicolas Choumenkovitch brings a broad, globally focused, investment experience to this bottom-up, fundamental equity strategy. His investment philosophy and process are sound. His team is adequately staffed, including several members whose lengthy experience extends beyond their time on the team. The team members share the common philosophy of searching for companies delivering high or improving return on invested capital. The philosophy and process of the strategies give the team a wide opportunity set and flexibility to find investment ideas across the core/value/growth spectrum. The team also leverages Wellington's global research analyst platform which we believe provides a competitive edge.
<b>William Blair</b>	<b>A (T)</b>	Blair's strengths include a disciplined investment process, a consistent emphasis on higher quality growth names, and an experienced and cohesive investment team. The team's ability to identify companies which are able to maintain higher growth rates for longer than markets expect is a competitive advantage. This advantage is supported by an intensive fundamentals based research approach and a team well versed in the 'stronger for longer' philosophy and process that Blair espouses. We value the thought leadership provided by experienced portfolio manager and key decision maker McAtamney, and believe the supporting team of analysts and portfolio managers provide integral insights as well. Characteristic companies will exhibit quality management teams, sustainable/differentiated business models, and sound financials. The strategy tends to perform well in market environments which favor profitability, momentum and growth.

# OVERVIEW

## Quantitative Scorecard

Funds	Performance Characteristics (over 5 Years ending June-21)	% of time out-performing (all/up/down markets over 5 Years ending June-21)	Portfolio Characteristics (AUM as of 6/30/21)	Fees (revenue sharing)
<b>Baillie Gifford - International Alpha</b>	Ret (%pa): 16.4 (6) Tracking error (%pa): 6.4 (36) Information ratio: 1.0 (3) Return/SD: 0.8 (7)	All Markets: 60% Up markets: 71% Down markets: 33%	AUM (\$MM): 23,190 Inception year: 2002 Market cap (\$MM): 121,526 No. of stocks held: 79 Avg. turnover(%): 20	0.41% on all assets*
<b>Capital Group - International Equity (Capital Group)</b>	Ret (%p.a.): 16.2 (6) Tracking error (%pa): 4.4 (64) Information ratio: 1.4 (N/A) Return/SD: 1.1 (5)	All Markets: 65% Up markets: 64% Down markets: 67%	AUM (\$MM): 12,230 Inception year: 1978 Market cap (\$MM): 84,812 No. of stocks held: 172 Avg. turnover(%): 27	0.45% on all assets
<b>ClearBridge - ClearBridge International Growth ADR</b>	Ret (%p.a.): 16.9 (5) Tracking error (%pa): 5.3 (47) Information ratio: 1.3 (1) Return/SD: 1.2 (2)	All Markets: 70% Up markets: 71% Down markets: 67%	AUM (\$MM): 8,388 Inception year: 1996 Market cap (\$MM): 110,602 No. of stocks held: 54 Avg. turnover(%): 30	0.50% on all assets
<b>JP Morgan - JPM EAFE Plus</b>	Ret (%p.a.): 12.2 (30) Tracking error (%pa): 3.3 (87) Information ratio: 0.6 (20) Return/SD: 0.8 (29)	All Markets: 65% Up markets: 86% Down markets: 17%	AUM (\$MM): 15,596 Inception year: 1982 Market cap (\$MM): 113,263 No. of stocks held: 82 Avg. turnover(%): 30	0.48% on all assets
<b>Lazard - International Strategic Equity</b>	Ret (%p.a.): 10.2 (60) Tracking error (%pa): 3.5 (84) Information ratio: 0.0 (60) Return/SD: 0.7 (57)	All Markets: 45% Up markets: 50% Down markets: 33%	AUM (\$MM): 22,037 Inception year: 2001 Market cap (\$MM): 52,456 No. of stocks held: 64 Avg. turnover(%): 60	0.60% on all assets
<b>MFS - MFS International Equity - Incumbent</b>	Ret (%p.a.): 13.3 (21) Tracking error (%pa): 2.9 (92) Information ratio: 1.0 (4) Return/SD: 0.9 (15)	All Markets: 70% Up markets: 64% Down markets: 83%	AUM (\$MM): 24,646 Inception year: 1996 Market cap (\$MM): 96,280 No. of stocks held: 80 Avg. turnover(%): 11	0.46% on all assets

\*Baillie Gifford is willing to offer lower costs (0.32%) if the DCP wishes to apply scale of LAFPP assets towards this mandate. Further discussion would need to be had regarding dependency of this pricing on other asset pools, however.

# OVERVIEW

## Quantitative Scorecard

Funds	Performance Characteristics (over 5 Years ending June-21)	% of time out-performing (all/up/down markets over 5 Years ending June-21)	Portfolio Characteristics (AUM as of 6/30/21)	Fees (revenue sharing)
<b>Pyrford - Active International Equity</b>	Ret (%p.a.): 7.8 (88) Tracking error (%pa): 3.8 (78) Information ratio: -0.7 (91) Return/SD: 0.6 (68)	All Markets: 30% Up markets: 21% Down markets: 50%	AUM (\$MM): 5,765 Inception year: 1996 Market cap (\$MM): 61,036 No. of stocks held: 72 Avg. turnover(%): 15	0.49% on all assets
<b>T. Rowe Price - International Core Equity Strategy</b>	Ret (%p.a.): 11.4 (40) Tracking error (%pa): 2.9 (92) Information ratio: 0.4 (31) Return/SD: 0.7 (40)	All Markets: 55% Up markets: 64% Down markets: 33%	AUM (\$MM): 41,045 Inception year: 2000 Market cap (\$MM): 89,971 No. of stocks held: 158 Avg. turnover(%): 35	0.50% on all assets
<b>Walter Scott - EAFE Strategy</b>	Ret (%p.a.): 14.3 (15) Tracking error (%pa): 5.7 (40) Information ratio: 0.7 (12) Return/SD: 1.2 (2)	All Markets: 70% Up markets: 64% Down markets: 83%	AUM (\$MM): 33,821 Inception year: 1985 Market cap (\$MM): 100,759 No. of stocks held: 52 Avg. turnover(%): 20	0.51% on all assets
<b>Wellington - International Opportunities (Choumenkovitch)</b>	Ret (%p.a.): 11.6 (37) Tracking error (%pa): 4.9 (55) Information ratio: 0.3 (37) Return/SD: 0.8 (35)	All Markets: 65% Up markets: 79% Down markets: 33%	AUM (\$MM): 11,877 Inception year: 1994 Market cap (\$MM): 117,978 No. of stocks held: 116 Avg. turnover(%): 114	0.55% on all assets
<b>William Blair - International Leaders</b>	Ret (%pa): 16.7 (5) Tracking error (%pa): 5.6 (41) Information ratio: 1.2 (2) Return/SD: 1.1 (3)	All Markets: 75% Up markets: 86% Down markets: 50%	AUM (\$MM): 9,192 Inception year: 2003 Market cap (\$MM): 117,899 No. of stocks held: 64 Avg. turnover(%): 80	0.46% on all assets

# FACTS AND FIGURES

# CANDIDATE SUMMARY

Firm	Candidate Characteristics (as of 6/30/2021)					
	Headquarters	Firm Ownership	Firm AUM (billions)	Strategy AUM (billions)	Strategy Inception Year	# of PMs / # Analysts
Baillie Gifford	Edinburgh, Scotland, United Kingdom	Employee owned 100%	\$486.8	\$23.2	2002	6 / 0
Capital Group	Los Angeles, CA	Active and retired employee owned 100%	\$2,526.5	\$12.2	1978	5 / 101
ClearBridge Investments	New York, NY	Parent Owned 100%	\$177.0	\$8.4	1996	4 / 16
JP Morgan Asset Management	New York, NY	J.P. Morgan Chase & Company 100%	\$2,310.3	\$15.6	1982	3 / 10
Lazard Asset Management	New York, NY	Parent Firm 100%	\$229.7	\$22.0	2001	4 / 0
MFS Investment Management (Incumbent)	Boston, MA	Sun Life Financial Inc. 80% Employee owned 20%	\$661.4	\$24.6	1996	4 / 72
Pyrford International	London, United Kingdom	Other 100%	\$12.8	\$5.8	1996	10 / 1
T. Rowe Price	Baltimore, MD	Publicly owned 86% Employee owned 14%	\$1,627.3	\$41.0	2000	2 / 442
Walter Scott & Partners	Edinburgh, Scotland, United Kingdom	BNY Mellon 100%	\$101.6	\$33.8	1985	21 / 0
Wellington Management	Boston, MA	Partners 100%	\$1,388.4	\$11.9	1994	2 / 4
William Blair	Chicago, IL	Employee owned 100%	\$74.0	\$9.2	2003	3 / 15

## Key observation:

- All of the managers are established firms with reasonable levels of strategy assets.



# STRATEGY ASSETS

Firm	As of December 31, 2020			From December 31, 2017 to December 31, 2020			
	Strategy assets (\$MM)	Number of clients	Largest Account Size (\$MM)	Accounts Gained (#)	Accounts Gained (\$MM)	Accounts lost (#)	Accounts lost (\$MM)
Baillie Gifford	23,190	49	2,284	2	484	1	1,238
Capital Group	12,045	46	2,581	7	1,048	8	412
ClearBridge	8,388	80	25	9	68	0	0
JP Morgan	13,321	55	1,363	10	3,989	4	224
Lazard	19,534	84	3,524	0	0	0	0
MFS (Incumbent)	23,279	51	1,701	13	1,042	15	7,090
Pyrford	5,764	38	1,248	2	56	8	140
T. Rowe Price	41,045	22	20,841	1	1,186	0	0
Walter Scott	33,821	64	2,727	24	3,937	4	1,264
Wellington	11,877	53	4,588	15	134	4	103
William Blair	9,192	57	1,123	19	1,682	3	82

## Key observations:

- Walter Scott, William Blair, Wellington, ClearBridge and JP Morgan have tended to have the most positive new client growth in recent years; meanwhile, Pyrford has seen more client departures.

# PERSONNEL

Firm	As of December 31, 2020		Investment professional strategy turnover from December 31, 2017 to December 31, 2020	
	Total investment professionals	Investment professionals in strategy	Additions	Departures
Baillie Gifford	300	6	0	4
Capital Group	4,381	119	28	11
ClearBridge	143	22	3	0
JP Morgan	1,085	13	3	2
Lazard	559	4	0	0
MFS (Incumbent)	249	76	18	7
Pyrford	35	13	2	1
T. Rowe Price	2,646	452	95	24
Walter Scott	61	21	4	3
Wellington	2,764	6	1	0
William Blair	144	18	5	5

## ***Key observations:***

- Staffing appears reasonable at all firms.
- T. Rowe Price and Capital Group, given their size and research analyst pools, typically will have higher personnel turnover as noted here.

# SELECTED PORTFOLIO GUIDELINES

Firm	Minimum market cap (\$MM)	Number of stocks typically held	Average cash position over last 5 years (%)	Average portfolio turnover over last 5 years(%)	Use of currency hedging	Percent limit on hedging (%)	Maximum allocation to emerging markets (%)
Baillie Gifford	2,000	70-110	2	20	Occasional Hedging	100	
Capital Group	1,000	168	4	27	Occasional Hedging	100	10
ClearBridge	100	53	5	30	No Hedging	0	10
JP Morgan	2,000	80	2	30	No Hedging	0	15
Lazard	300	70	3	60	No Hedging	0	0
MFS (Incumbent)	1,000	80	1	11	No Hedging	0	15
Pyrford	1,000	60-80	3.9	15	Occasional Hedging	0	20
T. Rowe Price	1,000	157	3	35	No Hedging	0	20
Walter Scott	4,000	51	2	20	No Hedging	0	15
Wellington	1,000	70-120	3	114	Occasional Hedging	20	15
William Blair	500	67	3	80	Occasional Hedging	50	40

## *Key observations:*

- ClearBridge and Walter Scott run the most concentrated strategies
- Capital Group and T. Rowe Price run more diversified strategies
- Wellington has the most turnover

# SELECTED PORTFOLIO GUIDELINES

	# of Holdings	% in Top 10 Holdings	Market Cap (\$M)	Dividend Yield	Price / Earnings	Price / Book
Baillie Gifford	79	26.79	121,526	1.34	29.96	4.57
Capital Group	172	26.45	84,812	1.44	23.94	3.34
ClearBridge	54	28.05	110,602	1.16	33.60	5.21
JP Morgan	82	22.11	113,263	2.15	20.82	2.90
Lazard	64	29.69	52,456	1.88	17.54	2.51
MFS (Incumbent)	80	25.66	96,280	1.96	20.16	2.99
Pyrford	72	23.25	61,036	3.55	15.82	2.20
T. Rowe Price	158	19.53	89,971	2.48	14.91	1.92
Walter Scott	52	29.99	100,759	1.67	27.58	4.11
Wellington	116	22.74	117,978	1.74	23.86	2.69
William Blair	64	29.21	117,899	0.76	36.43	6.84
<b>MSCI EAFE Index</b>	876	11.71	76,760	2.31	17.02	1.95

## Key observations:

- All managers are fairly diversified with approximately 20%-30% of assets in the top 10 holdings.
- Lazard and Pyrford have a lower market cap than the benchmark.
- ClearBridge, Baillie Gifford, Walter Scott and William Blair's P/E and P/B are very high, indicating a notable growth orientation.

# SECTOR DISTRIBUTION

Firm	Energy (%)	Materials (%)	Industrials (%)	Cons Disc (%)	Cons Staples (%)	Health Care (%)	Financials (%)	Real Estate (%)	Info Tech (%)	Comm Services (%)	Utilities (%)
Baillie Gifford	0.0	7.2	22.7	16.5	5.9	4.1	16.4	0.5	15.8	9.2	0.0
Capital Group	1.2	4.0	12.9	19.1	8.2	10.0	12.1	2.8	17.8	4.6	4.7
ClearBridge	1.5	5.7	19.7	10.5	10.9	10.1	10.0	0.0	21.6	5.8	1.8
JP Morgan	2.1	9.2	18.3	13.7	10.8	8.0	22.0	0.5	9.8	2.5	3.1
Lazard	1.6	4.9	20.4	13.2	9.7	6.8	18.7	2.4	4.4	8.5	5.9
MFS (Incumbent)	1.8	8.2	18.1	8.9	15.4	16.3	14.9	0.0	13.1	1.3	0.9
Pyrford	5.3	5.4	21.8	4.1	14.9	11.1	11.7	0.0	6.5	11.2	4.0
T. Rowe Price	2.6	8.1	12.6	12.2	9.2	13.2	18.1	1.4	12.7	6.1	1.8
Walter Scott	1.6	10.7	23.1	8.4	10.1	19.8	2.8	3.6	14.9	0.0	2.1
Wellington	5.9	5.2	14.1	13.4	6.3	9.9	15.6	2.4	16.4	5.0	3.5
William Blair	3.6	2.2	28.2	12.6	3.6	14.2	7.3	1.4	19.3	5.3	1.0
MSCI EAFE Index	3.2	8.3	15.5	13.0	10.5	12.4	17.0	3.0	9.1	4.9	3.4

## Key observations:

- All strategies appear well diversified from a sector concentration standpoint.
- All candidates make certain sector bets relative to the index, though none are unconstrained.

Data as of 3/31/2021 except for Kayne which is as of 6/30/2021.

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# COUNTRY ALLOCATION

Firm	UK (%)	Europe ex UK (Developed) (%)	Japan (%)	Pacific ex Japan (Developed) (%)	Emerging Markets (%)	Other Developed Markets (%)	Cash (%)
Baillie Gifford	6.4	42.2	12.8	6.2	29.2	2.2	1.0
Capital Group	13.7	53.8	13.3	4.7	9.1	3.4	1.9
ClearBridge	13.0	51.9	13.4	4.5	7.1	9.0	1.1
JP Morgan	14.3	55.1	17.0	8.4	4.7	0.0	0.5
Lazard	12.5	50.0	13.6	2.8	8.8	9.8	2.5
MFS (Incumbent)	9.9	56.8	16.0	3.7	7.0	5.7	0.9
Pyrford	17.7	37.4	13.3	20.2	7.4	0.0	4.0
T. Rowe Price	16.3	42.2	21.0	5.6	7.6	5.5	1.8
Walter Scott	10.6	43.8	22.1	12.9	3.6	4.0	3.0
Wellington	12.0	36.0	14.0	4.0	22.0	10.0	2.0
William Blair	11.9	50.7	8.4	6.1	18.2	3.3	1.4
MSCI EAFE Index	14.4	50.1	23.2	11.8	0.0	0.5	0.0

## Key observations:

- Baillie Gifford, and to a lesser extent Wellington and to a lesser extent William Blair, have the highest allocation to Emerging Markets. Given the expected complementary EM and International Small Cap mandates will also have EM exposure, substantial EM exposure from this component is perhaps less desirable.

Data as of 3/31/2021 except benchmark which is 6/30/2021

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# VEHICLES & FEES

	Vehicle	Fund Name	Expense Ratio (Revenue Sharing)	Estimated Expense (Based of 6/30/21 Assets of \$498.5M)	Estimated \$ Difference vs Incumbent
Baillie Gifford	CIT	International Alpha	0.41% <sup>2</sup>	\$2,018,925	\$(1,470,575)
Capital Group	CIT	International Equity	0.43%	\$2,143,550	\$(1,345,950)
ClearBridge	CIT	International Growth ADR	0.50%	\$2,492,500	\$(997,000)
JP Morgan	CIT	International Equity	0.48%	\$2,392,800	\$(1,096,700)
Lazard	CIT	International Strategic Equity	0.60%	\$2,991,000	\$(498,500)
MFS (Incumbent <sup>1</sup> )	CIT	International Equity	0.46%	\$2,293,100	\$(1,196,400)
Pyrford	CIT	Active International Equity	0.49%	\$2,442,650	\$(1,046,850)
T. Rowe Price	CIT	International Core Equity	0.50%	\$2,492,500	\$(997,000)
Walter Scott	Mutual Fund	EAFE Strategy	0.91% (0.40%)	\$2,542,350	\$(947,150)
Wellington	CIT	International Opportunities	0.55%	\$2,741,750	\$(747,750)
William Blair	CIT	International Leaders	0.55%	\$2,741,750	\$(747,750)

## Key observations:

- All strategies present a fee savings to the Plan, including the incumbent manager, MFS, who proposed a lower cost trust.
- Baillie Gifford, Capital Group, MFS, JP Morgan and Pyrford represent savings of over \$1 million on an annual basis to the Plan.

<sup>1</sup>The City is currently invested in the Institutional share class of the Mutual Fund with an expense ratio of 0.70%

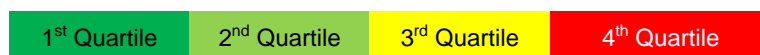
<sup>2</sup> Baillie Gifford is willing to offer lower fees (0.32%) based on relationship with LAFPP. Further discussion is warranted regarding viability of this offer.

# PERFORMANCE DETAILS



# PERFORMANCE CHARACTERISTICS

Performance Statistics (5-years)									
	Return (%pa)	Std Deviation (%pa)	Tracking Error (%pa)	Information Ratio	Sharpe Ratio	Alpha (%pa)	Up Markets Capture (%)	Down Markets Capture (%)	Beta
Baillie Gifford	16.35	20.50	6.40	0.95	0.74	4.58	158.02	105.79	1.13
Capital Group	16.24	18.79	4.90	1.22	0.80	5.15	136.30	87.84	1.05
ClearBridge	16.93	18.44	5.79	1.15	0.85	6.17	135.44	81.13	1.01
JP Morgan	12.22	18.39	3.04	0.64	0.60	1.39	120.12	104.94	1.05
Lazard	10.23	18.28	3.87	-0.01	0.50	-0.25	103.54	104.14	1.03
MFS (Incumbent)	13.25	16.47	3.00	0.99	0.73	3.32	112.92	89.19	0.94
Pyrford	7.78	14.61	3.84	-0.65	0.45	-0.87	77.22	93.81	0.83
T. Rowe Price	11.40	18.79	2.65	0.42	0.54	0.43	110.58	102.07	1.08
Walter Scott	14.31	14.18	6.30	0.64	0.92	5.91	106.55	72.53	0.77
Wellington	11.64	19.69	4.33	0.32	0.53	0.33	119.64	108.94	1.12
William Blair	16.71	19.14	6.55	0.98	0.81	5.77	149.40	95.92	1.04
MSCI EAFE	10.28	17.30	N/A	N/A	0.53	N/A	N/A	N/A	N/A

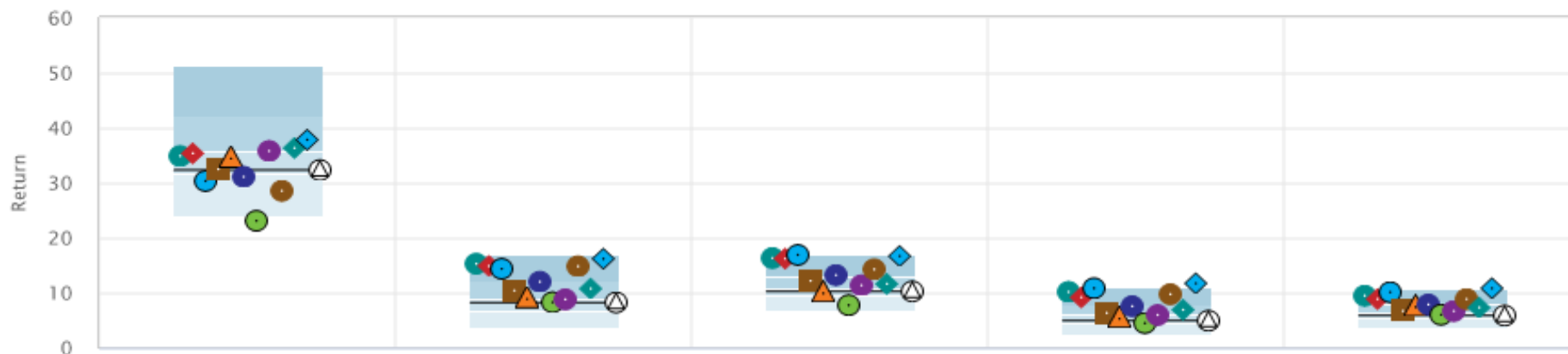


## Key observations:

- Capital Group, ClearBridge and William Blair exhibit strong returns in up markets and downside protection in down markets over the 5-year period.
- Pyrford has a low beta strategy, underperforming in up markets and protecting in down markets.

# ANNUALIZED PERFORMANCE

Return in \$US (after fees) over 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending June-21  
Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking)

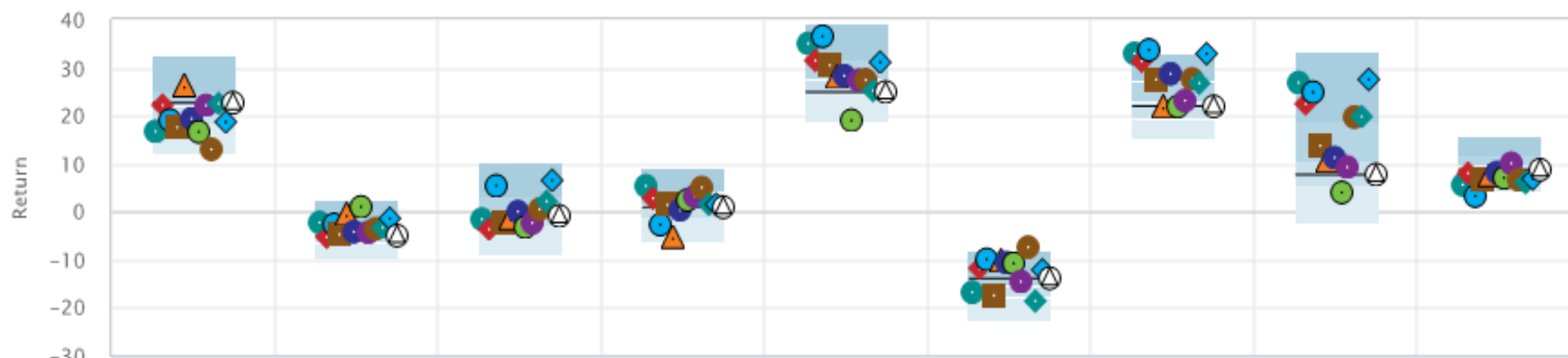


	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
● Baillie	34.9 (54)	15.3 (9)	16.4 (6)	10.2 (7)	9.5 (10)
◆ Capital Group	35.4 (50)	14.9 (11)	16.2 (6)	9.2 (12)	8.9 (14)
● Clearbridge	30.4 (81)	14.4 (13)	16.9 (5)	10.9 (6)	10.1 (6)
■ JPM	32.5 (69)	10.4 (36)	12.2 (30)	6.4 (42)	6.7 (42)
▲ Lazard	34.8 (55)	9.2 (45)	10.2 (60)	5.6 (53)	7.7 (27)
● MFS	31.1 (78)	12.0 (25)	13.2 (21)	7.6 (25)	7.9 (24)
● Pyrford	23.1 (96)	8.3 (57)	7.8 (88)	4.5 (72)	6.0 (59)
● T. Rowe	35.8 (48)	8.8 (49)	11.4 (40)	6.0 (47)	6.7 (42)
● Walter Scott	28.6 (87)	14.9 (11)	14.3 (15)	9.8 (10)	8.9 (14)
◆ Wellington	36.4 (46)	10.8 (33)	11.6 (37)	6.9 (32)	7.4 (32)
◆ William	37.9 (40)	16.2 (6)	16.7 (5)	11.8 (4)	10.8 (3)
⊖ MSEAFEN	32.4 (70)	8.3 (58)	10.3 (59)	5.0 (66)	5.9 (63)
5th Percentile	51.0	16.7	16.8	10.9	10.4
Upper Quartile	42.0	12.0	12.8	7.6	7.8
Median	35.5	8.8	10.7	5.8	6.4
Lower Quartile	31.5	6.6	9.3	4.4	5.3
95th Percentile	23.9	3.7	6.6	2.4	3.7
Number	511	453	402	325	286

- Baillie Gifford, Capital Group, ClearBridge, MFS and William Blair performed in the top quartile across all periods longer than 1-year.

# CALENDAR YEAR PERFORMANCE

Return in \$US (after fees) over last 9 calendar years ending June-21  
Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking)

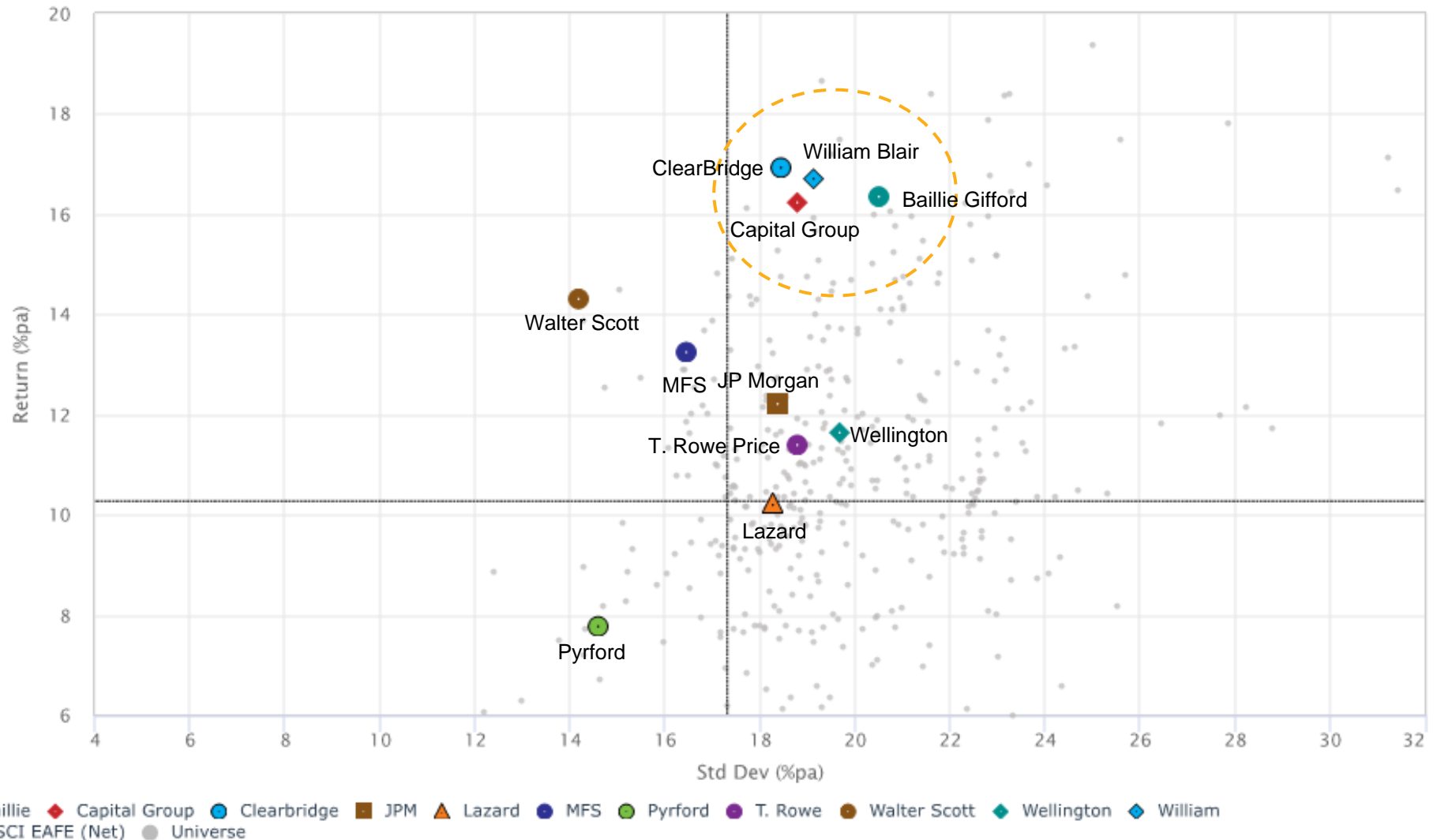


	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	6 mths to 6/2021 (%)
● Baillie	16.8(82)	-2.2(20)	-1.5(66)	5.4(17)	35.1(13)	-16.7(63)	33.0(5)	27.0(11)	5.7(89)
◆ Capital Group	22.3(46)	-5.2(55)	-3.6(79)	2.8(35)	31.6(25)	-11.7(17)	31.4(8)	22.6(17)	8.1(65)
● Clearbridge	19.2(70)	-2.6(22)	5.5(16)	-2.6(82)	36.6(10)	-9.8(9)	33.8(4)	25.0(12)	3.3(97)
■ JPM	17.7(80)	-4.7(48)	-2.1(71)	1.5(46)	30.6(29)	-17.4(70)	27.6(22)	13.8(40)	6.9(76)
▲ Lazard	26.3(21)	-0.5(12)	-1.3(64)	-5.2(92)	28.1(45)	-10.1(10)	22.0(57)	10.7(49)	7.7(70)
● MFS	19.5(68)	-4.1(38)	0.1(50)	0.5(57)	28.4(42)	-10.5(12)	28.8(16)	11.3(47)	8.2(64)
● Pyrford	16.7(82)	1.1(9)	-3.2(78)	2.5(37)	19.1(95)	-10.7(13)	22.0(56)	4.1(81)	7.1(74)
● T. Rowe	22.2(46)	-4.2(39)	-2.3(71)	3.3(29)	27.4(51)	-14.5(38)	23.2(47)	9.4(54)	10.2(39)
● Walter Scott	13.1(93)	-3.5(31)	0.6(45)	5.1(20)	27.5(51)	-7.3(3)	27.7(21)	19.8(22)	6.7(78)
◆ Wellington	22.6(41)	-3.2(30)	2.2(29)	1.6(45)	25.3(67)	-18.5(79)	26.9(26)	19.9(22)	6.1(84)
◆ William	18.8(72)	-1.3(16)	6.6(12)	1.6(44)	31.2(27)	-12.0(18)	33.0(5)	27.6(10)	6.9(76)
⊖ MSEAFEN	22.8(39)	-4.9(51)	-0.8(61)	1.0(51)	25.0(70)	-13.8(32)	22.0(56)	7.8(63)	8.8(56)
5th Percentile	32.3	2.4	9.9	9.0	38.9	-8.4	32.8	33.2	15.5
Upper Quartile	25.0	-2.9	3.1	4.0	31.6	-12.9	27.1	18.7	11.6
Median	21.9	-4.8	0.1	1.1	27.6	-15.5	22.9	10.5	9.3
Lower Quartile	18.4	-6.5	-2.9	-1.4	24.6	-17.9	19.2	5.4	7.0
95th Percentile	11.9	-9.9	-8.9	-6.2	18.7	-22.7	15.0	-2.4	4.2
Number	309	320	339	390	420	445	471	502	521

- The majority of managers included performed well in the 2018 down market relative to the benchmark and peers.

# RISK / RETURN – 5-YEAR PERIOD (6/30/21)

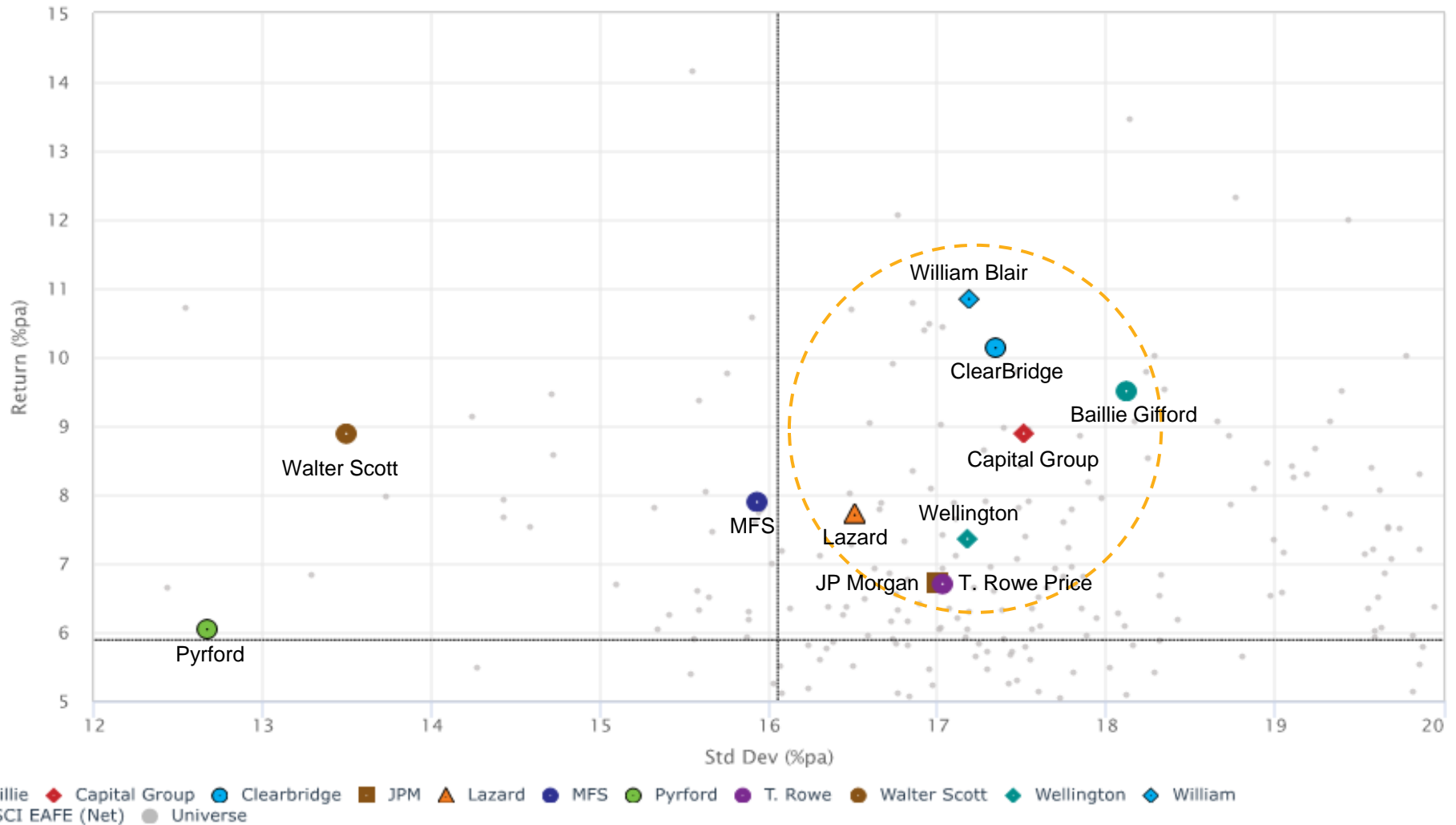
Return and Std Deviation in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity universe (quarterly calculations)



- ClearBridge, Capital Group, BG, and William Blair showcase strong returns over the 5-year period, while having volatility inline with most of the managers shown.

# RISK / RETURN – 10-YEAR PERIOD (6/30/21)

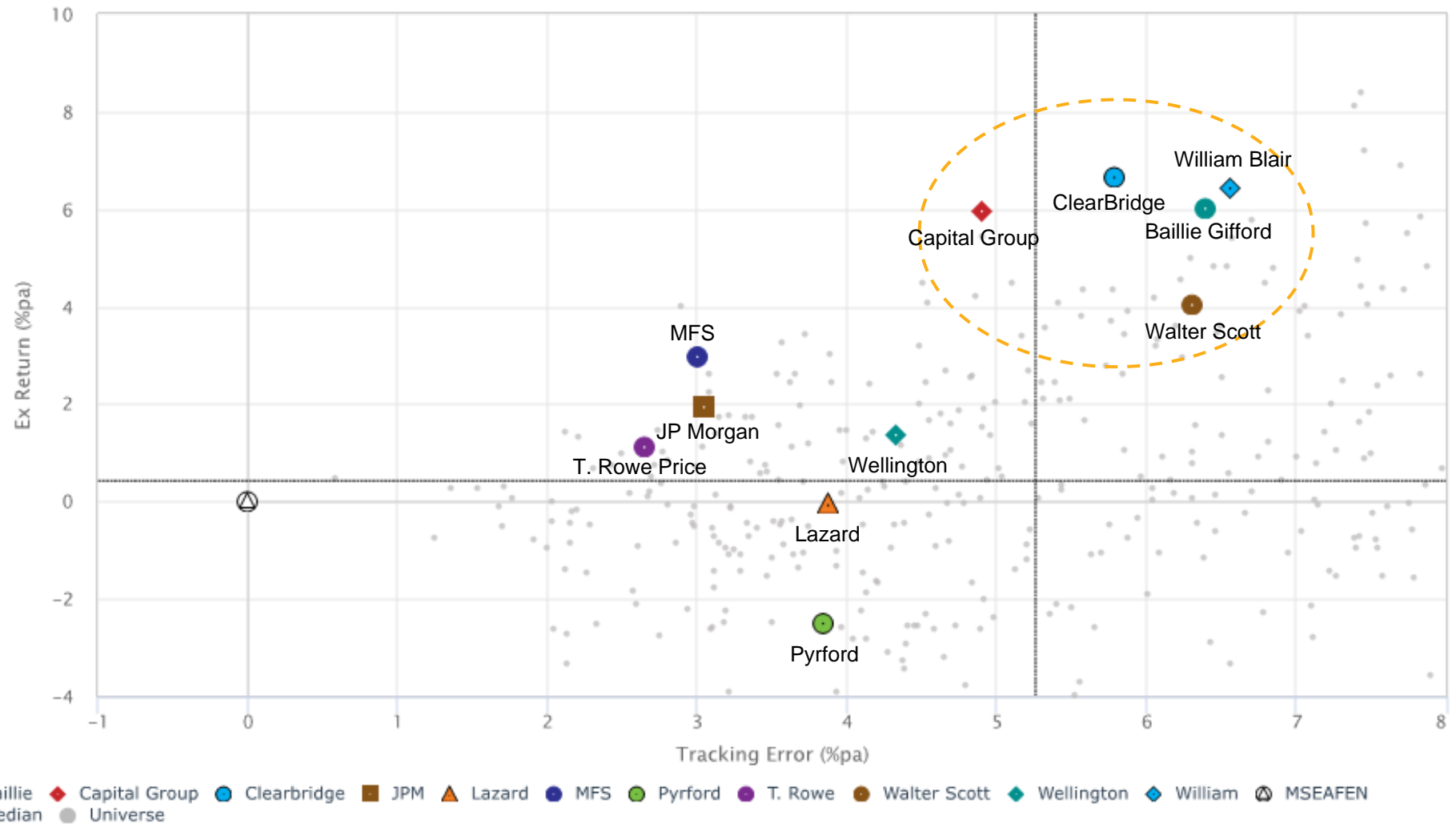
Return and Std Deviation in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity universe (quarterly calculations)



- Many of the candidates show a similar risk/return profile over the long-term (10-yr period).

# TRACKING ERROR / EXCESS RETURN (5-YR)

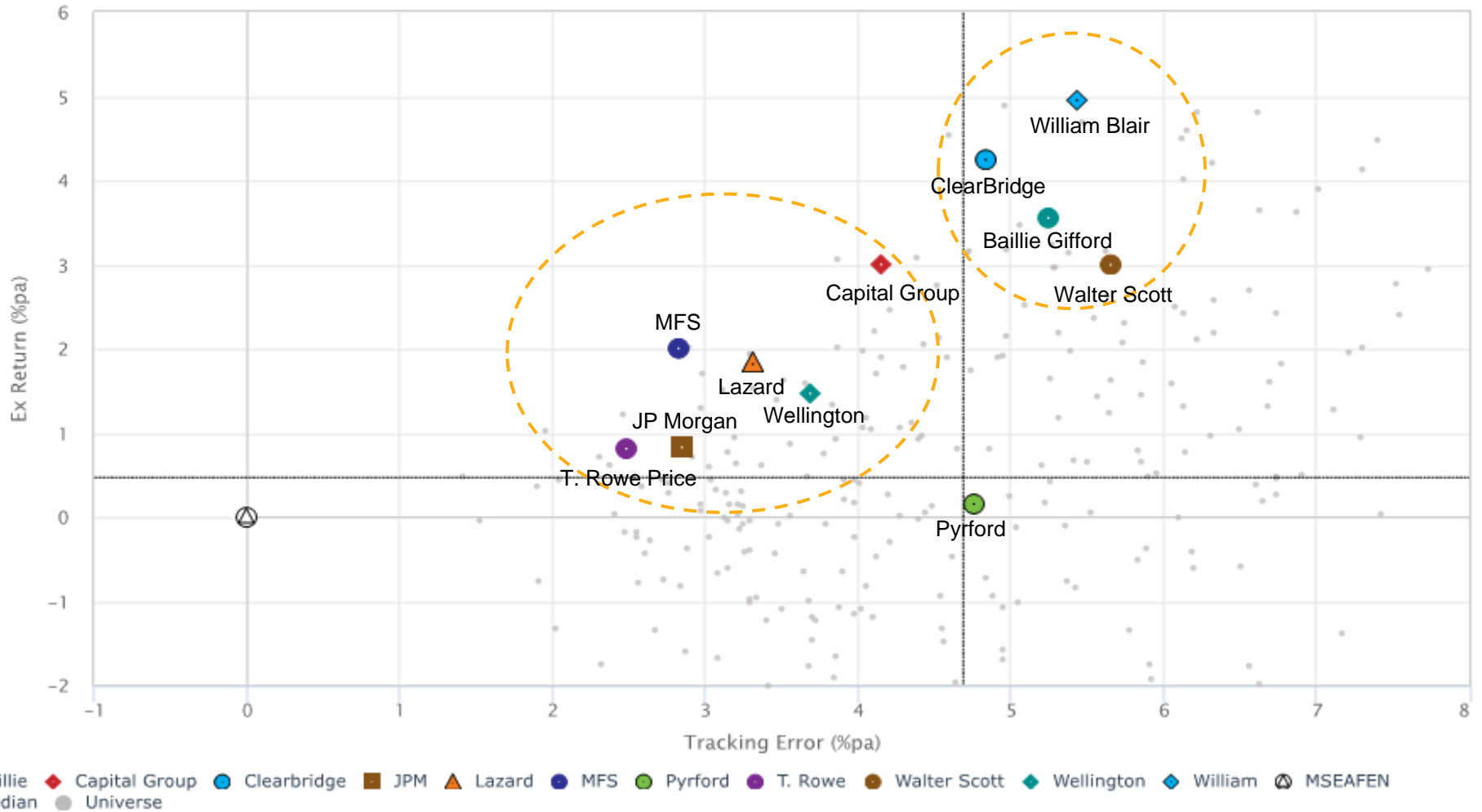
Excess Return and Tracking Error vs. MSCI EAFE (Net) in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity universe (quarterly calculations)



- The managers who have exhibited volatility relative to the benchmark have often exhibited strong excess returns. Capital Group stands out as having below median tracking error while providing strong excess returns.

# TRACKING ERROR / EXCESS RETURN (10-YR)

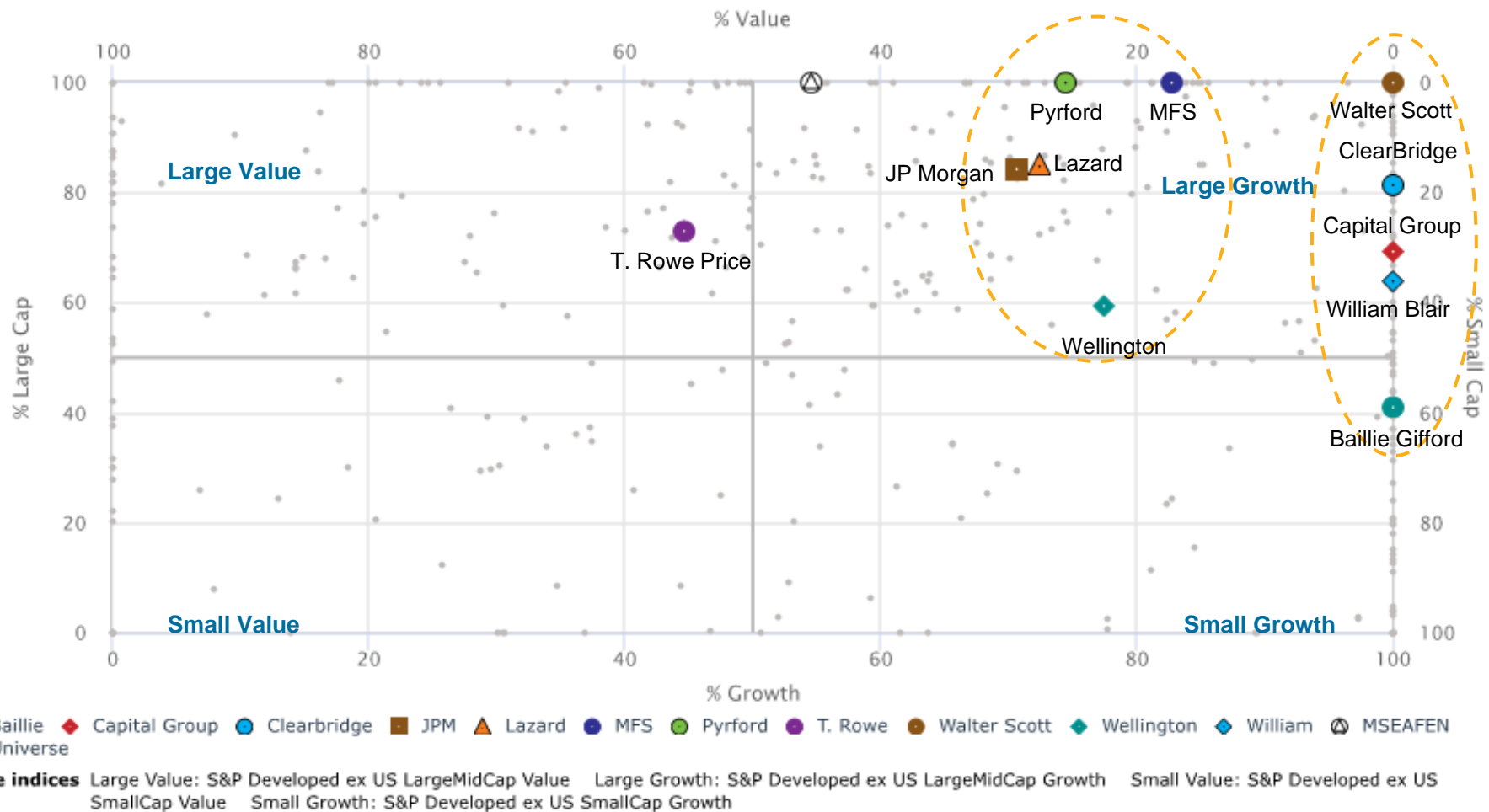
Excess Return and Tracking Error vs. MSCI EAFE (Net) in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity universe (quarterly calculations)



- The majority of candidates exhibit above median excess returns, while having below median tracking error.

# RETURNS-BASED STYLE ANALYSIS (5-YR)

Returns based style analysis in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity universe (quarterly calculations)



- All managers, with the exception of T. Rowe Price, exhibit a degree of growth bias. Managers on the extreme of the growth continuum may be less desirable within the overall DCP Int'l Stock Fund construction.
- Baillie Gifford tends to have a lower market cap relative to the other candidates.



# RISK STATISTICS – 5 YEAR (6/30/2021)

Performance characteristics vs. MSCI EAFE (Net) in \$US (after fees) over 5 yrs ending June-21  
Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking) (quarterly calculations)



	Ret (%pa)	Std Dev (%pa)	IR	Sharpe	Conf VA (%)	Up Cap (%)	Down Cap (%)
● Baillie	16.4(6)	20.5 (35)	1.0(3)	0.7 (7)	97.5 (3)	158.0(9)	105.8(61)
◆ Capital Group	16.2(6)	18.8 (61)	1.2(0)	0.8(3)	99.0 (0)	136.3 (21)	87.8(93)
● Clearbridge	16.9(5)	18.4 (67)	1.2(1)	0.9(2)	98.6 (1)	135.4 (23)	81.1(96)
■ JPM	12.2(30)	18.4 (68)	0.6(15)	0.6(26)	91.6 (15)	120.1(41)	104.9(64)
▲ Lazard	10.2(60)	18.3 (71)	-0.0(60)	0.5(48)	53.0 (65)	103.5(71)	104.1(66)
● MFS	13.2(21)	16.5 (92)	1.0(2)	0.7 (7)	96.4 (4)	112.9(53)	89.2(92)
● Pyrford	7.8(88)	14.6 (97)	-0.7(92)	0.5(65)	6.1 (96)	77.2 (96)	93.8(85)
● T. Rowe	11.4(40)	18.8 (61)	0.4(27)	0.5(34)	85.9 (25)	110.6(58)	102.1(72)
● Walter Scott	14.3(15)	14.2 (98)	0.6(15)	0.9(1)	86.1 (24)	106.6(65)	72.5(99)
◆ Wellington	11.6(37)	19.7 (45)	0.3(34)	0.5(37)	79.9 (34)	119.6(42)	108.9(49)
◆ William	16.7(5)	19.1 (55)	1.0(2)	0.8(3)	97.4 (3)	149.4(13)	95.9(83)
⊖ MSEAFEN	10.3(59)	17.3 (85)	-	0.5(38)	-	100.0(78)	100.0(77)
5th Percentile	16.8	24.3	0.8	0.8	96.0	168.0	133.1
Upper Quartile	12.8	21.6	0.5	0.6	85.8	132.5	118.8
Median	10.7	19.3	0.1	0.5	66.2	115.2	108.6
Lower Quartile	9.3	18.1	-0.2	0.4	37.7	101.4	100.7
95th Percentile	6.6	15.2	-0.8	0.3	6.9	79.8	85.5
Number	402	402	402	402	402	402	402

- Capital Group, ClearBridge, MFS and William Blair exhibit strong upside capture, while protecting in downside capture.

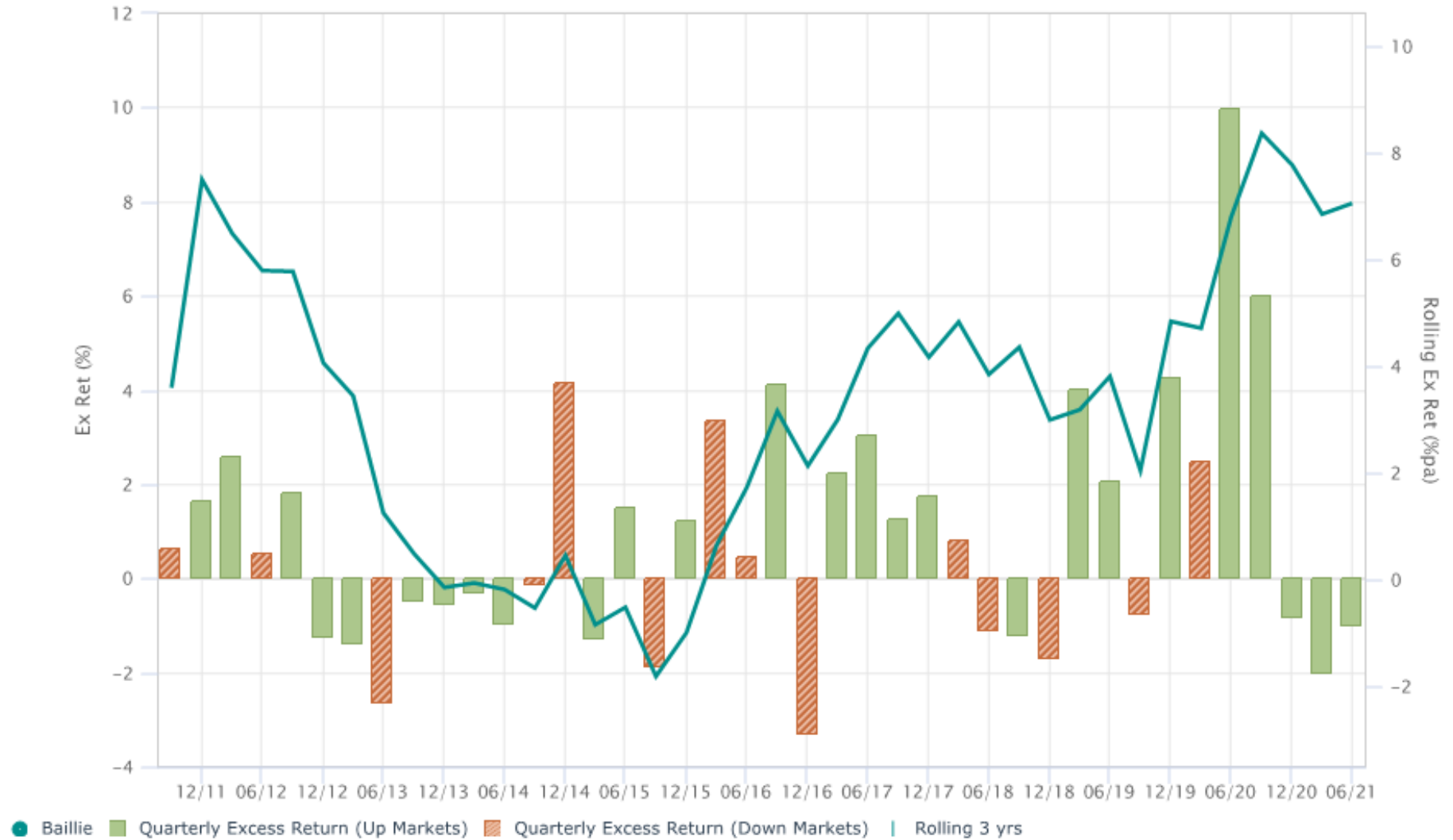
The risk free rate used for these calculations is the US 3 month T-Bill

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# QUARTERLY EXCESS RETURN

## Baillie Gifford

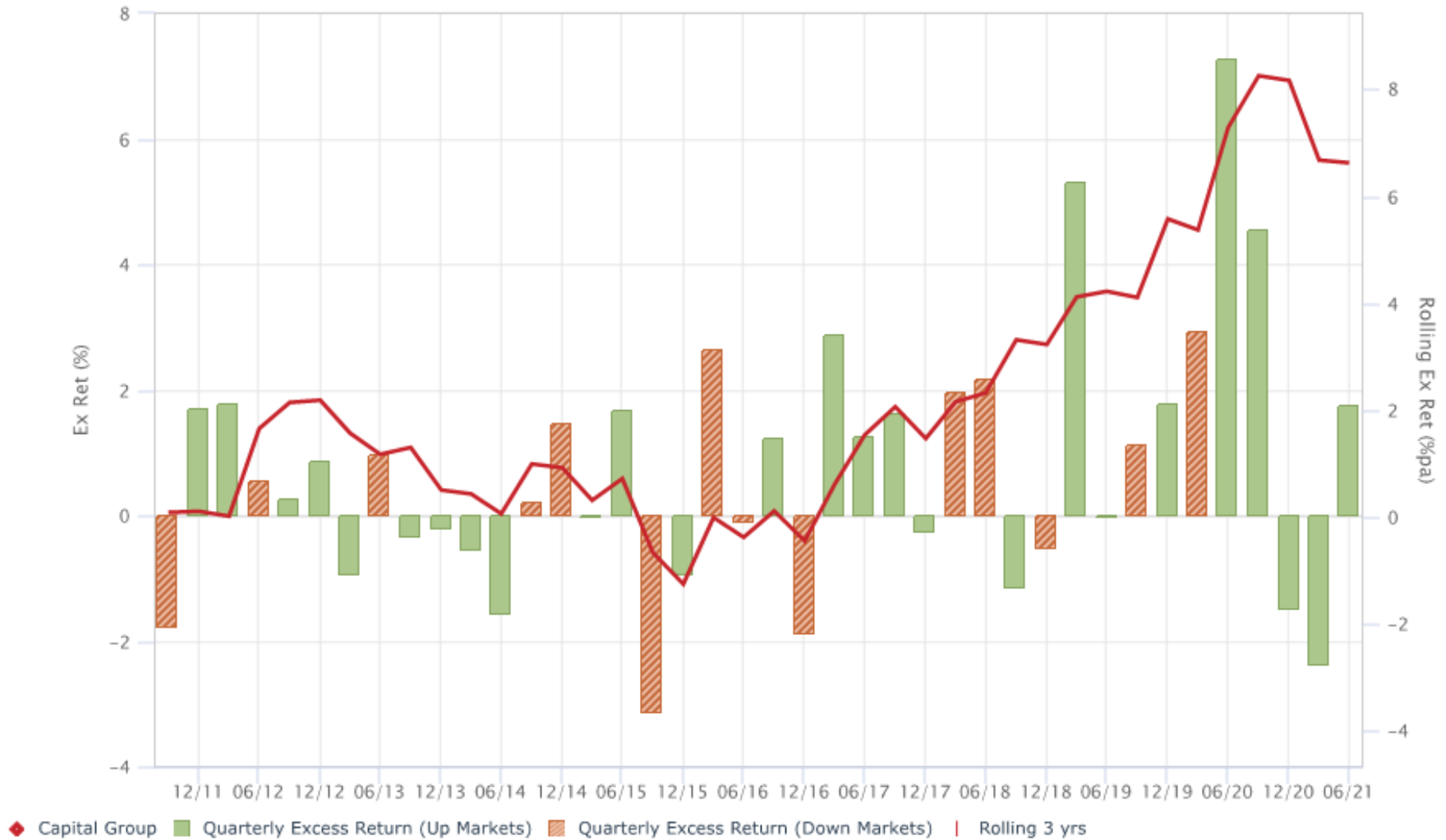
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## Capital Group

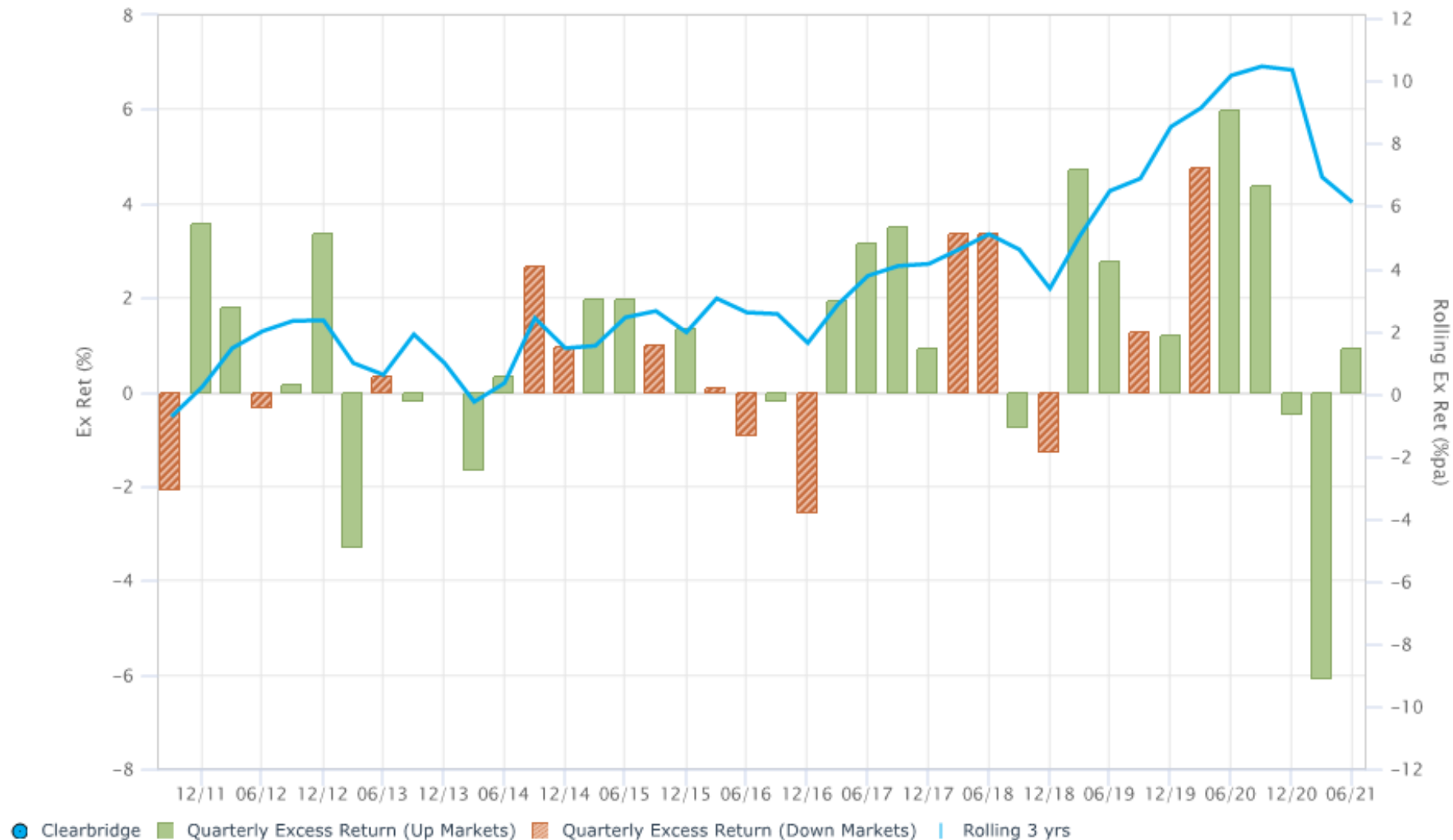
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## ClearBridge

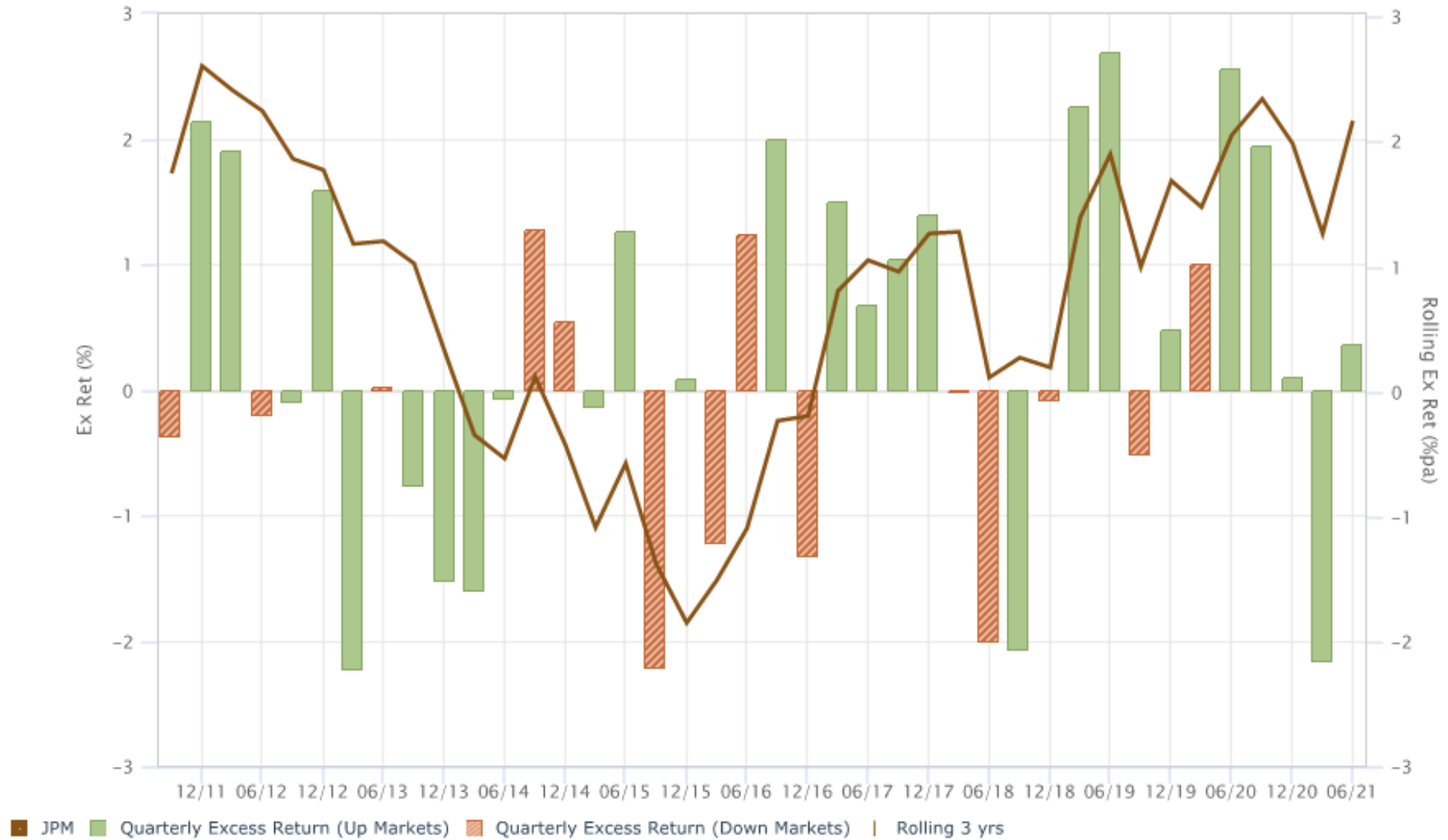
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## JP Morgan

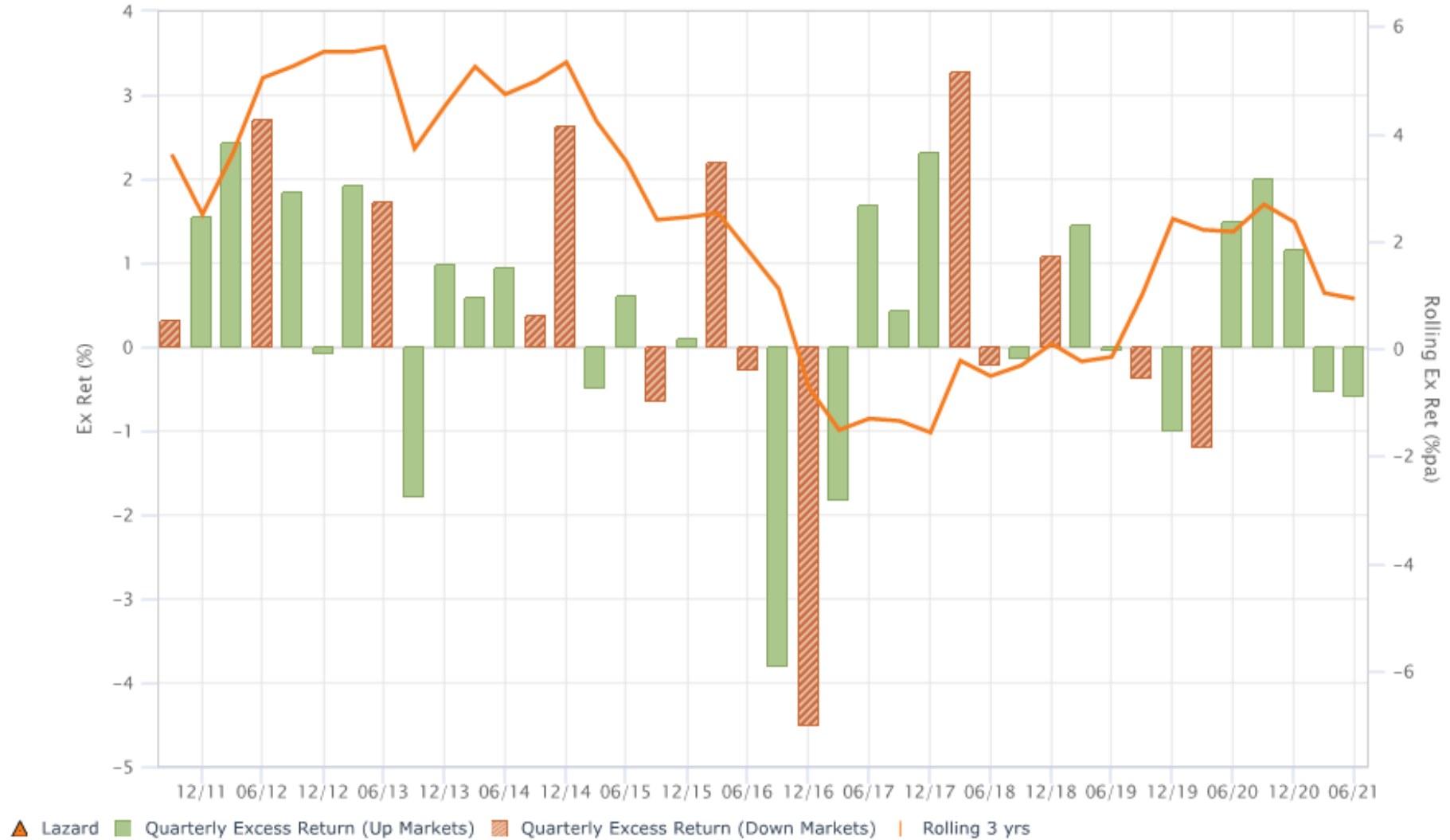
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## Lazard

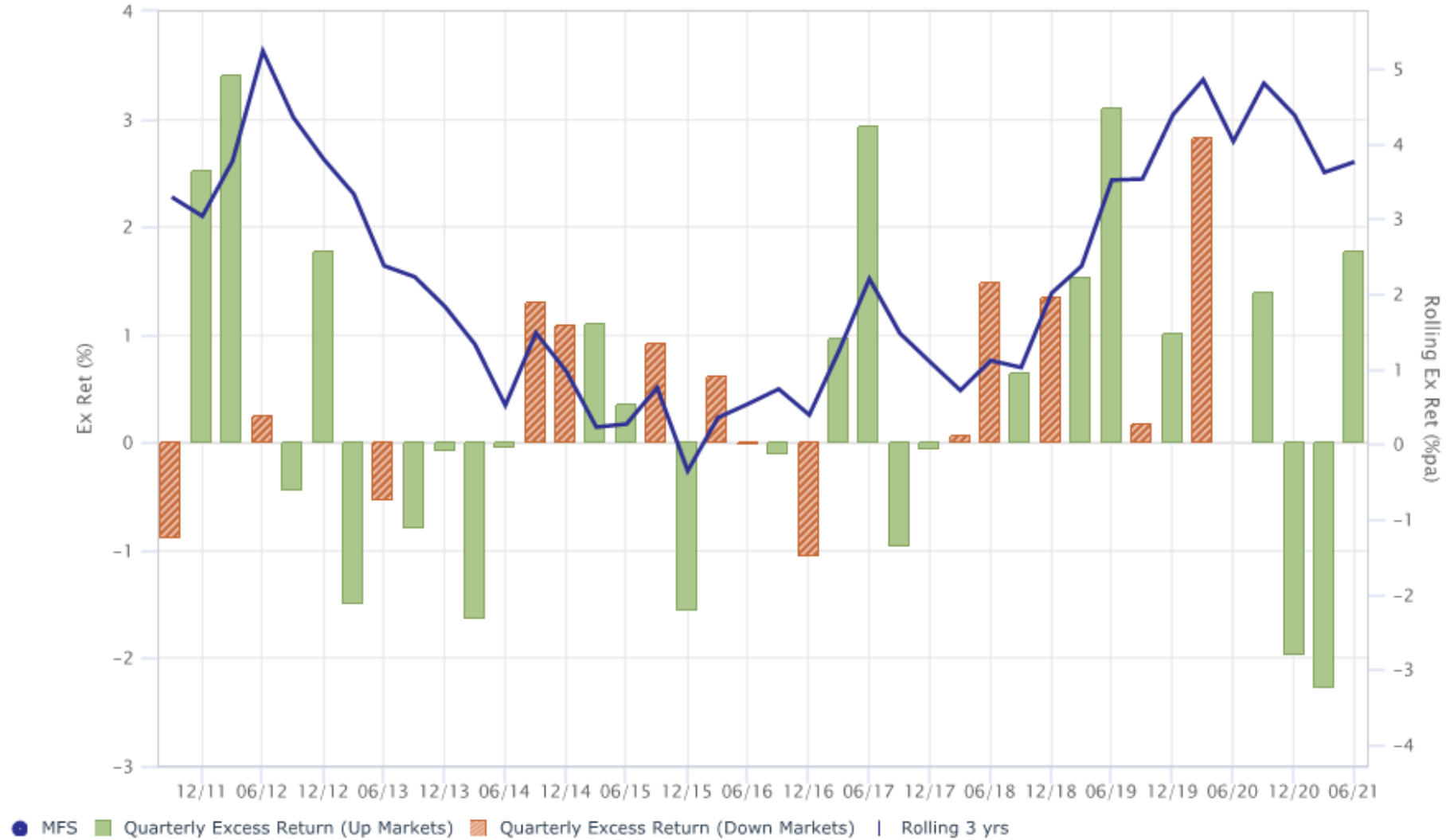
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## MFS (Incumbent)

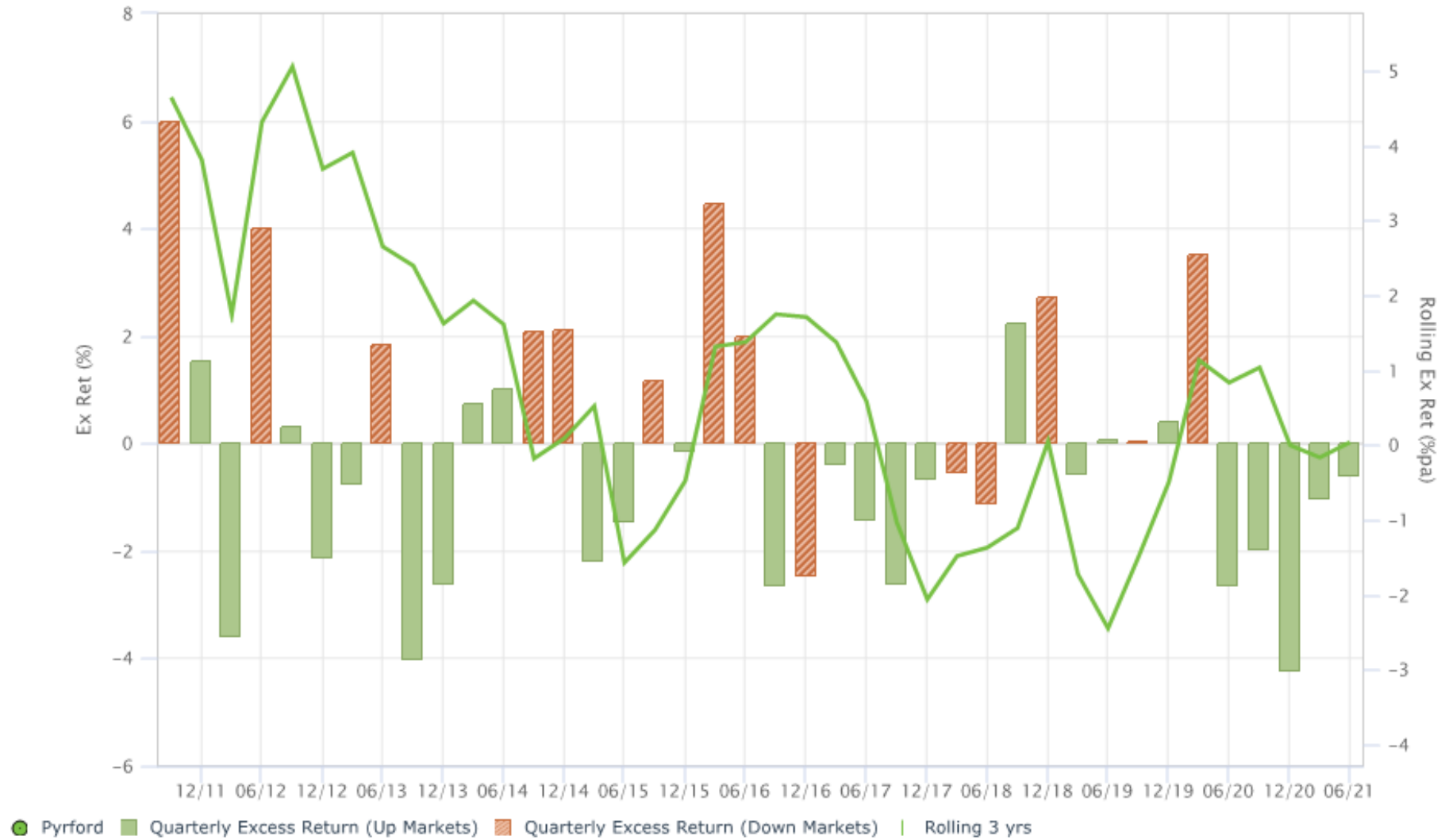
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## Pyrford

Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21

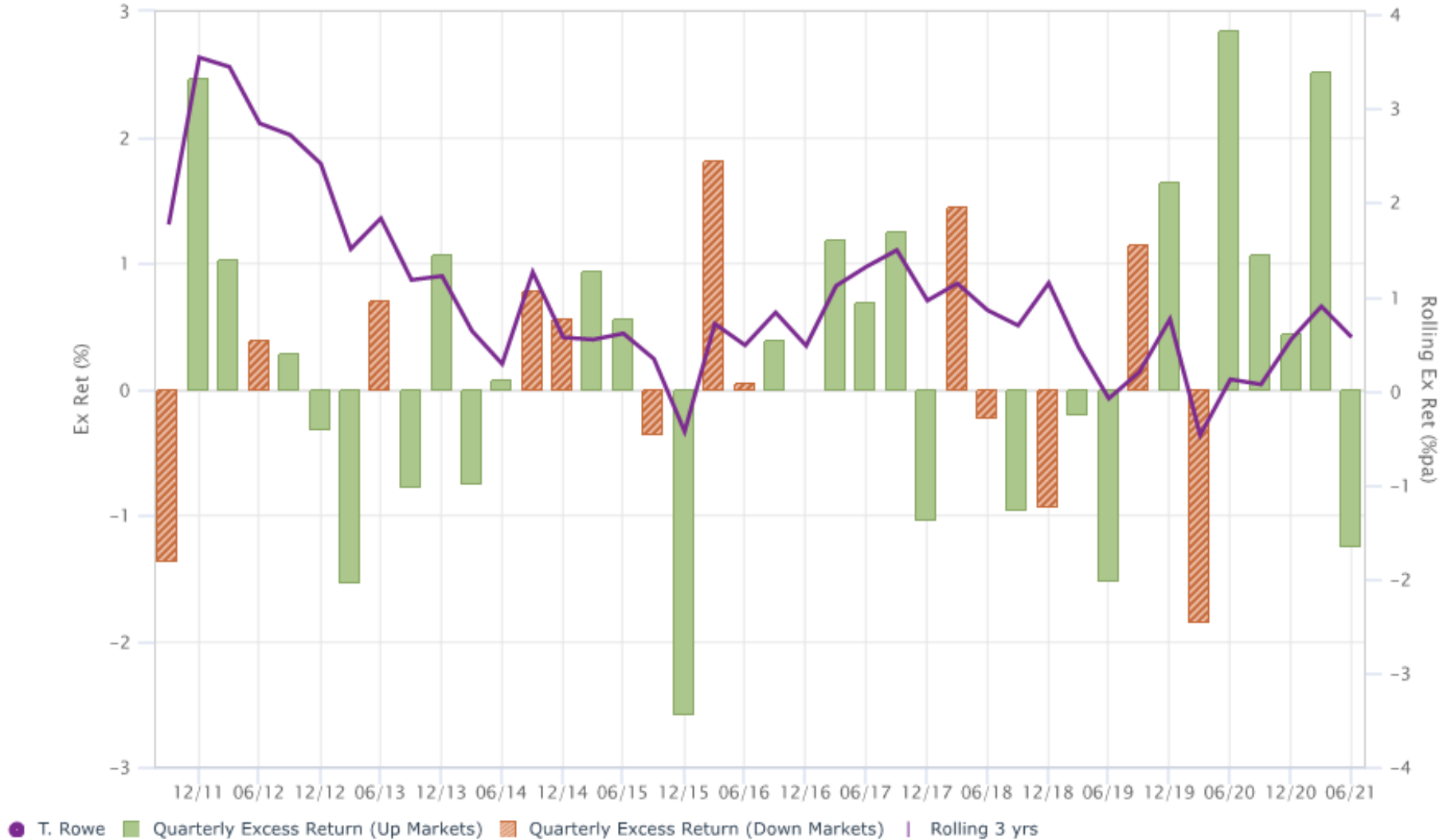




# QUARTERLY EXCESS RETURN

## T. Rowe Price

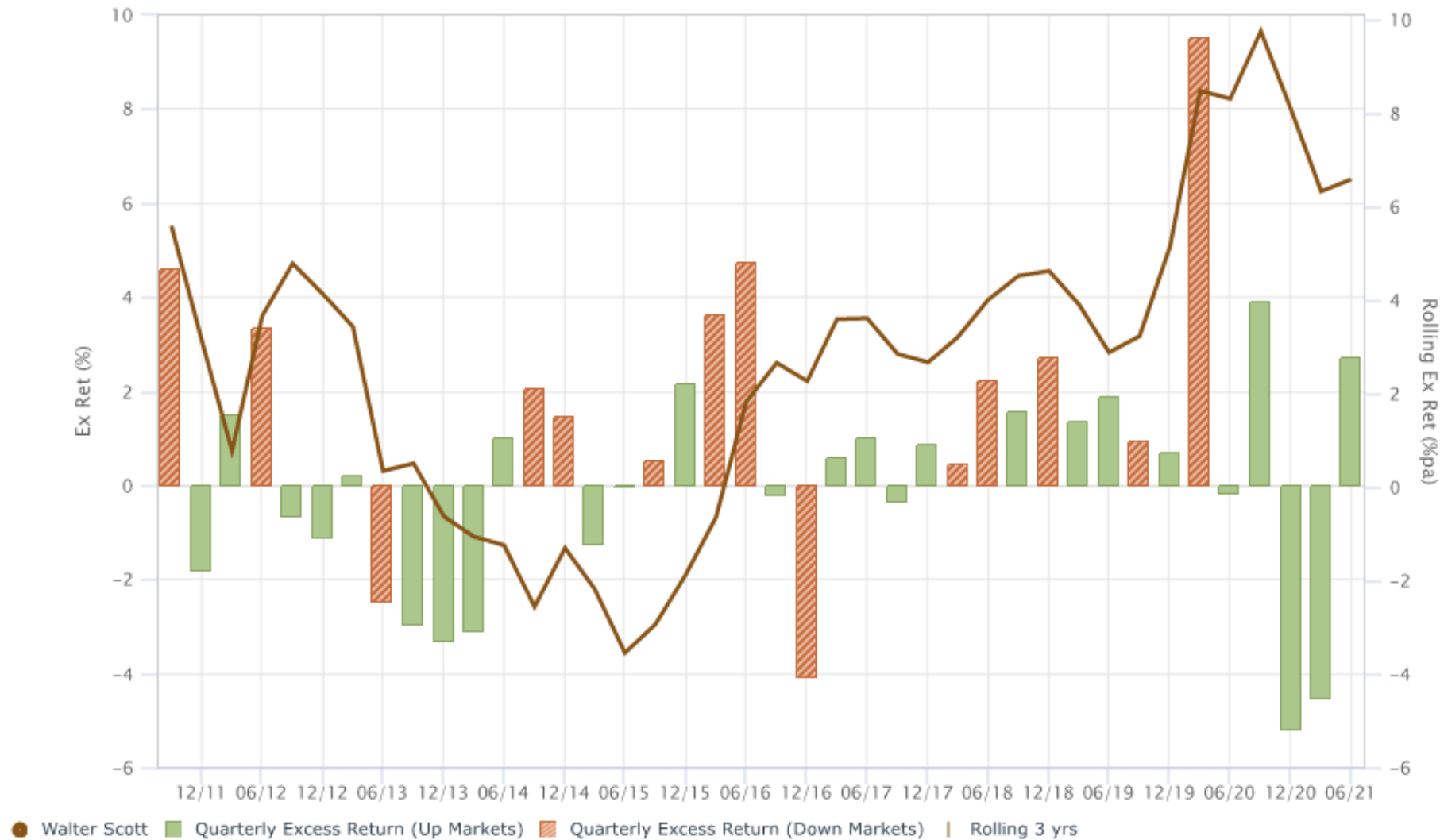
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## Walter Scott

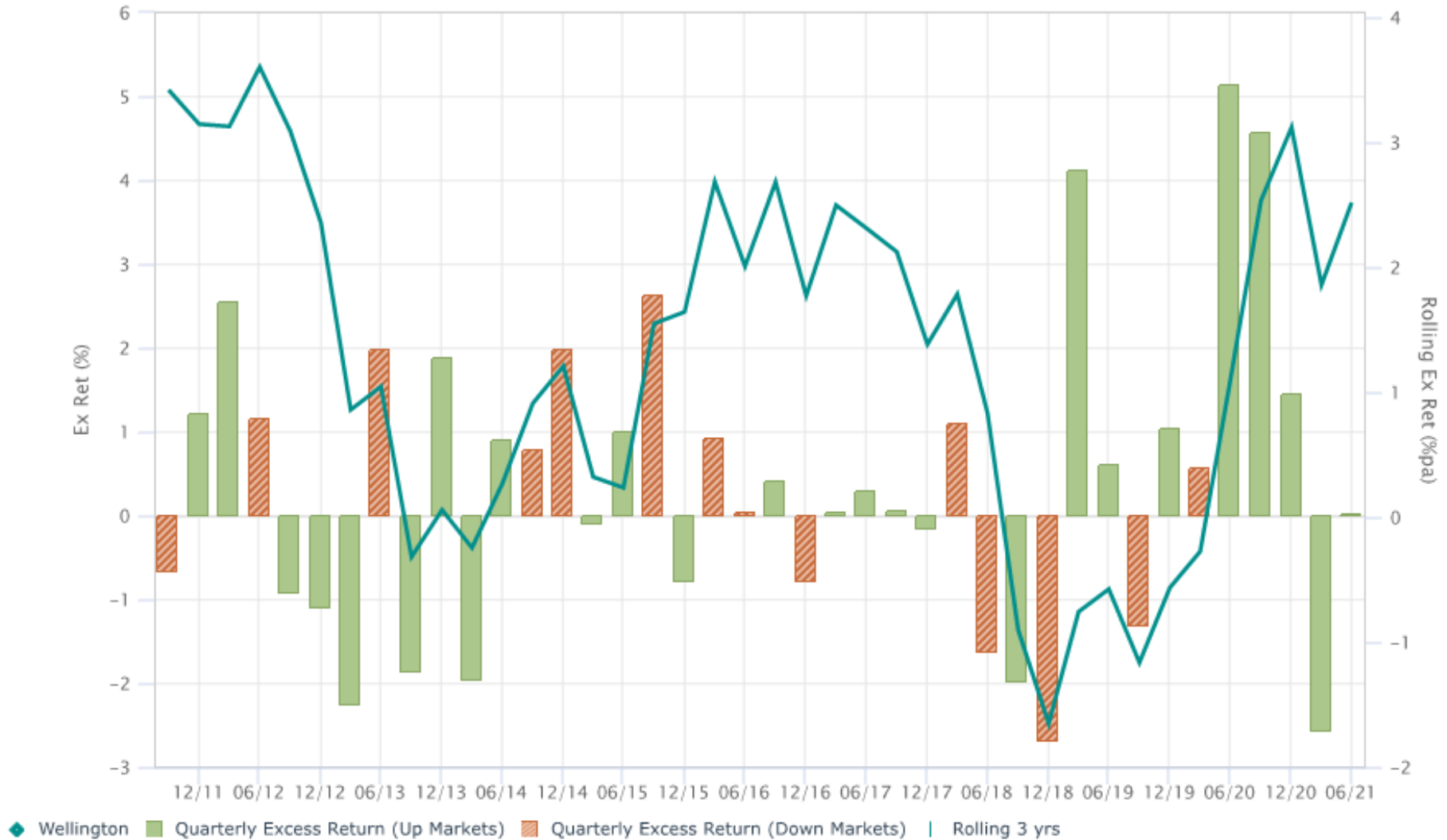
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## Wellington

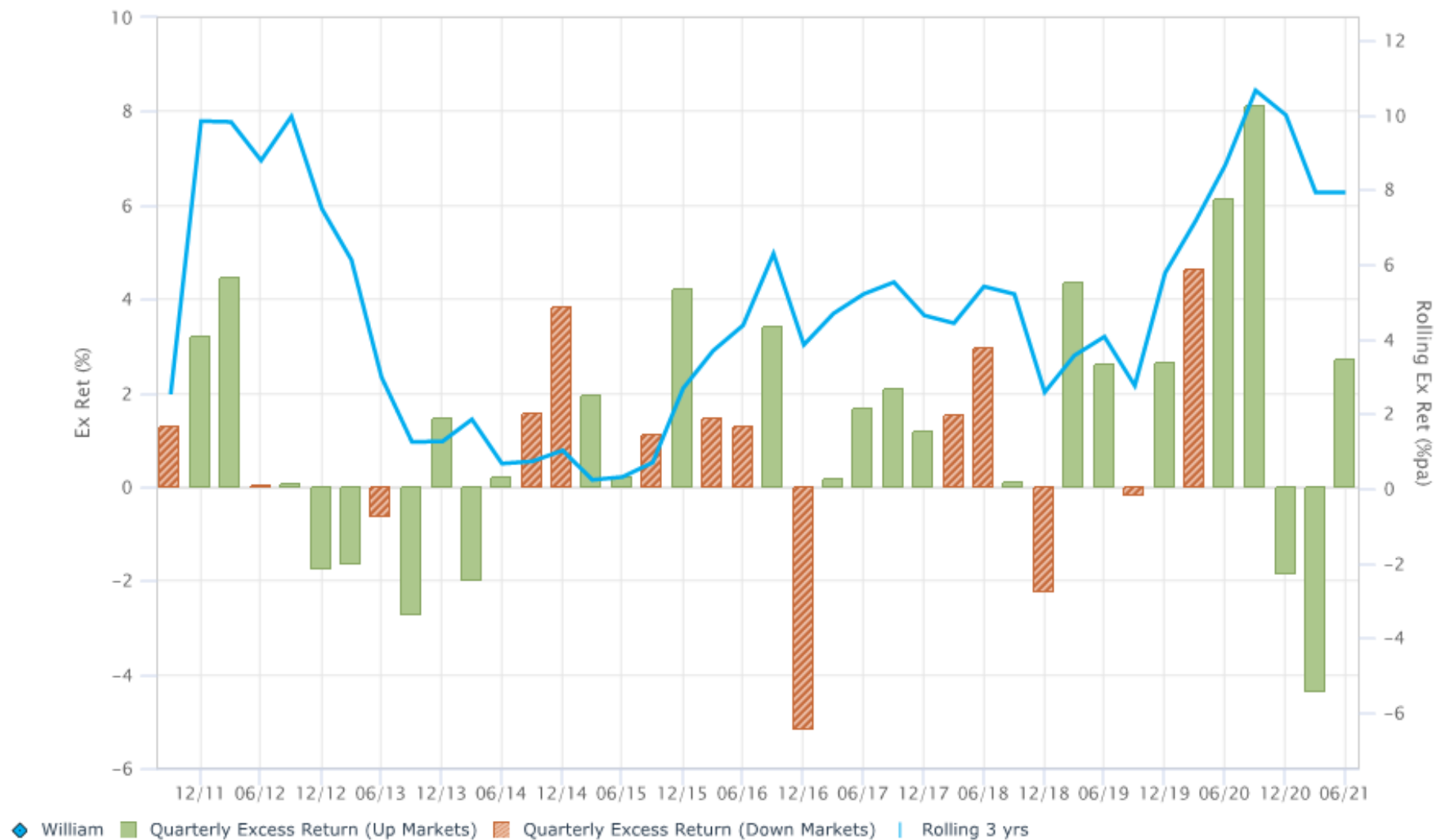
Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# QUARTERLY EXCESS RETURN

## William Blair

Quarterly Excess Return vs. MSCI EAFE (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21



# ROLLING 3-YEAR PERFORMANCE RANKINGS

Performance characteristics vs. MSCI EAFE NET in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund World ex US/EAFE Equity universe (quarterly calculations)

Name	1st Quartile		2nd Quartile		3rd Quartile		4th Quartile		Average Percentile Rank	Outperform	
	No.	%	No.	%	No.	%	No.	%		No.	%
<b>Mutual Fund World ex US/EAFE Equity Universe - MSCI EAFE NET WHT Index</b>											
<b>Products</b>											
<b>Baillie Gifford</b>	26	65.0	8	20.0	5	12.5	1	2.5	26	32	80
<b>Capital Group</b>	12	30.0	17	42.5	11	27.5	0	0.0	36	35	88
<b>ClearBridge</b>	26	65.0	9	22.5	5	12.5	0	0.0	24	38	95
<b>JP Morgan</b>	3	7.5	21	52.5	13	32.5	3	7.5	48	29	73
<b>Lazard</b>	18	45.0	13	32.5	4	10.0	5	12.5	35	30	75
<b>MFS (Incumbent<sup>1</sup>)</b>	16	40.0	19	47.5	5	12.5	0	0.0	31	39	98
<b>Pyrford</b>	9	22.5	12	30.0	11	27.5	8	20.0	48	26	65
<b>T. Rowe Price</b>	0	0.0	35	87.5	5	12.5	0	0.0	42	37	93
<b>Walter Scott</b>	20	50.0	8	20.0	7	17.5	5	12.5	34	30	75
<b>Wellington</b>	3	7.5	29	72.5	7	17.5	1	2.5	41	31	78
<b>William Blair</b>	31	77.5	9	22.5	0	0.0	0	0.0	15	40	100
<b>Benchmark</b>											
<b>MSCI EAFE</b>	0	0.0	12	30.0	26	65.0	2	5.0	57	40	0

- On a rolling 3-year basis, all managers consistently outperformed the median over the past 10 years.

The benchmark result for Number Outperform represents the total number of observations in the period.

# QUARTERLY UP / DOWN MARKET ANALYSIS

Performance characteristics vs. MSCI EAFE in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund All Global Equity universe (monthly calculations)

Name	Up Markets			Down Markets			All Markets				
	Outperform		Excess (Av) (%pm)	Outperform		Excess (Av) (%pm)	Outperform		Excess (Av) (%pm)	Outperform (Av) (%pm)	Underperform (Av) (%pm)
	No.	%		No.	%		No.	%			
<b>Mutual Fund World ex US/EAFE Equity Universe - MSCI EAFE NET WHT Index</b>											
<b>Products</b>											
Baillie Gifford	26	68	0.5	15	68	0.4	41	68	0.5	1.2	-1.2
Capital Group	23	61	0.2	16	73	1.0	39	65	0.5	1.3	-1.1
ClearBridge	12	32	-0.5	13	59	0.3	25	42	-0.2	0.7	-0.9
JP Morgan	22	58	0.2	12	55	-0.1	34	57	0.1	0.6	-0.6
Lazard	16	42	-0.3	15	68	1.2	31	52	0.3	1.4	-0.9
MFS (Incumbent <sup>1</sup> )	19	50	0.2	10	45	0.0	29	48	0.1	1.1	-0.8
Pyrford	26	68	0.4	17	77	0.6	43	72	0.5	1.2	-1.4
T. Rowe Price	23	61	0.4	17	77	0.5	40	67	0.4	1.1	-0.8
Walter Scott	25	66	0.3	10	45	-0.1	35	58	0.2	0.8	-0.7
Wellington	22	58	0.0	11	50	-0.1	33	55	0.0	0.8	-0.9
William Blair	19	50	0.1	15	68	0.3	34	57	0.2	0.8	-0.6
<b>Benchmark</b>											
MSCI EAFE	38	0	0.0	22	0	0.0	60	0	0.0	na	na
<b>Group Statistics</b>											
Upper Quartile	23	61	0.3	14	64	0.4	34	57	0.2	1.4	-0.9
Median	21	55	0.1	12	55	0.1	32	53	0.1	1.1	-1.1
Lower Quartile	18	47	-0.1	10	45	-0.3	29	48	-0.1	0.8	-1.5
Number	402	402	402	402	402	402	402	402	402	402	402

- On a rolling 3-year basis, all managers consistently outperformed the median over the past 10 years.

The benchmark results represent the total number of up markets, down markets and observations in the period.

# CORRELATION

Correlation of Returns in \$US (after fees) over 5 yrs ending June-21 (quarterly calculations)

	Baillie	Capital Group	Clearbridge	JPM	Lazard	MFS	Pyrford	T. Rowe	Walter Scott	Wellington	William	MSCI EAFE
Baillie		0.99	0.97	0.98	0.95	0.97	0.95	0.96	0.97	0.98	0.98	0.96
Capital Group			0.99	0.98	0.96	0.97	0.96	0.97	0.97	0.99	0.98	0.97
Clearbridge				0.97	0.96	0.97	0.94	0.94	0.98	0.98	0.98	0.95
JPM					0.97	0.99	0.97	0.98	0.96	0.99	0.96	0.99
Lazard						0.97	0.97	0.97	0.94	0.97	0.94	0.98
MFS							0.98	0.97	0.97	0.98	0.96	0.99
Pyrford								0.97	0.95	0.96	0.93	0.99
T. Rowe									0.92	0.98	0.93	0.99
Walter Scott										0.96	0.99	0.94
Wellington											0.97	0.98
William												0.94
MSCI EAFE												

Notes:  
Correlation is shown in the right hand side of the table.

# APPENDIX



# PERFORMANCE NOTES

- **Baillie Gifford** : Composite performance net of 0.41% fee.
- **Capital Group** : Composite performance net of 0.50% fee.
- **ClearBridge Investments** : Composite performance net of 0.43% fee.
- **JP Morgan Asset Management** : Composite performance net of 0.48% fee.
- **Lazard Asset Management** : Composite performance net of 0.60% fee.
- **MFS Investment Management (Incumbent)** : Composite performance net of 0.46% fee.
- **Pyrford International** : Composite performance net of 0.49% fee.
- **T. Rowe Price** : Net performance provided by the manager.
- **Walter Scott & Partners** : Mutual fund vehicle (I shares ticker: DISRX)
- **Wellington Management** : Net performance provided by the manager.
- **William Blair** : Composite performance net of 0.55% fee.

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- The minimum qualifications outlined in section 2.2 of the RFP for the International Developed Markets Equity mandate are included below:
  - Investment style consistent with international (ex-US) core equity investment style and categorized in Mercer GIMD or other commercially available database as an international (ex-US) core equity strategy
  - In alignment with the foregoing, emerging markets equity exposure generally should be less than 25% of overall portfolio holdings
  - Stated benchmark of the strategy will be representative of the style (MSCI EAFE or comparable), and strategy will have high correlation with the benchmark (similar to median of peer group or higher)
  - Strategy track record of 7 years or longer
  - Risk-adjusted net performance (as measured by Sharpe ratio and/or Information Ratio) better than median over trailing 7-year period ending most recent quarter
  - Minimum assets under management in strategy of \$5 billion
  - Investment expense, after all rebates, equal to or less than 0.75%

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Each index reflects a group of unmanaged securities. It is not possible to invest directly in an index.

Before investing, consider the investment options' or funds' investment objectives, risks, charges, and expenses. Visit the appropriate fund company website listed in the appendix for an offering statement or prospectus and, if available, a summary prospectus containing this and other information. Read it carefully.

An investment's placement along the risk spectrum is based on market risk and credit risk. Other factors considered include prospectus objectives, degrees of diversification, characteristics of typical holdings, and historical volatility of the fund and its benchmark. Risks will vary. This spectrum does not represent actual or implied performance.

The inclusion of additional fund share classes is for informational purposes only and may have different expenses. As a result the performance related figures may be higher or lower when compared to the Plan's share class.

Fund company websites:

[www.blackrock.com/investing](http://www.blackrock.com/investing)

[www.vanguard.com](http://www.vanguard.com)

# PAVILION

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HEALTH WEALTH CAREER

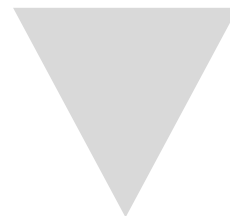
# City of Los Angeles

## Deferred Compensation Plan

### Emerging Markets Equity Search - Stage 2

September 2021

Devon Muir, CFA  
Ana Tom-Chow  
Peter Eibsen  
Julietta Bell, CFA, CFP



# BACKGROUND

Finalists – 13 total strategies			
<u>Institutional Product RFP Response</u>		<u>Mutual Fund Only</u>	
Axiom	Fidelity (FIAM)	Fidelity (MF)	Goldman Sachs
Baillie Gifford*	Fisher Investments		
BlackRock	T. Rowe Price		
Columbia Threadneedle*	Wells Fargo**		
Driehaus Capital	William Blair (EM Growth)**		

\*Indicates mutual fund vehicle meeting screening requirements.  
\*\*Indicates mutual fund vehicle not meeting screening requirements (Fees).

- For the Emerging Markets manager search, the City received 15 RFP responses, of which 14 met the minimum requirements outlined in section 2.2 of the RFP.
- In addition to the institutional products, Mercer evaluated 22 mutual funds, 21 of which passed the minimum requirements for Stage 1 evaluation presented to the City in July 2021.
- Stage 1 resulted in 13 candidates emerging as finalists. Subsequently, however, UBS (passed the mutual fund screen) notified us their strategy is now closed to new investments. Thus 12 candidates are reviewed throughout this document.
- In addition, incumbent manager Dimensional Fund Advisors (DFA) who did not pass the Stage 1 evaluation, due to performance metrics, is included for reference.



# STAGE 2 CANDIDATES

- 12 finalist candidates (10 RFP respondents and 2 Mutual Funds) are presented in this document:
  - Axiom International Investors
  - Baillie Gifford\*
  - BlackRock
  - Columbia Threadneedle Investments North America\*
  - Driehaus Capital Management
  - Fidelity Institutional Asset Management (FIAM)
  - Fidelity Investments – *Mutual Fund*
  - Fisher Investments
  - Goldman Sachs Asset Management (GSAM) – *Mutual Fund*
  - T. Rowe Price
  - William Blair
  - Wells Fargo Asset Management (WFAM)
  - Dimensional Fund Advisors (DFA) - (*incumbent, added for comparative purposes*)

## Notes:

- All performance is net of fees, unless otherwise noted
- Portfolio characteristics are as of 3/31/21 and performance exhibits are as 6/30/21, unless otherwise noted
- Mandate size is approximately \$134.2 million as of June 30, 2021

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\* Eligible mutual fund also available

# STAGE 2 OVERVIEW

	Manager			Strategy		Performance			Fees
	Business Management	Team Depth	Personnel Stability	AUM	Portfolio Construction fits Mandate	Long-Term Performance (7-Year)	Performance Consistency (7-Year)	Information Ratio (7-Year)	Attractiveness of Fees
Axiom	✓	✓	=	✓	✗	✓	✓	✓	✓
Baillie Gifford	✓	✓	✓	✓	✓	✓	✓	✓	✓
BlackRock	✓	✓	=	✓	✓	=	=	✓	=
Columbia	✓	✓	=	✓	=	✓	✓	✓	✓
Driehaus	✓	✓	=	✓	✗	✓	✓	✓	=
FIAM	✓	✓	=	✓	✓	✓	✓	✓	✓
Fidelity	✓	✓	✗	✓	✗	✓	✓	✓	✓
Fisher	✓	✓	✓	✓	=	=	✓	✓	✗
Goldman	✓	✓	✓	✓	=	✓	✓	✓	✗
T. Rowe Price	✓	✓	✓	✓	=	✓	✓	✓	✗
William Blair	✓	✓	✗	✓	✗	✓	✓	✓	✗
Wells Fargo	✓	✓	=	✓	✓	✓	✓	✓	=

## STAGE 2 OVERVIEW

- **Firm strength** – All candidates have well run businesses with substantial levels of overall assets under management and internal resources to support the DCP.
- **Strategy team depth and stability** – While all candidates possess strong depth in terms of team resources devoted to the respective strategies, stability for some firms is a differentiator. Firms such as Axiom, Baillie Gifford, BlackRock, Columbia, Driehaus, T. Rowe Price and Wells Fargo reported less turnover of relevant staff making them more attractive in this dimension.
- **Strategy Assets Under Management (AUM)** – All strategies have sufficient assets under management such that the DCP would not represent a disproportionate percentage of strategy assets, though Columbia, Driehaus, and William Blair are slightly smaller in this regard.
- **Mandate fit** – Given that screening incorporates a component of trailing performance evaluation, several candidates that screened favorably through Stage 1 exhibit a substantial style bias (most commonly a growth tilt). Ultimately, it is desirable for the strategy to reside close to “core” from a style perspective and within range of benchmark market cap. This dimension of evaluation serves to counterbalance gravitating to top performing strategies over recent years since we expect growth and value styles to rotate over time. Baillie Gifford, BlackRock, FIAM and Wells Fargo all display less style bias over trailing periods.
- **Performance** – While all candidates generally have strong performance, BlackRock and Fisher fall below the group. On a risk-adjusted basis, all candidates are in the top quartile of the peer universe.
- **Fees** – All fee proposals represent a fee increase to the DCP. However, the net of fee performance represent a positive benefit to the Plan, particularly in the context of the City’s white label portfolio approach. Axiom, Baillie Gifford, Columbia, FIAM and Fidelity (mutual fund) are particularly attractive

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<b>Axiom</b>	<p>Axiom Investors was formed in 1998 as an independent investment advisor specializing in international equities. Prior to forming Axiom, the investment team was responsible for developing and managing the international equity strategy at Columbus Circle Investors. The firm has since grown to include long-short hedge funds, global equity, and emerging markets equity strategies. Axiom is employee-owned and headquartered in Greenwich, Connecticut.</p>	<p>Axiom's philosophy is that companies that report better than expected results, or positive surprises relative to consensus expectations, will generally outperform. The team looks for 10 to 12 key drivers within five general categories (company, industry, secular, macroeconomic, and country) for every investment candidate. The average turnover is 150% and the portfolio typically holds 60 to 120 securities. The individual security weighting decisions within the portfolio are based on conviction in the individual investment, with most positions in the portfolio ranging between 1% and 3% at cost, and positions are limited to 5%.</p>
<b>Baillie Gifford</b>	<p>Baillie Gifford &amp; Co is an independent investment management firm based in Edinburgh, 100% owned and managed by the partners in the firm. Baillie Gifford was formed in 1908 and began managing money in 1909 when it launched an investment trust, which it still manages today. The firm began a phase of more rapid growth in the 1980s when it successfully attracted assets from international clients, including US clients which now account for approximately 38% of total assets managed. Historically, the firm had one investment office with the entire investment team being based in Edinburgh. In the second half of 2019, Baillie Gifford opened a research office in Shanghai to support the research efforts in China.</p>	<p>The emerging markets team believes that they can add value by making long-term investments in well-managed quality businesses that have superior profit growth and enjoy sustainable, competitive advantages in their marketplace. Country allocation is driven predominantly by decisions on individual stocks, though a top-down view feeds into stock decisions. The team conducts detailed research on a bottom-up and top-down basis. Baillie Gifford focuses on key areas it believes to assess long-term growth potential such as competitive advantage, financial strength, management, and valuation. The team manages to a 3 to 5-year time horizon, which leads to expected annual turnover of 40%. Countries and industries are limited to +/- 15% relative to the index weight. Portfolios typically contain 60-100 stocks and individual positions are limited to +5% at time of purchase. The aim is that the portfolio is invested in a minimum of 15 countries/industries. A maximum of 10% of the portfolio can be invested in less liquid stocks that do not meet the team's liquidity criteria.</p>
<b>BlackRock</b>	<p>BlackRock was founded in 1988, and has made some significant changes and acquisitions in the past several years. In September 2006, BlackRock merged with Merrill Lynch Investment Managers (MLIM), which combined the history and experience of MLIM with the innovation and technology of BlackRock. In 2007, BlackRock acquired the fund of funds business of Quellos Group. Finally, in 2009, BlackRock acquired Barclays Global Investors (BGI). BGI, at that time, was the world's largest institutional investment manager, with over \$1 trillion in client assets and a focus on global indexed and quantitative strategies. The combined business provides traditional active and passive fixed income and equity strategies, as well as hedge fund, private equity, and real asset fund of funds to institutional and individual investors worldwide. Blackrock has been publicly traded since 1999, and is headquartered in New York with investment management offices throughout the world.</p>	<p>BlackRock's SAE team applies techniques of structured active and index management to achieve above-benchmark returns. The portfolio incorporates a blend of bottom-up stock selection insights and broader top-down thematic insights to generate risk controlled and consistent active returns. BlackRock uses a proprietary alpha forecasting model and an optimization process to select stocks. The investment ideas in the portfolio are grouped into three broad areas: Company Fundamentals, Sentiment, and Macro Themes. These areas are a blend of local investment insight, cross-border insights, macro-economic insights and short-term drivers of stock returns. The portfolio is comprised of 300 to 400 stocks and individual stocks are constrained within 3% of their benchmark weight. Country weights are kept within 9% of the benchmark weight.</p>

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<b>Columbia Threadneedle</b>	<p>Columbia Management Company (CMC) was founded in 1964. In 1997, CMC was purchased by Fleet Financial Group (Fleet). In late 2001, Fleet acquired the asset management subsidiaries of Liberty Financial Companies, Inc. and placed all the entities under the Columbia Management Group (CMG) umbrella. Two years later, CMG merged six of its subsidiaries into a new asset management firm, Columbia Management Investment Advisers, Inc. (CMIA). The following year, Bank of America (BACAP) acquired Fleet, and in early 2007, BACAP acquired US Trust. CMIA became the asset management arm of BACAP. In 2010, BACAP sold its long-term asset management business to Ameriprise Financial, Inc. In March 2015, affiliated companies Columbia Management and Threadneedle Investments began doing business under the global brand Columbia Threadneedle Investments. There was no change to the corporate structure or regulated entities as a result of the new brand. The firm is headquartered in Boston, MA.</p>	<p>The quality growth philosophy leads the team to seek companies that are strong stewards of capital. While there is an awareness of country and sector influences, the focus is on bottom-up stock selection. The team uses fundamental screens on the Bloomberg database and quantitative screens from CTI's quantitative team to narrow the universe. The team then considers company factors such as strong management, long-term growth prospects, and sustainability advantage. Bottom-up fundamental research drives the process, while top-down research provides a macro backdrop that helps the team assess the potential of strong bottom-up stories. Annual stock turnover falls between 35% and 100%. Active weight parameters are +/-5% for individual stocks; +/-15% points for sectors and countries. Up to 20% of the portfolio can be held in companies outside the emerging markets, although the developed market exposure is typically 3% or less and the team rarely invests in frontier markets. The portfolio typically has from 70 to 90 holdings.</p>
<b>Driehaus Capital Management</b>	<p>Driehaus Capital Management (DCM) is a privately held firm based in Chicago, Illinois. The firm manages active growth equity strategies and alternative investment strategies. In 1982, Richard Driehaus, who founded the firm, was the sole equity owner of the firm through the Driehaus family trust. A Board, which Richard Driehaus sits as the head, oversees the trust.</p>	<p>Driehaus believes that markets often misprice a stock's growth potential following a positive change. The team capitalizes on this inefficiency through the identification of inflection points, as well as understanding a company's growth patterns. Driehaus reduces the universe using a set of quantitative screens and deeper fundamental analysis. Macroeconomic analysis is also integral to the company specific analysis. The portfolio construction process aims to construct and maintain a conviction-based risk-managed portfolio. The typical number of securities in the portfolio is between 80 and 110 holdings. Positions typically range from 0.5% to 4% of the portfolio. Individual positions are limited to 5% points greater than the benchmark's weight, at time of purchase. The strategy generally will not invest more than 15% in a given industry, GICS sector or country, although these are not hard guidelines.</p>
<b>Fidelity Institutional Asset Management (FIAM)</b>	<p>Fidelity Management and Research LLC (Fidelity) was founded in 1946 by Edward C. Johnson II. The Johnson family (including family trusts and charities) owns 49% of Fidelity. Employees of Fidelity (including members of the Johnson family) hold the remaining 51%. Through a shareholders' voting agreement, the Johnson family effectively controls the firm. Fidelity comprises several wholly-owned organizations that serve different client groups, including the US mutual fund organization, Fidelity Management and Research Company (FMRCo), and Fidelity Institutional Asset Management (FIAM), which serves the institutional market.</p>	<p>Fidelity believes that earnings growth ultimately drives stock prices and that rigorous fundamental security analysis arrives at a differentiated view of earnings growth, adding value. The Select strategy is essentially a pure play on Fidelity's analyst recommendations. Fundamental research focuses on two key factors: expected earnings and relative valuation. For the emerging markets strategy, the optimizer typically selects between 100 and 150 stocks (but the number of stocks can fall outside this range), Annual turnover ranges between 80% and 120%. Security selection is the main driver of returns, with security weights ranging from +/-5% around the benchmark weight. Country and sector weights range between +/-5% around the benchmark. Market capitalization exposures are generally maintained at +/- 30% around the benchmark.</p>

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<b>Fidelity Investments</b>	<p>Fidelity Management and Research LLC (Fidelity) was founded in 1946 by Edward C. Johnson II. The Johnson family (including family trusts and charities) owns 49% of Fidelity. Employees of Fidelity (including members of the Johnson family) hold the remaining 51%. Through a shareholders' voting agreement, the Johnson family effectively controls the firm. Fidelity comprises several wholly-owned organizations that serve different client groups, including the US mutual fund organization, Fidelity Management and Research Company (FMRCo), and Fidelity Institutional Asset Management (FIAM), which serves the institutional market.</p>	<p>Fidelity's emerging markets strategy employs a primarily bottom-up, fundamental approach to portfolio management. Sector exposures are kept in line with the index. The strategy strives for long-term capital appreciation by investing in the best ideas within each sector. The strategy is best classified as exhibiting a growth style. The strategy typically holds major index positions, and active views (either over- or underweights) are expressed on 60% of the portfolio. The strategy often holds notable out-of-benchmark positions, at times as high as 30% of the portfolio; however, out-of-benchmark holdings typically constitute developed markets securities. The resulting portfolio includes 200 to 300 securities, with annual turnover expected to fall between 75% and 100%. Sector exposures are kept in line with the benchmark and rarely approach the +/- 3% weight relative to the benchmark weight. Country weights may vary a little from benchmark, roughly +/-5% around the benchmark weight.</p>
<b>Fisher Investments</b>	<p>Fisher Investments (Fisher) was founded by Ken Fisher in 1973 as a research focused firm. Fisher began managing assets in 1978. The firm is headquartered in Camas, Washington, while most of the investment team is located in Woodside, California. Fisher also has offices in London and Australia. Ken Fisher and his wife own a majority stake of the firm. In total, over 60 of the firm's 1,500 employees have ownership interests in various forms.</p>	<p>Fisher ascribes to a top-down investment philosophy. The process consists of identification of global macroeconomic themes to be exploited and the subsequent selection of stocks that fit within the discovered themes. Relying upon fundamental analysis, quantitative strategic attributes analysis, and covariance analysis, the Investment Policy Committee (IPC) selects securities for the portfolio. The portfolio can hold between 30 and 80 securities, although the actual number held is typically toward the upper range of this boundary. Portfolio turnover is in the range of 20% to 30% per year. The product has a 5% limit at cost for individual securities. Sector and country weight restrictions are based on the sector/country weighting in the benchmark and have a fair degree of tolerance in order for active positions to be expressed.</p>
<b>Goldman Sachs Asset Management (GSAM)</b>	<p>Goldman Sachs Asset Management (GSAM) was established in 1988 as the investment management division of Goldman, Sachs &amp; Company, a limited partnership under the laws of New York. In May 1999, the partnership was converted to a corporation and 15% of the company was sold to the public via an initial public offering. Public ownership has since increased to approximately 90%. GSAM has investment management offices in New York, Florida, London, Frankfurt, Tokyo, &amp; Singapore.</p>	<p>GSAM believes that long-term outperformance can be earned over time by conducting detailed fundamental proprietary research in search of high quality (or improving) companies. The team's employ's a discounted cash flow approach. The portfolio will typically hold between 100–150 names. Active country and sector tilts relative to the index are limited to ±10% each, and stock tilts to ±7.5%. Within these constraints, country and sector exposures are largely a residual of the bottom-up stock selection process, but will be actively managed if they are deemed too 'risky'. Annual portfolio turnover (including fund flows) is expected to range between 50–70% over time.</p>

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<p><b>T. Rowe Price</b></p>	<p>T. Rowe Price Group (T. Rowe) was established in 1937 by Thomas Rowe Price as an independent investment advisory firm. In 1979, T. Rowe and the Fleming Group established a London-based joint venture called Rowe Price Fleming to manage non-U.S. assets. In 2000, T. Rowe purchased Fleming Group's 50% share of the joint venture and reorganized its operations into a holding company structure under the name of T. Rowe Price Group. It is T. Rowe's intention, come mid-2022, to create a separate operating unit, T. Rowe Price Investment Management. It will initially consist of 5 US equity strategies and 1 US high yield strategy. T. Rowe is a publicly owned company, headquartered in Baltimore, Maryland with offices located worldwide.</p>	<p>The lead portfolio manager believes that outperformance can be generated by investing in high quality, well-managed companies, which are capable of delivering sustainable growth over the long-term. The strategy is therefore expected to exhibit a bias towards quality and growth factors over time. The strategy has a bottom-up focus, reflecting a belief that stock-specific factors are the primary drivers of emerging market equity prices. However, top-down views are used as a negative screen to reduce macro risk. The team also receives support from the its abundant equity research resources and specialist emerging markets debt team. Analysts focus on 1) a company's long-term growth prospects, 2) an assessment of management and corporate governance, and 3) valuation. The portfolio will comprise 80-100 stocks, and position sizes can be as large as 6.0% of the portfolio, but with an average active position of 0.4% to 1.0%. Sector weights can be maximum +/-15% relative to the index, country weights +/-10% and regional weights +/-20%.</p>
<p><b>William Blair</b></p>	<p>William Blair &amp; Company (Blair) was founded in 1935. Headquartered in Chicago, IL, Blair is a full service investment bank, offering investment management, securities brokerage, and corporate and public finance underwriting services. The firm employs roughly 1,400 people, including approximately 190 partners.</p>	<p>Blair employs a fundamentally based bottom-up philosophy predicated on the belief that the market is inefficient with respect to distinguishing between an average growth company and a quality growth company. Blair describes the approach as high quality growth, falling in-between GARP and aggressive growth with an emphasis on companies with return on capital and low leverage. Portfolios hold between 120 and 175 stocks. Region and sector weight ranges fall within a broad range of the MSCI Emerging Markets Index. Market cap weights can range from 10% to 50% for large caps, from 20% to 70% for mid caps, and from 10% to 40% for small cap companies. Position size maximums depend upon the capitalization of the stock. Portfolio turnover averages around 100% per year.</p>



# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<p><b>Wells Fargo Asset Management (WFAM)</b></p>	<p>Wells Fargo Asset Management (WFAM) is a wholly-owned subsidiary of Wells Fargo &amp; Company (Wells Fargo), a publicly-traded corporation. The WFAM umbrella includes Wells Capital Management, which is the asset management arm formed in 1996 as a separately subsidiary of the bank and has since evolved through a series of mergers and acquisitions, including the addition of Strong Capital Management (SCM) in 2004 and Evergreen Investments in 2009. WFAM offers a broad range of investment products that include fundamental and quantitative equities, fixed income, alternatives, and multi-asset solutions. In February 2021, it was announced that WFAM will be sold to two private equity investors, GTCR LLC (GTCR) and Reverence Capital Partners, L.P. (Reverence), in a transaction that is expected to close in the second half of 2021. GTCR and Reverence will be majority and minority owners, respectively, whereas Wells Fargo will own a 9.9% passive equity interest.</p>	<p>Throughout his many years of experience, Portfolio Manager Jerry Zhang has developed his investment style and philosophy, coined "quality at a compelling price." The process strives to purchase securities trading at a meaningful discount to intrinsic value and is anchored around fundamental, bottom-up research that emphasizes return on capital and cash flow metrics. The broad definition of "quality" and "value" lead to a style agnostic approach; with no persistent bias per our definitions. The team is benchmark aware but works in an absolute return mindset and notable deviations from the index may occur. The investment process seeks market inefficiencies which provide opportunities to acquire quality companies at discounted prices. The portfolio holds 90 to 120 securities. Turnover is 25% to 30%.</p>
<p><b>Dimensional Fund Advisors (DFA) - Incumbent</b></p>	<p>Dimensional Fund Advisors (DFA) is a private corporation founded in 1981 to provide investment services to institutional investors. Retired founder Rex Sinquefeld, founder/chairman David Booth, Directors, and Officers together own the majority of DFA's outstanding stock. External shareholders own 30% of the business, and approximately 20% is held by firm staff through its Long Term Incentive Plan. The firm is headquartered in Austin, Texas and has offices focused on both investment management and client service located globally.</p>	<p>DFA is known for its academic philosophy and approach to investment management, entrenched in which are the beliefs that markets are efficient and risk is mitigated by holding a diversified portfolio. Increased risk and return is expected in this portfolio by tilting the portfolio to value stocks and those that have a smaller market cap and higher profitability relative to similarly valued peers. Portfolios are diversified among a large number of holdings. DFA targets market cap weights for stocks. Industry weights are limited to a maximum of 25% and a sector's target weight is constrained to 10% over its weight relative to a style-neutral universe. Turnover is very low at approximately 10% annually.</p>



# MERCER RATINGS SCALE

## A

Strategies assessed as having “**above average**” prospects of outperformance

## B+

Strategies assessed as having “**above average**” prospects of outperformance, but with some reservations.

## B

Strategies assessed as having “**average**” prospects of outperformance

## C

Strategies assessed as having “**below average**” prospects of outperformance

## R

The **R rating** is applied in two situations:

1. Mercer has carried out some research, but has not completed its full investment strategy research process
2. Mercer has in the past carried out its full investment strategy research process on the strategy, but we are no longer maintaining full research coverage

## N

**No rating**, strategies not currently rated by Mercer

## W

**Watch**: where there is some uncertainty about a rating that we do not expect to be resolved soon, but consider it unlikely that it will lead to a rating change

## T

**Tracking error**: potential for high tracking error or high volatility

## P

**Provisional rating**: where there is uncertainty about a rating that we expect to resolve quickly

Please see the Guide to Mercer’s Investment Strategy Ratings <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf>

# MERCER RESEARCH ASSESSMENT

While not part of the evaluation process, Mercer research ratings and evaluations are provided, where available, for additional context.

MERCER EVALUATION SUMMARY					
	Manager Rating	Idea Generation	Portfolio Construction	Implementation	Business Management
Axiom	R	N/A	N/A	N/A	N/A
Baillie Gifford	B+	■■■■□	■■■□	■■■□	■■■■
BlackRock	B+	■■■■	■■■□	■■■■	■■■□
Columbia Threadneedle	B	■■■□	■■■□	■■■□	■■■□
Driehaus Capital Management	B (T)	■■■□	■■■□	■■■□	■■■□
Fidelity Institutional Asset Management	B	■■■□	■■■□	■■■□	■■■□
Fidelity Investments	R	N/A	N/A	N/A	N/A
Fisher Investments	B	■■■□	■■■□	■■■□	■□□□
Goldman Sachs Asset Management	R	N/A	N/A	N/A	N/A
T. Rowe Price	B+	■■■□	■■■□	■■■□	■■■□
William Blair	A (T)	■■■■	■■■□	■■■□	■■■□
Wells Fargo Asset Management	A (W)	■■■■	■■■□	■■■□	■■■□
Dimensional Fund Advisors (Incumbent)	B+	■■■□	■■■□	■■■□	■■■□

Mercer's Rating Scale			
<b>A</b>	Above average prospects of outperformance	<b>C</b>	Below average prospects of outperformance
<b>B+</b>	Above average prospects of outperformance but which are qualified by: 1) other strategies exist in which we have a greater conviction and/or 2) Mercer requires more evidence to support its assessment	<b>R</b>	1) Early stage research 2) Research no longer maintained
<b>B</b>	Average prospects of outperformance	<b>N</b>	Not rated
<b>T</b>	Potential for high tracking error relative to benchmark		

# MERCER RESEARCH COMMENTARY

Candidate	Mercer Rating	Overall Assessment
<b>Axiom International Investors</b>	<b>R</b>	Mercer does not formally rate the strategy. While we believe that the basic investment philosophy centered on positive earnings surprise and key business drivers is relevant in the emerging markets, with a highly data intensive approach, we question whether the depth and timeliness of data is available for the emerging markets to fully support the strategy.
<b>Baillie Gifford</b>	<b>B+</b>	This strategy is underpinned by an experienced team that has been stable at the senior level and which combines a genuine long term horizon with rigorous bottom-up research to identify companies they consider have attractive growth prospects. It is these traits that drive our positive view. Whilst we expect this approach to add value, we note this is a competitive universe and we have slightly higher conviction in certain other strategies that follow a similar growth-oriented investment approach.
<b>BlackRock</b>	<b>B+</b>	We are impressed with the SAE team's constant emphasis on improving risk-adjusted performance, whether through investigating ways to increase the efficacy of the model's signals or through reducing transactions costs. The resources the firm dedicates to researching its models and developing proprietary insights is notable. While there is much to like about BlackRock's SAE strategies, they are not among our highest conviction within their respective universes.
<b>Columbia Threadneedle Investments North America</b>	<b>B</b>	Our confidence in CTI's Emerging Markets Opportunity Fund comes from the experience of lead manager Dara White and the efficient and disciplined investment process he created to source and assess stocks fitting his quality growth philosophy. This includes a quantitative tool from a dedicated quantitative team that the team uses for screening ideas and monitoring portfolio holdings, a stock ranking discipline, and stock review triggers for stock challenge purposes. We like that the team has industry-focused analysts supplemented by specialist China expertise, given the country's growing influence within the universe. The team has reasonable portfolio construction guidelines that allow for full expression of its best ideas and good insight into risks to minimize the chances of unintended exposures. Overall, however, we fail to identify a clear competitive advantage relative to other managers within the universe.

# MERCER RESEARCH COMMENTARY

Candidate	Mercer Rating	Overall Assessment
<b>Driehaus Capital Management</b>	<b>B (T)</b>	DCM applies a bottom-up, fundamental growth-oriented approach geared to earnings acceleration. Most prevalent is its ability to blend fundamental, quantitative, and macro to identify and exploit market inefficiencies. It operates with a clear investment thesis and makes disciplined use of its screens to direct the small team to candidates that best fit the investment philosophy. Portfolio Manager Howard Schwab is in tune with the philosophy and possess, though we believe a sophisticated process such as this requires substantial analytical support. Annual turnover is high, which raises issue as to the cost of trading (both implicit and explicit), which could potentially erode returns. The strategy is not among our highest conviction ideas in this space.
<b>Fidelity Institutional Asset Management (FIAM)</b>	<b>B</b>	The Select strategies represent a pure play on Fidelity analysts' stock ratings, which derive from bottom-up, fundamental research. The portfolio managers strive to understand the basis of the analyst ratings and they make some minor adjustments in the stock selection. Fidelity gives good support to the Select team, but the strategy success is highly dependent on the efforts of the broader Fidelity research teams; however, tight portfolio construction constraints relative to the benchmark limit the ability to add value. Fidelity's large overall equity assets under management remain a reservation.
<b>Fidelity Investments</b>	<b>R</b>	Mercer does not formally rate the strategy.
<b>Fisher Investments</b>	<b>B</b>	The primary appeal of Fisher's non-US equity strategies is Ken Fisher's top-down insights, drawn from a wealth of experience and a disciplined and rigorous process. Fisher has made significant investment in its systems and data to support its research into global market drivers. The members of the Investment Policy Committee (IPC), who manage all of the firm's strategies, have shown an ability to distill the data in order to make good portfolio decisions. While we maintain high regard for Fisher's top-down process, we have less conviction in the bottom-up research effort, thus preventing us from assigning this strategy our highest rating.
<b>Goldman Sachs Asset Management</b>	<b>R</b>	Mercer does not formally rate the strategy.

# MERCER RESEARCH COMMENTARY

Candidate	Mercer Rating	Overall Assessment
<b>T. Rowe Price</b>	<b>B+</b>	<p>The attraction of this strategy stems from the ability of a thoughtful, experienced portfolio manager, who has a clear set of investment beliefs, to capture the best ideas of the firm's emerging market analysts, whom we hold in high regard. The interaction across the desk creates a strategy where the whole is greater than the sum of its parts. The philosophy and process, whilst not necessarily distinctive, identifies the highest conviction ideas on a bottom-up basis, but incorporates a top-down perspective in order to help navigate macro risks. That said, analysts are required to provide research for strategies with competing objectives (value and quality/growth), which has the potential to diminish their focus on this strategy. We also note that firm wide asset levels in emerging markets are high. Due to these concerns, we have not awarded this strategy our highest rating. There is some uncertainty due to the upcoming retirement of the lead manager, Gonzalo Pangaro, at the end of 2021. There is a gradual transition to the new co-portfolio managers planned over the course of 2021, and Pangaro is expected to remain fully engaged until he retires. However, a continuation of the current positive view longer term will require conviction in the new manager line up. We will look to form a clearer view on them in the coming months as their involvement in the strategy increases.</p>
<b>William Blair</b>	<b>A (T)</b>	<p>Blair's strengths include a disciplined investment process, a consistent emphasis on higher quality growth names, and an experienced and cohesive investment team. The team's ability to identify companies which are able to maintain higher growth rates for longer than markets expect is a competitive advantage. This advantage is supported by an intensive fundamentals based research approach and a team well versed in the 'stronger for longer' philosophy and process that Blair espouses. Portfolio managers Todd McClone and Casey Preyss are highly adept at managing emerging markets equities, demonstrating a clear understanding of the nuances of those markets and the unique risks and opportunities inherent to the space. Though dedicated portfolio managers have final decision making authority, investments also benefit from the insights of the other portfolio managers and analysts on the team.</p>
<b>Wells Fargo Asset Management</b>	<b>A (W)</b>	<p>The Berkeley Street Emerging Markets Equity strategy is built from a bottom-up, fundamental research process that focuses on "quality companies bought at compelling prices". Portfolio manager Jerry Zhang has spent years developing and honing his philosophy, which offers a twist on well-known concepts of quality and value. We like the clear investment philosophy, the strong focus on a pool of quality companies that meet the team's investment criteria, and the depth with which its research is undertaken. Zhang has built a very capable team of analysts with experience, demonstrated research strength, and good synergy. The strategy offers a differentiated and sound investment process.</p>

# OVERVIEW

## Quantitative Scorecard

Funds	Performance Characteristics (over 5 Years ending June-21)	% of time out-performing (all/up/ down markets over 5 Years ending June-21)	Portfolio Characteristics (AUM as of 6/30/21)	Fees (revenue sharing)
<b>Axiom International Investors - Axiom Emerging Markets Equity Strategy</b>	Ret (%pa): 15.9 (15) Tracking error (%pa): 3.6 (78) Information ratio: 0.8 (5) Return/SD: 0.8 (9)	All markets: 70% Up markets: 86% Down markets:33%	AUM (\$MM): 8,884 Inception year: 2007 Market cap (\$MM): 9,642 No. of stocks held: 89 Avg. turnover(%): 72	0.74%
<b>Baillie Gifford - Baillie Gifford Emerging Markets Equities Fund</b>	Ret (%p.a.): 19.4 (3) Tracking error (%pa): 5.8 (45) Information ratio: 1.1 (1) Return/SD: 0.8 (6)	All markets: 65% Up markets: 79% Down markets:33%	AUM (\$MM): 19,325 Inception year: 1994 Market cap (\$MM): 9,328 No. of stocks held: 76 Avg. turnover(%):40	0.80%(MF)/0.74% CIT*
<b>BlackRock - Emerging Markets Alpha Tilts Fund</b>	Ret (%p.a.): 13.3 (36) Tracking error (%pa): 1.3 (97) Information ratio: 0.2 (23) Return/SD: 0.7 (26)	All markets: 45% Up markets: 50% Down markets:33%	AUM (\$MM): 13,561 Inception year: 2002 Market cap (\$MM): 9,034 No. of stocks held: 298 Avg. turnover(%): 92	0.77%
<b>Columbia Threadneedle Investments North America - Columbia Trust Emerging Markets Opportunity Fund</b>	Ret (%p.a.): 19.4 (3) Tracking error (%pa): 6.4 (39) Information ratio: 1.0 (2) Return/SD: 0.8 (5)	All markets: 65% Up markets: 86% Down markets:17%	AUM (\$MM): 7,862 Inception year: 2011 Market cap (\$MM): 16,069 No. of stocks held: 85 Avg. turnover(%): 50	0.56%
<b>Driehaus Capital Management - Driehaus Emerging Markets</b>	Ret (%p.a.): 16.1 (14) Tracking error (%pa): 4.3 (64) Information ratio: 0.7 (7) Return/SD: 0.8 (6)	All markets: 60% Up markets: 57% Down markets:67%	AUM (\$MM): 6,147 Inception year: 1997 Market cap (\$MM): 16,069 No. of stocks held: 108 Avg. turnover(%): 330	0.77%
<b>Fidelity Institutional Asset Management (FIAM) - Select Emerging Markets Equity</b>	Ret (%pa): 15.5 (17) Tracking error (%pa): 3.1 (87) Information ratio: 0.8 (5) Return/SD: 0.7 (15)	All markets: 60% Up markets: 71% Down markets:33%	AUM (\$MM): 10,473 Inception year: 2008 Market cap (\$MM): 9,642 No. of stocks held: 127 Avg. turnover(%): 80	0.71%

\*Baillie Gifford is willing to offer lower costs (0.60%) if the DCP is wishes to apply scale of LAFPP assets towards this mandate. Further discussion would need to be had regarding dependency of this pricing on other asset pools, however.

# OVERVIEW

## Quantitative Scorecard

Funds	Performance Characteristics (over 5 Years ending June-21)	Batting Average during Up/Down Markets (over 5 Years ending June-21)	Portfolio Characteristics	Effective Fee Net of Rev Share
<b>Fidelity Investments - Fidelity Emerging Markets Fund</b>	Ret (%p.a.): 17.5 (7) Tracking error (%pa): 5.9 (44) Information ratio: 0.8 (6) Return/SD: 0.8 (3)	All markets: 65% Up markets: 71% Down markets:50%	AUM (\$MM): 8,714 Inception year: 1990 Market cap (\$MM): 9,328 No. of stocks held: 85 Avg. turnover(%):49	0.67% on all assets
<b>Fisher Investments - Emerging Markets Equity</b>	Ret (%p.a.): 13.7 (32) Tracking error (%pa): 4.3 (66) Information ratio: 0.2 (30) Return/SD: 0.6 (42)	All markets: 50% Up markets: 57% Down markets:33%	AUM (\$MM): 15,491 Inception year: 2006 Market cap (\$MM): 9,034 No. of stocks held: 57 Avg. turnover(%): 25	0.89% on all assets
<b>Goldman Sachs Asset Management - Goldman Sachs Emerging Markets Equity Fund</b>	Ret (%p.a.): 16.3 (13) Tracking error (%pa): 4.6 (60) Information ratio: 0.7 (7) Return/SD: 0.7 (14)	All markets: 65% Up markets: 79% Down markets:33%	AUM (\$MM): 10,358 Inception year: 1995 Market cap (\$MM): 16,069 No. of stocks held: 126 Avg. turnover(%): 35	0.83% on all assets
<b>T. Rowe Price - T. Rowe Price Emerging Markets Equity</b>	Ret (%p.a.): 12.9 (40) Tracking error (%pa): 3.6 (78) Information ratio: 0.0 (40) Return/SD: 0.6 (37)	All markets: 45% Up markets: 50% Down markets:33%	AUM (\$MM): 31,648 Inception year: 1995 Market cap (\$MM): 16,069 No. of stocks held: 90 Avg. turnover(%): 30	0.80% on all assets
<b>William Blair - Emerging Markets Growth</b>	Ret (%p.a.): 18.2 (4) Tracking error (%pa): 8.2 (25) Information ratio: 0.6 (7) Return/SD: 0.8 (6)	All markets: 55% Up markets: 57% Down markets:50%	AUM (\$MM): 7,255 Inception year: 1996 Market cap (\$MM): 16,069 No. of stocks held: 139 Avg. turnover(%): 100	0.86% on all assets
<b>Wells Fargo Asset Management - Emerging Markets Equity</b>	Ret (%p.a.): 15.1 (20) Tracking error (%pa): 4.4 (63) Information ratio: 0.5 (16) Return/SD: 0.7 (16)	All markets: 75% Up markets: 79% Down markets:67%	AUM (\$MM): 14,392 Inception year: 1997 Market cap (\$MM): 16,069 No. of stocks held: 111 Avg. turnover(%): 20	0.79% on all assets
<b>Dimensional Fund Advisors - Emerging Markets Core Equity Portfolio</b>	Ret (%p.a.): 11.9 (59) Tracking error (%pa): 3.6 (77) Information ratio: -0.3 (60) Return/SD: 0.5 (60)	All markets: 50% Up markets: 57% Down markets:33%	AUM (\$MM): 34,153 Inception year: 2005 Market cap (\$MM): 16,069 No. of stocks held: 5,508 Avg. turnover(%): 10	0.39% on all assets

# FACTS AND FIGURES



# CANDIDATE SUMMARY

Firm	Candidate Characteristics (as of 6/30/2021)						
	Headquarters	Firm Ownership		Firm AUM (billions)	Strategy AUM (billions)	Strategy Inception Year	# of PMs / # Analysts
<b>Axiom</b>	Greenwich, CT	Employees 100%		\$19.8	\$8.9	2007	4 / 8
<b>Baillie Gifford</b>	Edinburgh, Scotland, United Kingdom	Employee owned 100%		\$486.8	\$19.3	1994	6 / 2
<b>BlackRock</b>	New York, NY	Public and Employees 100%		\$9,496.0	\$13.6	2002	17 / 24
<b>Columbia</b>	Boston, MA	Ameriprise Financial, Inc. 100%		\$437.0	\$7.9	2011	8 / 1
<b>Driehaus</b>	Chicago, IL	Driehaus Capital Holdings LLC 100% majority owned by founder		\$13.8	\$6.1	1997	3 / 5
<b>FIAM</b>	Smithfield, RI	Officers and Senior Employees of Fidelity 51%	Edward C. Johnson 3d Family 49%	\$295.8	\$10.5	2008	3 / 148
<b>Fidelity</b>	Boston, MA	Employee owned 51%	Family 49%	\$3,970.7	\$8.7	1990	1 / 148
<b>Fisher</b>	Camas, WA	Employee owned 100%		\$51.3	\$15.5	2006	5 / 51
<b>Goldman</b>	New York, NY	Publicly Owned - Listed NYSE 94%	Signatories to Goldman Sachs Shareholder Agreement 6%	\$1,953.8	\$10.4	1995	2 / 24
<b>T. Rowe Price</b>	Baltimore, MD	Publicly owned 86%	Employee owned 14%	\$1,627.3	\$31.6	1995	3 / 29
<b>William Blair</b>	Chicago, IL	Employee owned 100%		\$74.0	\$7.3	1996	3 / 16
<b>Wells Fargo</b>	San Francisco, CA	Private Equity Firms GTCR and Reverence Capital 90.1% <sup>1</sup>	Wells Fargo & Co 9.9% <sup>1</sup>	\$512.5	\$14.4	1997	3 / 6
<b>DFA - Incumbent</b>	Austin, TX	Current and former employees, 70%	Other 30%	\$659.5	\$34.2	2005	42 / 32

## Key observation:

- All of the managers are established firms with reasonable levels of strategy assets, though T. Rowe Price has meaningfully larger EM strategy assets than others in this search.

<sup>1</sup> Ownership structure following close of acquisition expected to be completed in second half of 2021

# STRATEGY ASSETS

Firm	As of December 31, 2020			From December 31, 2017 to December 31, 2020			
	Strategy assets (\$MM)	Number of clients	Largest Account Size (\$MM)	Accounts Gained (#)	Accounts Gained (\$MM)	Accounts lost (#)	Accounts lost (\$MM)
Axiom	8,443	19	726	1	23	5	1,712
Baillie Gifford	17,795	29	3,466	10	798	2	24
BlackRock	13,756	19	3,520	23	4,634	14	1,036
Columbia	6,787	15	1,942	1	52	0	0
Driehaus	5,606	9	2,585	3	696	1	16
FIAM	9,240	51	3,599	24	1,095	3	137
Fidelity	6,923	1*	N/A	N/A	N/A	N/A	N/A
Fisher	15,293	98	6,944	56	1,946	124	4,124
Goldman	8,699	484	1,536	9	840	0	0
T. Rowe Price	32,326	20	12,888	6	660	1	0
William Blair	5,982	65	549	22	520	4	1,076
Wells Fargo	12,921	49	1,370	10	414	8	433
DFA - Incumbent	31,881	228	558	0	0	7	88

## Key observations:

- FIAM, William Blair, Goldman Sachs, Baillie Gifford and BlackRock have tended to have the most positive new client growth in recent years, while Fisher and Axiom have seen net client departures.

\*Fidelity counts mutual fund vehicle as sole client and doesn't track individual client relationships in the funds.

# PERSONNEL

Firm	As of December 31, 2020		Investment professional strategy turnover from December 31, 2017 to December 31, 2020	
	Total investment professionals	Investment professionals in strategy	Additions	Departures
Axiom	41	12	1	1
Baillie Gifford	300	8	3	0
BlackRock	2570	63	1	1
Columbia	264	7	1	1
Driehaus	40	8	0	0
FIAM	622	151	47	48
Fidelity	763	149	37	49
Fisher	100	56	52	14
Goldman	706	26	5	3
T. Rowe Price	2646	36	4	0
William Blair	144	19	2	7
Wells Fargo	446	9	0	0
DFA - Incumbent	550	74	38	16

## Key observations:

- Staffing appears reasonable at all firms, though Fidelity, FIAM, Blair, and Fisher show the most net departures over the past 3 calendar years.
- Fidelity and affiliate FIAM, given size of the firm and analyst count, has higher personnel turnover in absolute terms.

# SELECTED PORTFOLIO GUIDELINES

Firm	Minimum market cap (\$MM)	Number of stocks typically held	Average cash position over last 5 years (%)	Average portfolio turnover over last 5 years(%)	Use of currency hedging	Percent limit on hedging (%)
Axiom	1,000	70-85	3	72	No Hedging	0
Baillie Gifford	100	60 - 100	1	40	No Hedging	0
BlackRock	400	309	0	92	No Hedging	0
Columbia	100	85	2	50	No Hedging	0
Driehaus	100	80-110	5	330	No Hedging	0
FIAM	250	115-125	3	80	No Hedging	0
Fidelity	0	95	2	49	No Hedging	0
Fisher	500	54	1	25	No Hedging	0
Goldman	200	161	1	35	No Hedging	0
T. Rowe Price	1,000	84	3	30	No Hedging	0
William Blair	100	144	2	100	Occasional Hedging	not provided
Wells Fargo	0	100	4	20	No Hedging	0
DFA - Incumbent	50	5,933	0	10	No Hedging	0

## Key observations:

- Fisher runs the most concentrated strategy, though well-diversified
- BlackRock, Goldman Sachs and William Blair run more diversified strategies
- Driehaus has very high turnover which causes us to question potential performance drag over time.

# SELECTED PORTFOLIO GUIDELINES

	# of Holdings	% in Top 10 Holdings	Market Cap (\$M)	Dividend Yield	Price / Earnings	Price / Book
Axiom	89	35.97	183,211	1.48	23.90	2.68
Baillie Gifford	76	43.75	199,947	1.80	21.72	3.02
BlackRock	298	30.10	173,860	1.70	18.90	2.20
Columbia	85	41.12	190,220	1.03	32.88	4.77
Driehaus	108	32.05	210,000	0.91	22.80	3.70
FIAM	127	36.24	185,863	1.43	21.20	2.64
Fidelity	85	39.21	216,439	1.27	25.74	4.13
Fisher	57	52.09	226,831	1.50	27.61	3.88
Goldman	126	38.78	185,496	1.43	24.24	3.89
T. Rowe Price	90	47.22	220,521	1.68	21.64	3.53
William Blair	139	36.53	183,088	0.95	35.72	6.34
Wells Fargo	111	41.47	162,428	1.57	22.83	2.95
DFA - Incumbent	5,508	20.27	110,293	2.34	15.52	1.70
<b>MSCI EM Index</b>	1,155	28.26	156,326	1.98	19.75	2.28

## Key observations:

- Fisher, T. Rowe Price, Baillie Gifford, Wells Fargo and Columbia represent the most concentrated strategies with over 40% of holdings in the top ten. BlackRock, Driehaus, FIAM and William Blair are more diversified, with a higher number of holdings and less concentration in the top 10.
- All managers have a higher market cap than the benchmark, with Wells Fargo being the most in-line with the index.
- Columbia, Fidelity (mutual fund) and William Blair's P/E and P/B are very high, indicating a notable growth orientation.

# SECTOR DISTRIBUTION

Firm	Energy (%)	Materials (%)	Industrials (%)	Cons Disc (%)	Cons Staples (%)	Health Care (%)	Financials (%)	Info Tech (%)	Comm Services (%)	Utilities (%)	Real Estate (%)
Axiom	2.8	8.2	11.0	15.3	2.5	2.5	18.2	27.7	10.2	0.4	0.0
Baillie Gifford	6.0	12.0	2.4	20.8	1.2	2.2	19.2	23.5	11.6	0.0	0.6
BlackRock	4.5	6.9	6.0	18.6	5.1	3.3	18.5	20.9	11.4	1.3	1.4
Columbia	4.4	0.4	6.8	24.5	1.3	6.4	16.8	24.6	13.2	0.0	0.9
Driehaus	4.4	7.5	6.5	0.0	4.6	4.5	20.4	27.8	10.4	1.4	0.4
FIAM	5.6	7.7	3.0	19.4	4.4	4.0	18.2	22.2	11.8	0.9	0.8
Fidelity	4.7	2.8	6.1	18.2	4.5	6.5	16.2	23.8	13.1	0.9	1.2
Fisher	4.9	5.1	2.0	22.2	1.8	8.6	10.0	29.3	15.6	0.0	0.0
Goldman	0.6	2.8	4.0	21.6	9.2	3.8	19.5	24.9	11.4	1.1	0.8
T. Rowe Price	0.3	1.7	2.7	16.2	15.5	1.7	24.1	24.8	11.7	0.6	0.5
William Blair	1.8	3.7	7.2	17.3	5.8	5.8	9.1	32.3	15.8	0.2	0.0
Wells Fargo	3.6	0.9	1.8	21.8	14.7	1.7	12.6	18.3	18.3	0.0	1.4
DFA - Incumbent	4.5	11.4	8.2	13.4	6.1	3.9	15.8	20.8	8.8	3.0	3.7
MSCI EM Index	4.8	8.1	4.3	17.7	5.6	4.5	18.2	20.9	11.7	2.0	2.2

## Key observations:

- All strategies appear well diversified from a sector concentration standpoint.
- BlackRock tends to maintain highly benchmark aware positioning, while Columbia, Fisher and William Blair show some notable sector bets

Data as of 3/31/2021 except for Driehaus which is as of 6/30/2021.

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# COUNTRY ALLOCATION

Firm	Asian Emerging Markets (%)	Latin American Emerging Markets(%)	Other Emerging Markets (%)	Hong Kong/ Singapore	Other Developed Markets (%)	Cash (%)
Axiom	83.5	8.8	6.6	3.9	0.4	0.7
Baillie Gifford	72.0	14.7	10.6	1.2	0.0	1.4
BlackRock	77.4	8.8	11.4	0.0	0.1	2.3
Columbia	69.1	12.3	12.8	4.8	1.0	0.0
Driehaus	64.7	9.3	6.9	6.5	12.6	0.0
FIAM	77.4	10.5	9.5	0.4	0.0	2.3
Fidelity	65.0	4.7	12.9	4.2	12.1	1.1
Fisher	76.9	18.1	4.5	0.0	0.0	0.5
Goldman	67.1	6.5	11.8	10.3	4.3	0.0
T. Rowe Price	66.6	11.9	11.7	3.4	2.3	4.1
William Blair	85.6	6.9	7.0	0.0	0.0	0.5
Wells Fargo	67.6	16.6	5.5	7.9	0.0	2.3
DFA - Incumbent	80.5	8.4	10.3	0.0	0.0	0.8
MSCI EM Index	51.2	7.2	13.2	28.1	0.8	0.0

## Key observations:

- Driehaus and Fidelity (mutual fund) have higher allocations to off-benchmark developed markets which is less desirable given complementary developed managers within the DCP International Stock Fund.

Data as of 3/31/2021 except benchmark which is 6/30/2021

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# VEHICLES & FEES

Manager	Vehicle	Fund Name	Expense Ratio (Revenue Sharing)	Estimated Expense (Based of 6/30/21 Assets of \$134.2 M)	Estimated \$ Difference vs Incumbent
Axiom	CIT	Emerging Markets Equity Strategy	0.74%	\$993,080	\$469,700
Baillie Gifford	CIT/Mutual Fund	Emerging Markets All Cap	0.71%*/0.80%	\$955,300	\$431,820
BlackRock	CIT	(SAE) Alpha Tilts - Emerging Market	0.77%	\$1,033,340	\$509,960
Columbia	CIT	Emerging Markets Opportunity	0.56%	\$751,520	\$228,140
Driehaus	CIT	Emerging Markets Growth	0.77%	\$1,033,340	\$509,960
FIAM	CIT	Select Emerging Markets Equity	0.71%	\$952,820	\$429,440
Fidelity	Mutual Fund	Emerging Markets Fund	0.92% (0.25%)	\$899,140	\$375,760
Fisher	CIT	Emerging Markets Equity	0.89%	\$1,194,380	\$671,000
Goldman	Mutual Fund	Global Emerging Markets Equity	1.13% (0.30%)	\$1,113,860	\$590,480
T. Rowe Price	CIT	Emerging Markets Equity Strategy	0.80%	\$1,073,600	\$550,220
William Blair	CIT	International Growth: Emerging Markets	0.86%	\$1,154,120	\$630,740
Wells Fargo	CIT	Berkeley Street Emerging Markets Equity	0.79%	\$1,060,180	\$536,800
DFA - Incumbent	Mutual Fund	Emerging Markets All Cap Core Strategy	0.39%	\$523,380	\$ -

## Key observations:

- All strategies represent a fee increase from the incumbent manager, though net performance generally has been better.
- Columbia has the lowest fee amongst the candidates, while FIAM and BG\* are attractive as well.

\*Baillie Gifford is willing to offer lower costs (0.60%) if the DCP is wishes to apply scale of LAFPP assets towards this mandate. Further discussion would need to be had regarding dependency of this pricing on other asset pools, however.



# PERFORMANCE DETAILS

# PERFORMANCE CHARACTERISTICS

Performance characteristics vs. MSCI EM (Net) in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe (Percentile Ranking) (quarterly calculations)

	Return (%pa)	Std Deviation (%pa)	Tracking Error (%pa)	Information Ratio	Sharpe Ratio	Alpha (%pa)	Up Markets Capture (%)	Down Markets Capture (%)	Beta
Axiom	15.94	21.11	3.60	0.81	0.70	2.23	120.75	100.71	1.04
Baillie Gifford	19.37	24.88	5.77	1.10	0.73	3.40	159.29	109.15	1.23
BlackRock	13.35	20.45	1.33	0.24	0.59	0.10	104.03	101.85	1.02
Columbia	19.38	24.62	6.43	0.99	0.74	3.69	162.71	111.33	1.21
Driehaus	16.11	20.66	4.34	0.71	0.72	2.74	120.88	99.75	1.01
FIAM	15.55	21.75	3.13	0.80	0.66	1.46	122.09	104.23	1.08
Fidelity	17.47	21.13	5.85	0.76	0.77	3.97	130.74	99.60	1.02
Fisher	13.70	22.54	4.28	0.16	0.55	-0.56	112.57	107.34	1.11
Goldman	16.28	22.41	4.59	0.71	0.67	1.93	133.36	108.73	1.10
T. Rowe Price	12.94	20.82	3.60	-0.02	0.57	-0.29	106.76	106.85	1.03
William Blair	18.22	23.40	8.22	0.63	0.73	3.86	146.57	107.09	1.10
Wells Fargo	15.08	21.45	4.37	0.47	0.65	1.36	112.35	98.67	1.05
DFA - Incumbent	11.89	22.15	3.64	-0.31	0.48	-1.91	104.90	111.53	1.10
MSCI EM	13.03	20.00	N/A	N/A	0.59	N/A	N/A	N/A	N/A

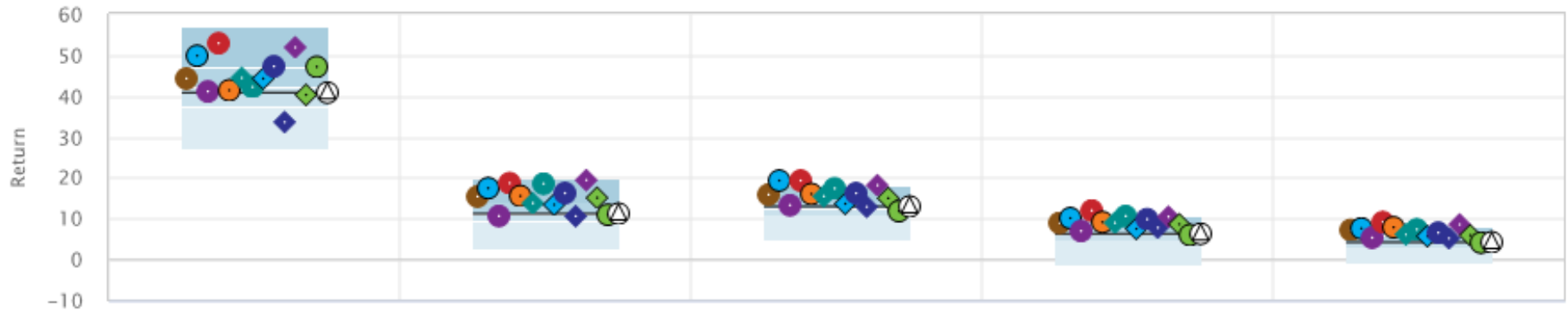


## Key observations:

- Baillie Gifford and Columbia delivered strongest (absolute and risk-adjusted) performance. Higher volatility is driven in part due to upside performance in this period. Driehaus, Fidelity (MF) and Wells Fargo tend to minimize volatility relative to the benchmark.
- All others candidates delivered meaningful up market participation, with a downside capture greater than the benchmark.

# ANNUALIZED PERFORMANCE

Return in \$US (after fees) over 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe (Percentile Ranking)



	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
● Axiom	44.4 (35)	15.5 (19)	15.9 (15)	9.0 (12)	7.3 (8)
● Baillie	49.9 (16)	17.5 (9)	19.4 (3)	10.2 (5)	7.7 (5)
● BlackRock	41.2 (55)	10.7 (60)	13.3 (36)	7.0 (34)	5.4 (31)
● Columbia	53.0 (10)	18.7 (7)	19.4 (3)	12.0 (1)	9.2 (3)
● Driehaus	41.5 (53)	15.6 (18)	16.1 (14)	9.2 (11)	7.9 (3)
◆ FIAM	44.5 (34)	13.8 (25)	15.5 (17)	9.1 (12)	6.2 (19)
● Fidelity	42.3 (49)	18.6 (7)	17.5 (7)	10.7 (3)	7.4 (5)
◆ Fisher	44.3 (35)	13.5 (26)	13.7 (32)	7.6 (28)	5.8 (23)
● Goldman	47.3 (23)	16.3 (13)	16.3 (13)	9.9 (8)	6.6 (16)
◆ T.Rowe	33.7 (87)	10.7 (60)	12.9 (40)	7.8 (23)	5.2 (32)
◆ WB	52.0 (11)	19.5 (4)	18.2 (4)	10.5 (4)	8.6 (3)
◆ Wells Fargo	40.4 (59)	15.2 (21)	15.1 (20)	8.7 (14)	6.0 (21)
● DFA	47.2 (24)	11.0 (52)	11.9 (59)	6.1 (51)	4.2 (50)
⊖ MSEMFN	40.9 (57)	11.3 (47)	13.0 (39)	6.4 (43)	4.3 (49)
5th Percentile	56.5	19.4	18.0	10.1	7.5
Upper Quartile	46.9	13.9	14.3	7.7	5.7
Median	42.2	11.1	12.3	6.1	4.2
Lower Quartile	37.3	9.2	10.8	4.7	2.9
95th Percentile	27.0	2.5	4.6	-1.4	-1.0
Number	282	244	216	179	133

Baillie Gifford, Columbia, and William Blair performed near the top decile across all observed periods.

# CALENDAR YEAR PERFORMANCE

Return in \$US (after fees) over last 9 calendar years ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe (Percentile Ranking)



	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	6 mths to 6/2021 (%)
● Axiom	3.7(24)	-0.9(37)	-11.8(35)	8.7(54)	41.8(20)	-16.3(55)	25.3(22)	30.5(13)	5.8(77)
● Baillie	4.0(22)	0.3(30)	-7.3(9)	0.9(90)	53.1(0)	-14.9(40)	28.1(13)	29.6(15)	5.8(77)
● BlackRock	-2.5(60)	-2.1(51)	-13.8(53)	14.0(18)	38.9(32)	-15.3(45)	17.8(65)	17.6(44)	7.8(57)
● Columbia	-1.1(49)	-0.1(31)	-5.5(6)	8.4(56)	52.5(0)	-20.9(88)	32.1(4)	35.5(7)	7.9(54)
● Driehaus	9.8(10)	-5.0(78)	-9.6(21)	6.8(62)	44.3(11)	-15.6(48)	26.3(20)	28.1(16)	6.9(69)
◆ FIAM	-1.5(54)	2.6(17)	-12.0(36)	12.0(31)	45.0(10)	-18.5(73)	22.7(33)	26.0(19)	7.2(65)
● Fidelity	3.9(23)	1.6(20)	-10.1(25)	3.3(82)	47.7(4)	-18.0(69)	33.7(4)	32.5(11)	7.5(62)
◆ Fisher	4.9(18)	1.9(18)	-11.0(32)	5.7(70)	38.5(33)	-19.0(79)	19.8(47)	31.1(12)	5.9(77)
● Goldman	-3.3(71)	1.2(24)	-5.8(6)	5.1(72)	48.1(2)	-20.7(87)	25.9(20)	30.9(13)	8.6(48)
◆ T.Rowe	-5.1(86)	1.7(19)	-11.8(35)	11.9(33)	42.6(15)	-16.4(56)	26.2(20)	17.2(48)	2.8(92)
◆ WB	3.2(25)	5.1(10)	-14.7(59)	2.3(85)	50.3(1)	-21.6(92)	28.9(10)	41.0(5)	10.7(28)
◆ Wells Fargo	-1.2(51)	-4.2(70)	-12.0(36)	12.7(26)	36.0(50)	-15.3(45)	28.6(11)	23.7(25)	7.7(57)
● DFA	-2.6(61)	-0.9(38)	-14.9(60)	12.4(28)	36.6(48)	-15.2(45)	16.0(77)	13.9(63)	11.9(22)
● MSEMFN	-2.6(61)	-2.2(52)	-14.9(61)	11.2(37)	37.3(45)	-14.6(34)	18.4(59)	18.3(40)	7.4(62)
5th Percentile	12.8	9.3	-4.5	25.7	47.1	-9.5	30.9	41.9	18.5
Upper Quartile	3.3	0.9	-10.1	12.8	40.6	-13.5	24.5	23.7	11.2
Median	-1.1	-2.0	-13.6	9.4	36.0	-15.9	19.6	16.9	8.4
Lower Quartile	-3.8	-4.9	-16.1	4.7	31.0	-18.6	16.2	9.8	6.0
95th Percentile	-7.5	-13.6	-22.7	-2.9	19.8	-23.2	7.9	-5.4	2.2
Number	159	171	188	210	222	236	258	272	288

- During the 2015 drawdown, Baillie Gifford, Columbia, Driehaus, Fidelity (MF) and Goldman Sachs placed in the top quartile; however, no managers placed in the top quartile during the 2018 drawdown.

# RISK / RETURN – 5-YEAR PERIOD (6/30/21)

Return and Std Deviation in \$US (after fees) over 5 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe (quarterly calculations)

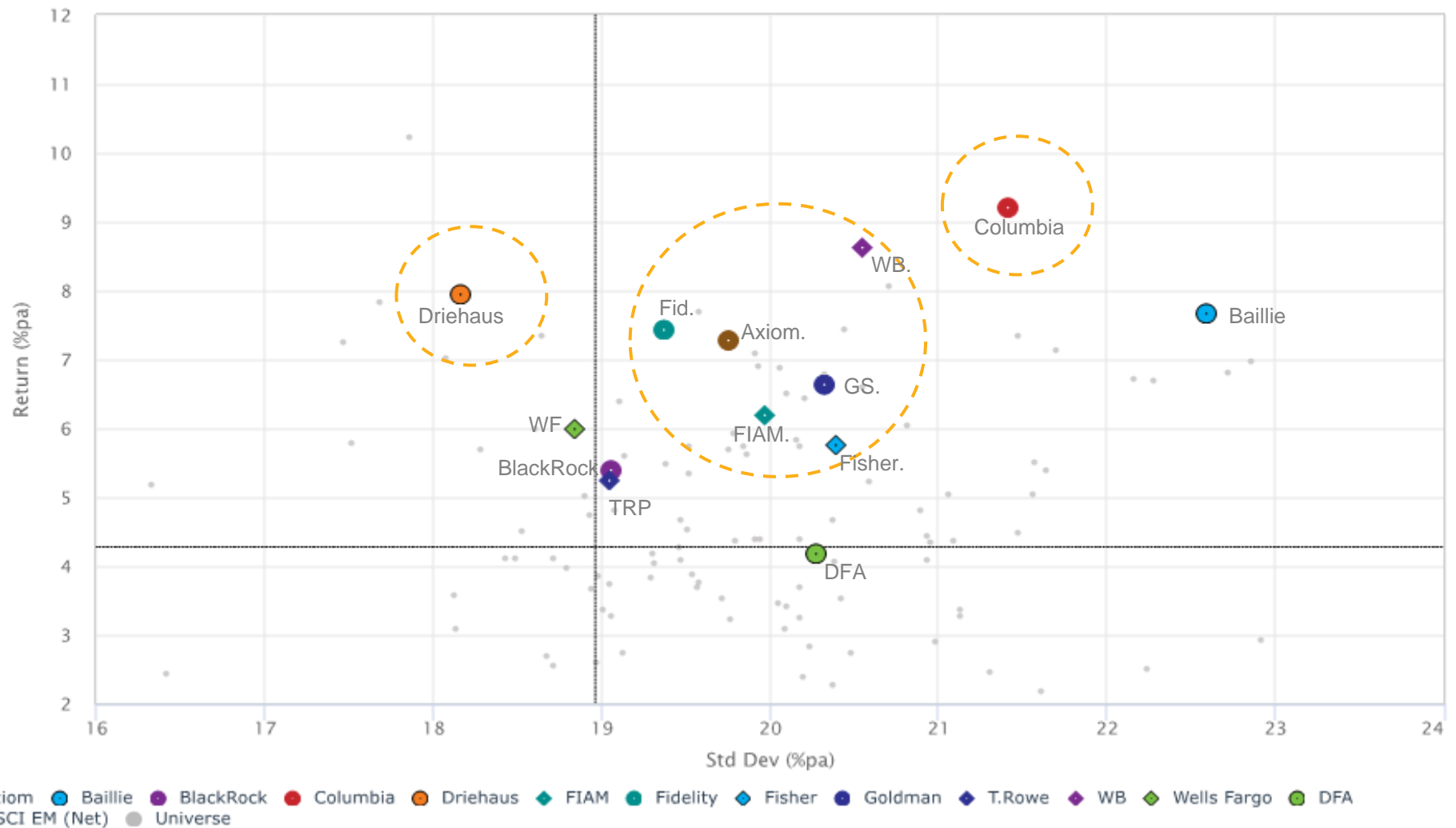


Baillie Gifford and Columbia exhibit strong performance, but are more volatile compared to peers in part due to excess performance.

From a risk/return perspective, Fidelity (MF), Driehaus, Axiom, Wells Fargo and FIAM offered less volatility and less return than Columbia and BG, albeit efficiently.

# RISK / RETURN – 10-YEAR PERIOD (6/30/21)

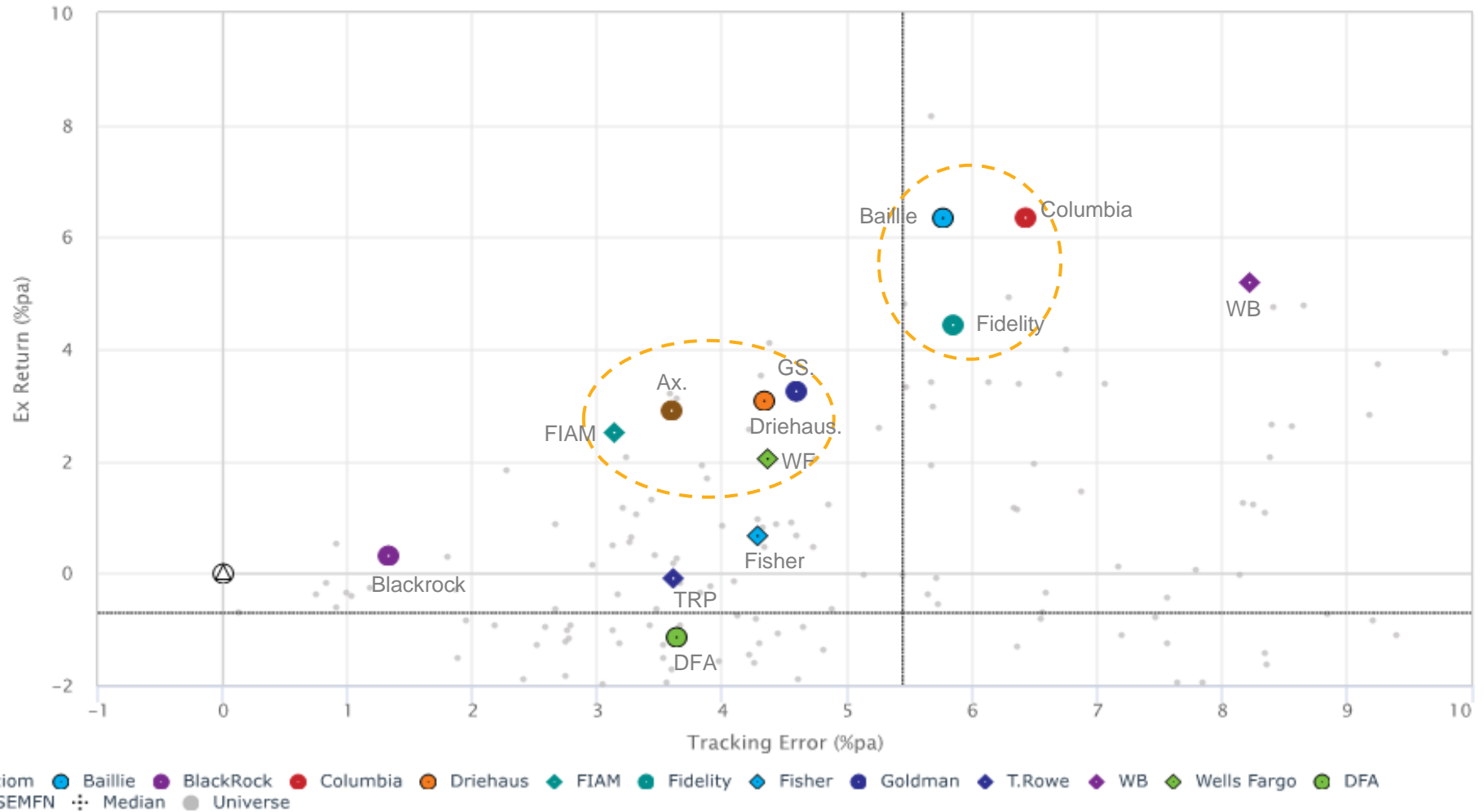
Return and Std Deviation in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe (quarterly calculations)



Many of the candidates show a similar risk/return profile over the long-term.

# TRACKING ERROR / EXCESS RETURN (5-YR)

Excess Return and Tracking Error vs. MSCI EM (Net) in \$US (after fees) over 5 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe (quarterly calculations)

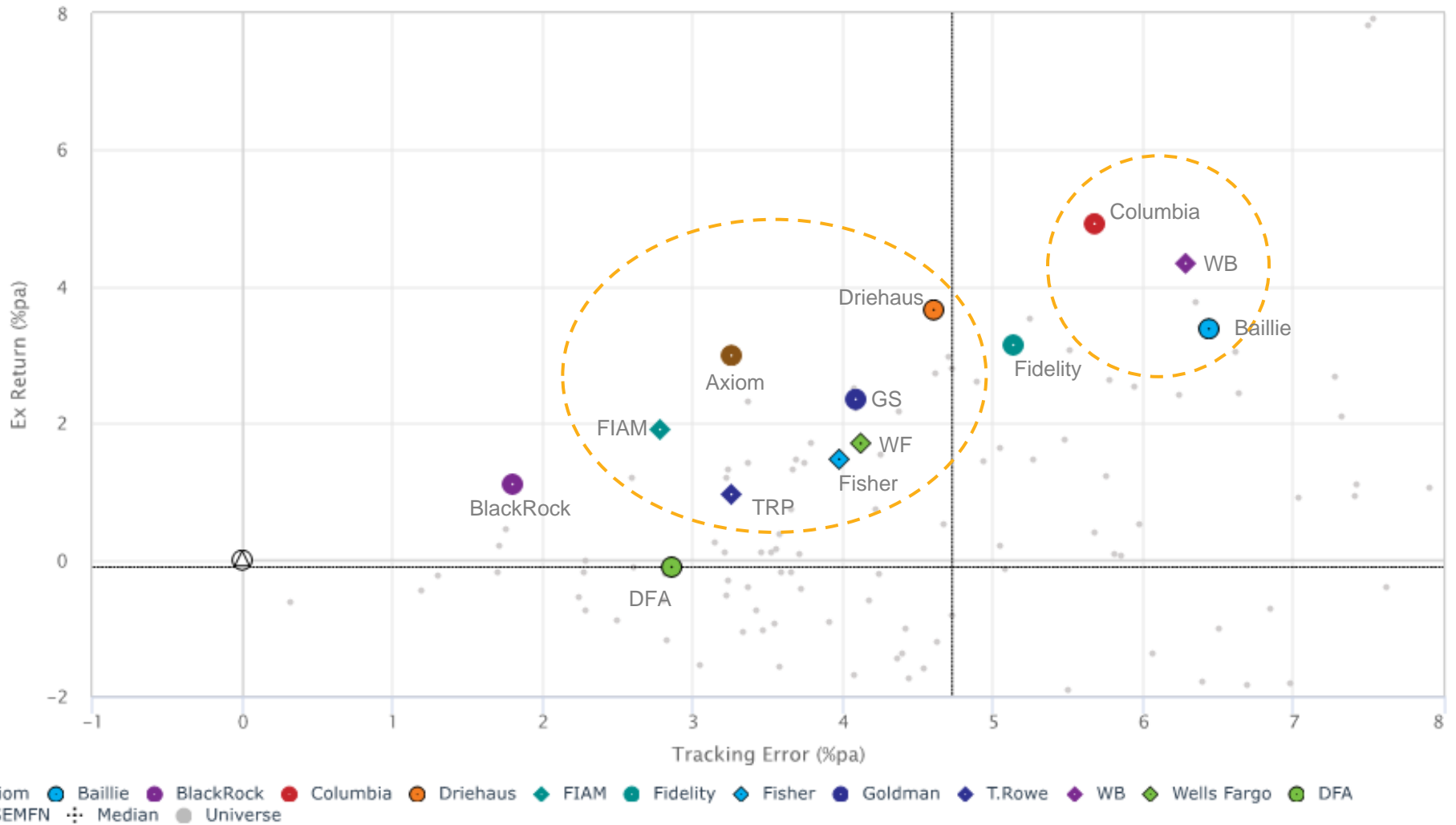


Baillie Gifford, Columbia and Fidelity (MF) exhibit strong excess performance, but have not tracked the index as closely as some other managers.

From a risk/return perspective, FIAM, Axiom, Driehaus, Goldman Sachs and Wells Fargo are notable.

# TRACKING ERROR / EXCESS RETURN (10-YR)

Excess Return and Tracking Error vs. MSCI EM (Net) in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe (quarterly calculations)



The majority of candidates exhibit above median excess returns, while having below median tracking error.



# RETURNS-BASED STYLE ANALYSIS (5-YR)

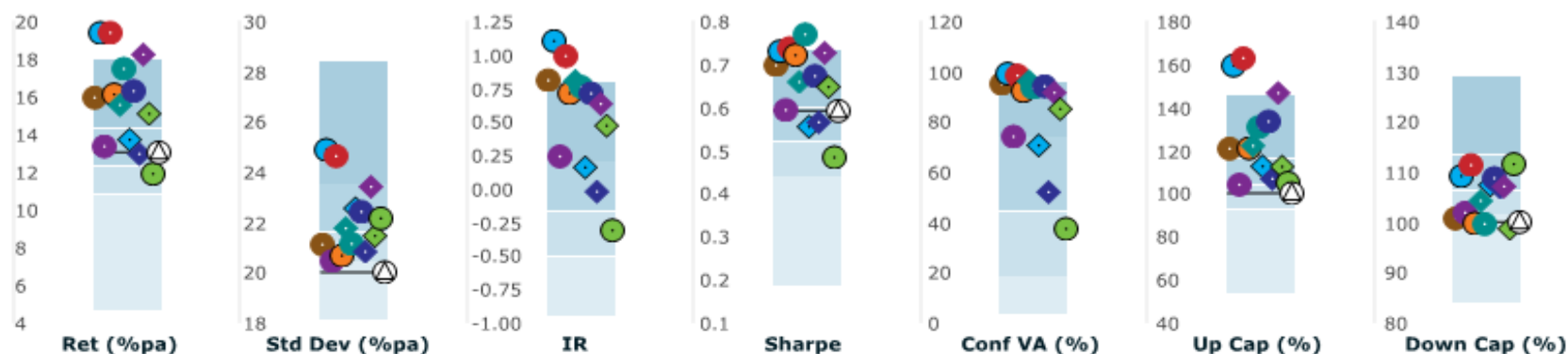
Returns based style analysis in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe (quarterly calculations)



- Many of the managers display some degree of growth tilt, though BlackRock, Wells Fargo, FIAM, and Baillie Gifford plotted closer to “core.”

# RISK STATISTICS – 5 YEAR (6/30/2021)

Performance characteristics vs. MSCI EM (Net) in \$US (after fees) over 5 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe (Percentile Ranking) (quarterly calculations)



	Ret (%pa)	Std Dev (%pa)	IR	Sharpe	Conf VA (%)	Up Cap (%)	Down Cap (%)
● Axiom	15.9 (15)	21.1 (62)	0.8 (5)	0.7 (9)	95.0 (5)	120.8 (20)	100.7 (78)
● Baillie	19.4 (3)	24.9 (13)	1.1 (1)	0.7 (5)	99.1 (1)	159.3 (3)	109.1 (38)
● BlackRock	13.3 (36)	20.5 (74)	0.2 (23)	0.6 (27)	74.0 (26)	104.0 (49)	101.9 (73)
● Columbia	19.4 (3)	24.6 (15)	1.0 (2)	0.7 (5)	98.3 (2)	162.7 (2)	111.3 (31)
● Driehaus	16.1 (14)	20.7 (71)	0.7 (7)	0.7 (6)	92.1 (7)	120.9 (20)	99.7 (80)
◆ FIAM	15.5 (17)	21.8 (47)	0.8 (5)	0.7 (15)	96.0 (4)	122.1 (19)	104.2 (62)
● Fidelity	17.5 (7)	21.1 (61)	0.8 (6)	0.8 (3)	93.4 (7)	130.7 (11)	99.6 (80)
◆ Fisher	13.7 (32)	22.5 (37)	0.2 (30)	0.6 (41)	70.5 (27)	112.6 (31)	107.3 (46)
● Goldman	16.3 (13)	22.4 (38)	0.7 (7)	0.7 (14)	94.1 (6)	133.4 (9)	108.7 (40)
◆ T.Rowe	12.9 (40)	20.8 (68)	-0.0 (40)	0.6 (37)	51.9 (42)	106.8 (43)	106.9 (48)
◆ WB	18.2 (4)	23.4 (26)	0.6 (7)	0.7 (6)	91.5 (8)	146.6 (5)	107.1 (48)
◆ Wells Fargo	15.1 (20)	21.4 (54)	0.5 (16)	0.6 (16)	85.0 (15)	112.4 (31)	98.7 (82)
● DFA	11.9 (59)	22.1 (43)	-0.3 (60)	0.5 (61)	37.3 (57)	104.9 (47)	111.5 (30)
⊖ MSEMFN	13.0 (39)	20.0 (84)	-	0.6 (27)	-	100.0 (63)	100.0 (80)
5th Percentile	18.0	28.4	0.8	0.7	95.5	145.6	128.9
Upper Quartile	14.3	23.5	0.2	0.6	74.1	116.2	113.3
Median	12.3	21.6	-0.2	0.5	44.0	103.7	106.2
Lower Quartile	10.8	20.4	-0.5	0.4	18.3	92.4	101.6
95th Percentile	4.6	18.1	-1.0	0.2	3.3	53.9	84.1
Number	216	216	216	216	216	216	216

The risk free rate used for these calculations is the US 3 month T-Bill.  
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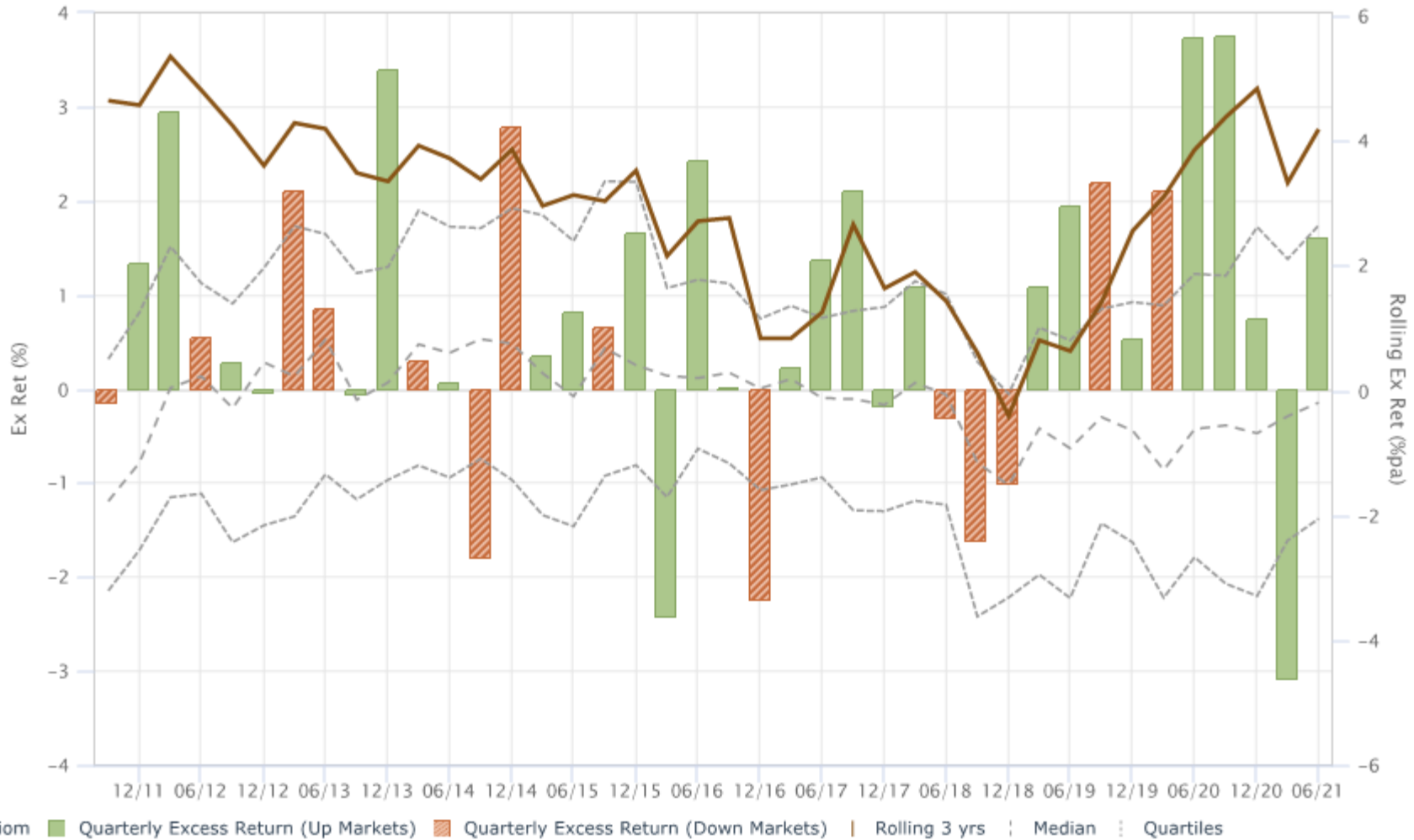


The risk free rate used for these calculations is the US 3 month T-Bill

# QUARTERLY EXCESS RETURN

## Axiom Emerging Markets Equity Strategy

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe



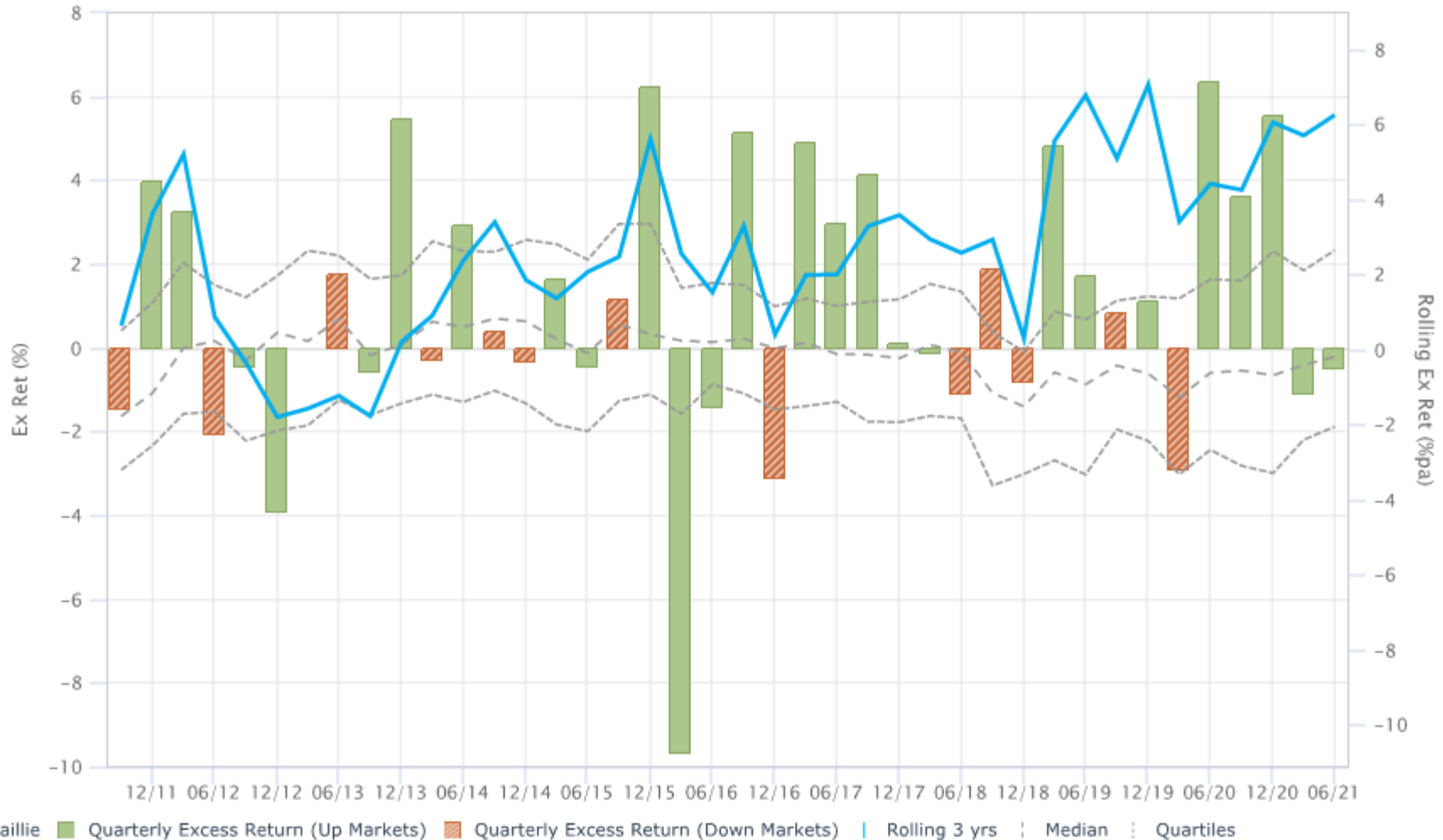
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# QUARTERLY EXCESS RETURN

## Baillie Gifford Emerging Markets All Cap

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe



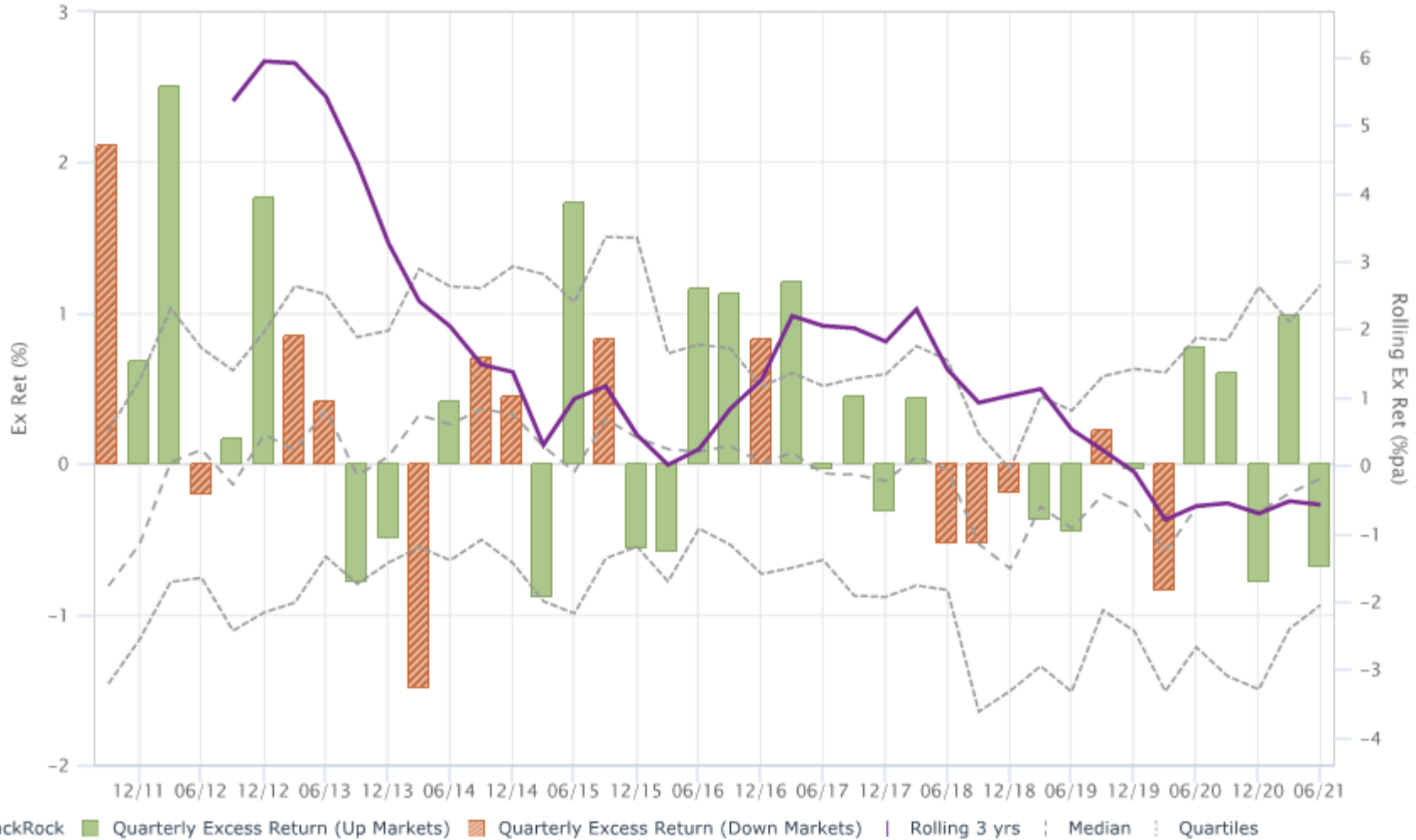
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# QUARTERLY EXCESS RETURN

## BlackRock Alpha Tilts - Emerging Market

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe



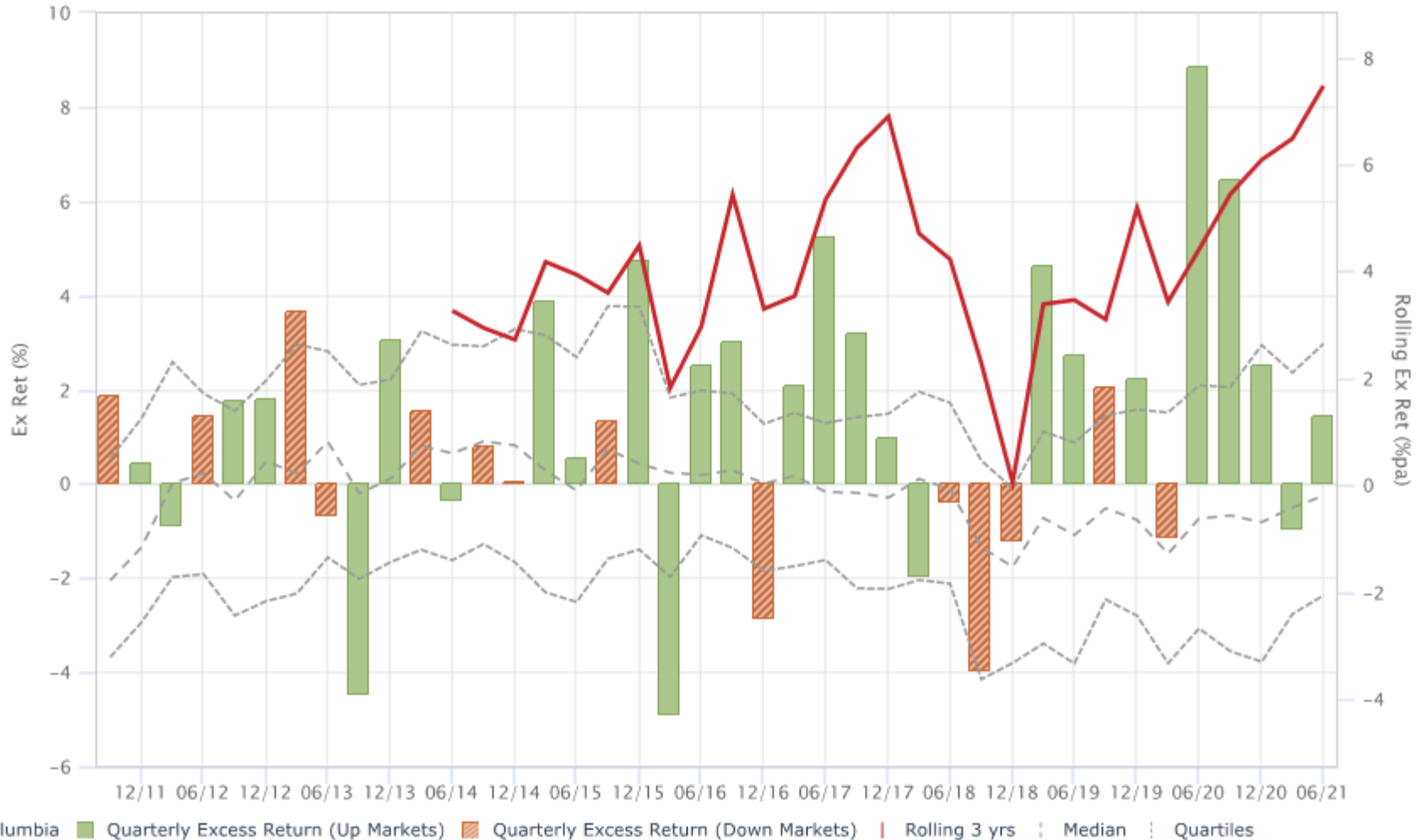
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# QUARTERLY EXCESS RETURN

## Columbia Emerging Markets Opportunity

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe



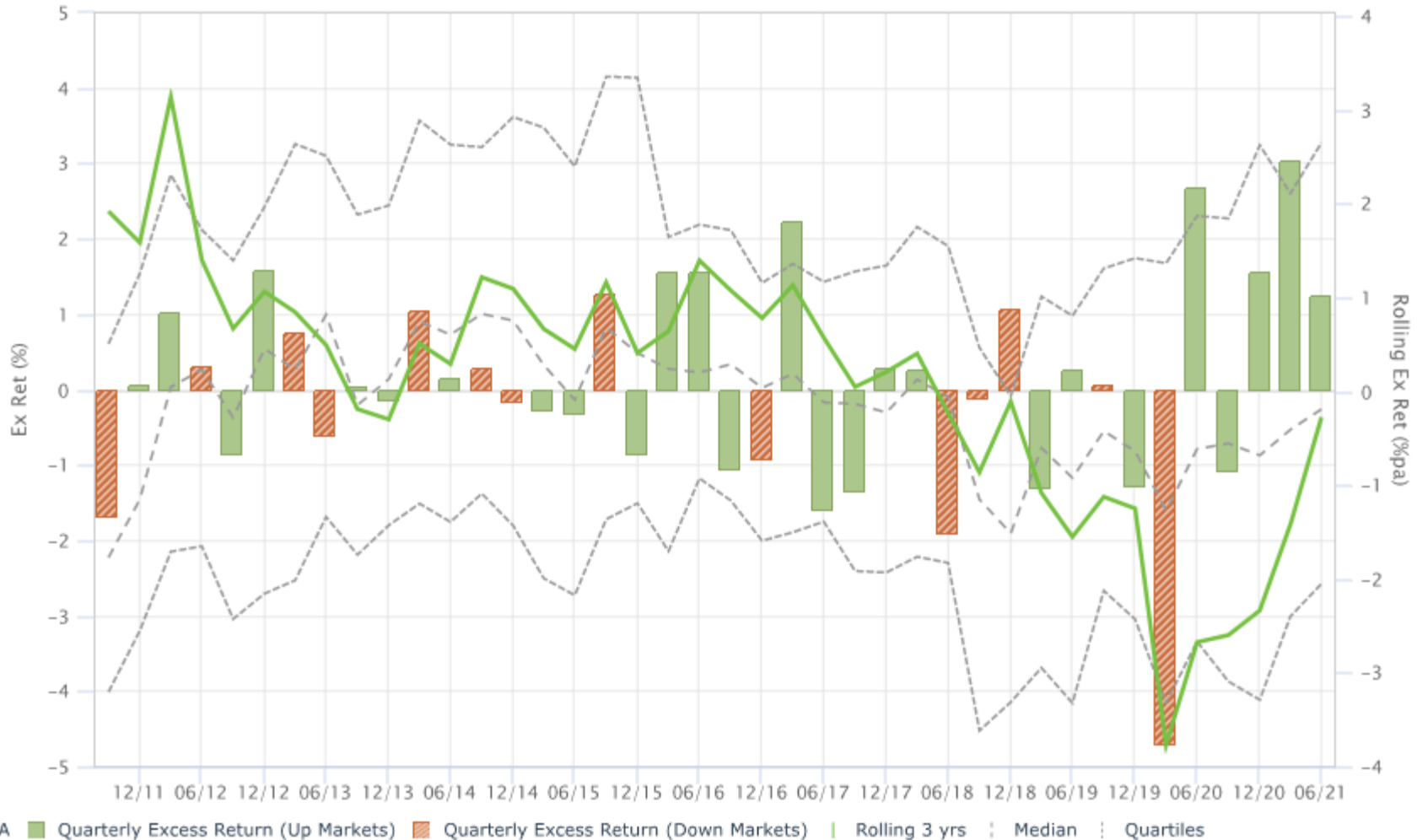
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# QUARTERLY EXCESS RETURN

## DFA Emerging Markets All Cap Core Strategy

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe



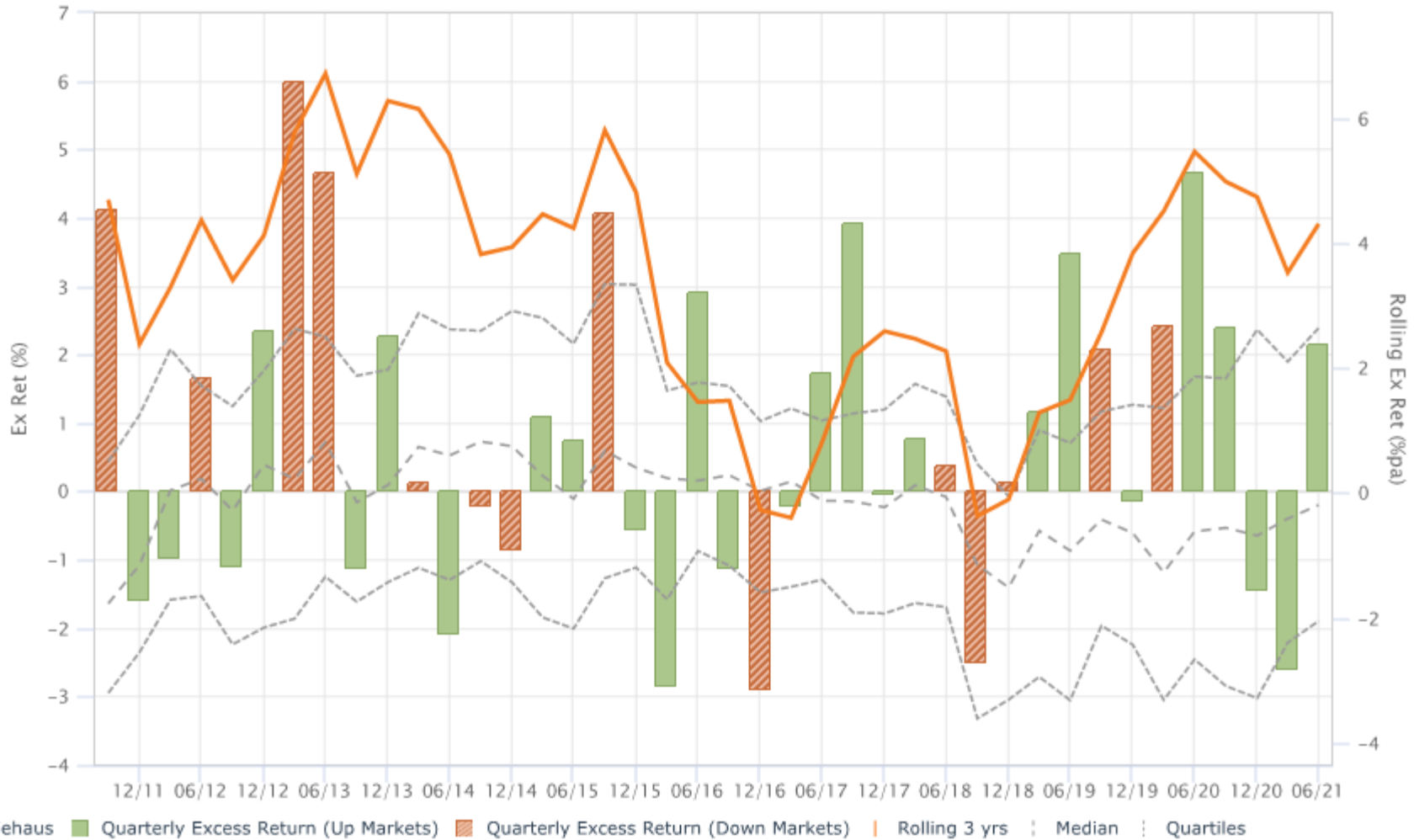
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# QUARTERLY EXCESS RETURN

## Driehaus Emerging Markets Growth

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe



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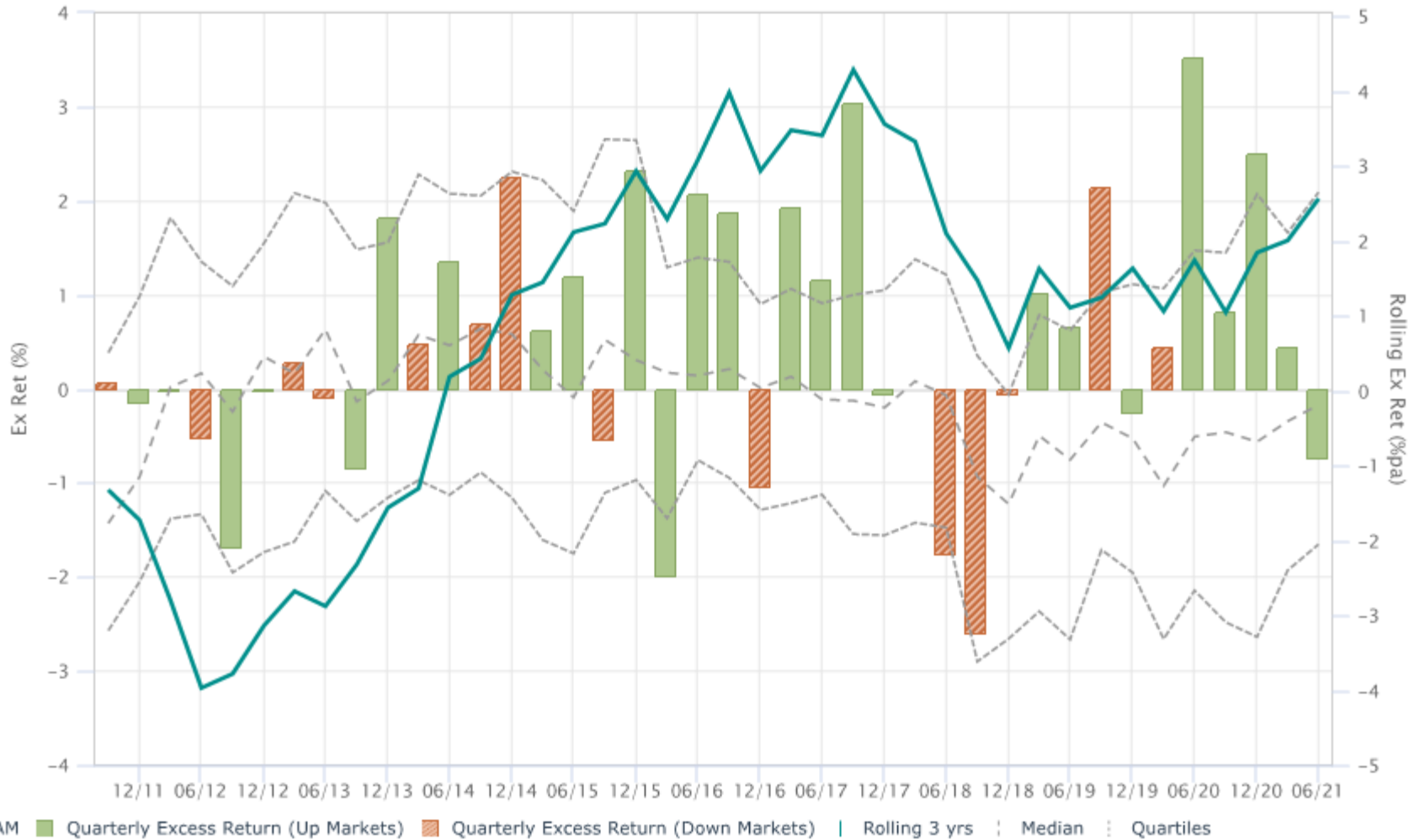




# QUARTERLY EXCESS RETURN

## FIAM Select Emerging Markets Equity

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe



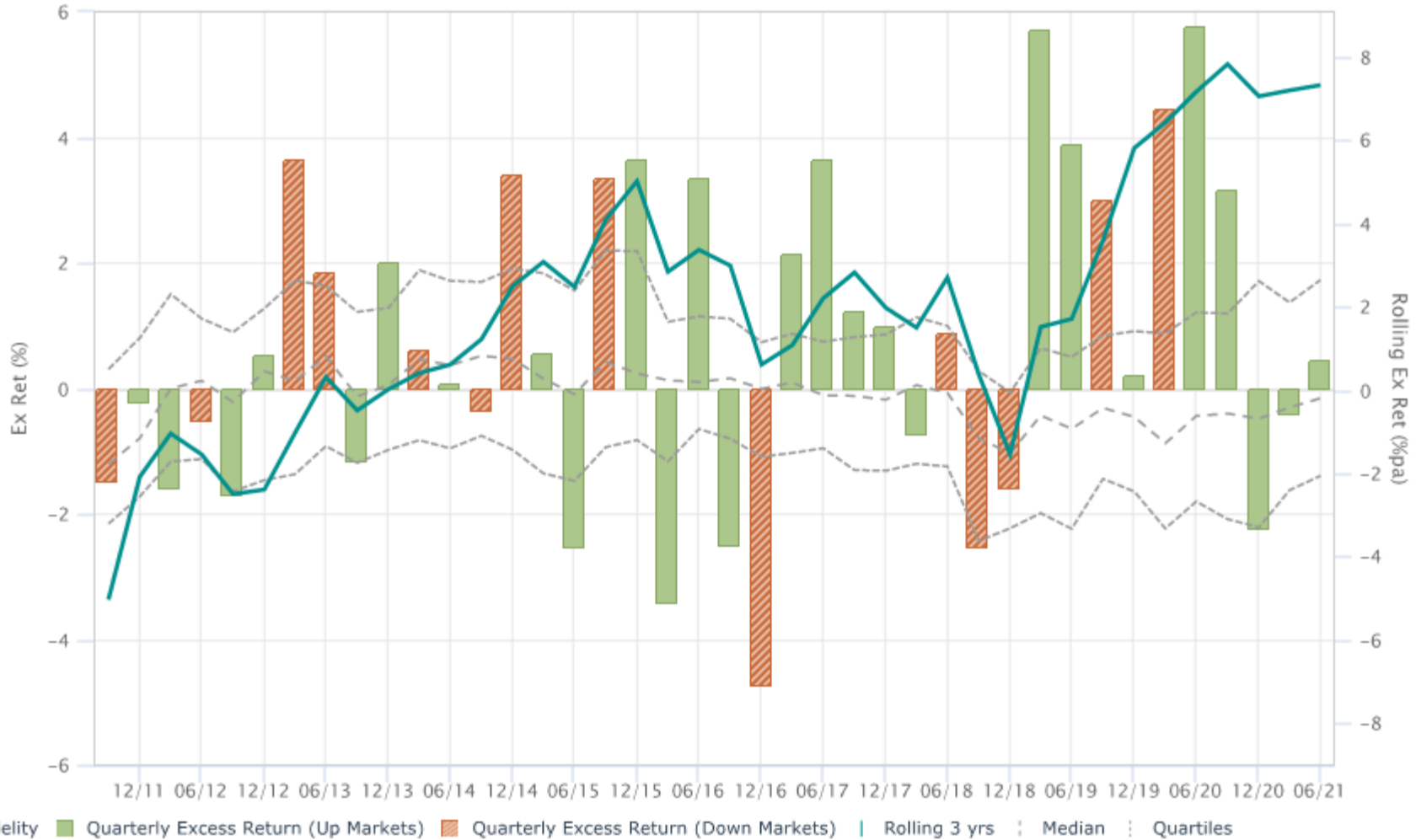
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# QUARTERLY EXCESS RETURN

## Fidelity Emerging Markets Fund

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe



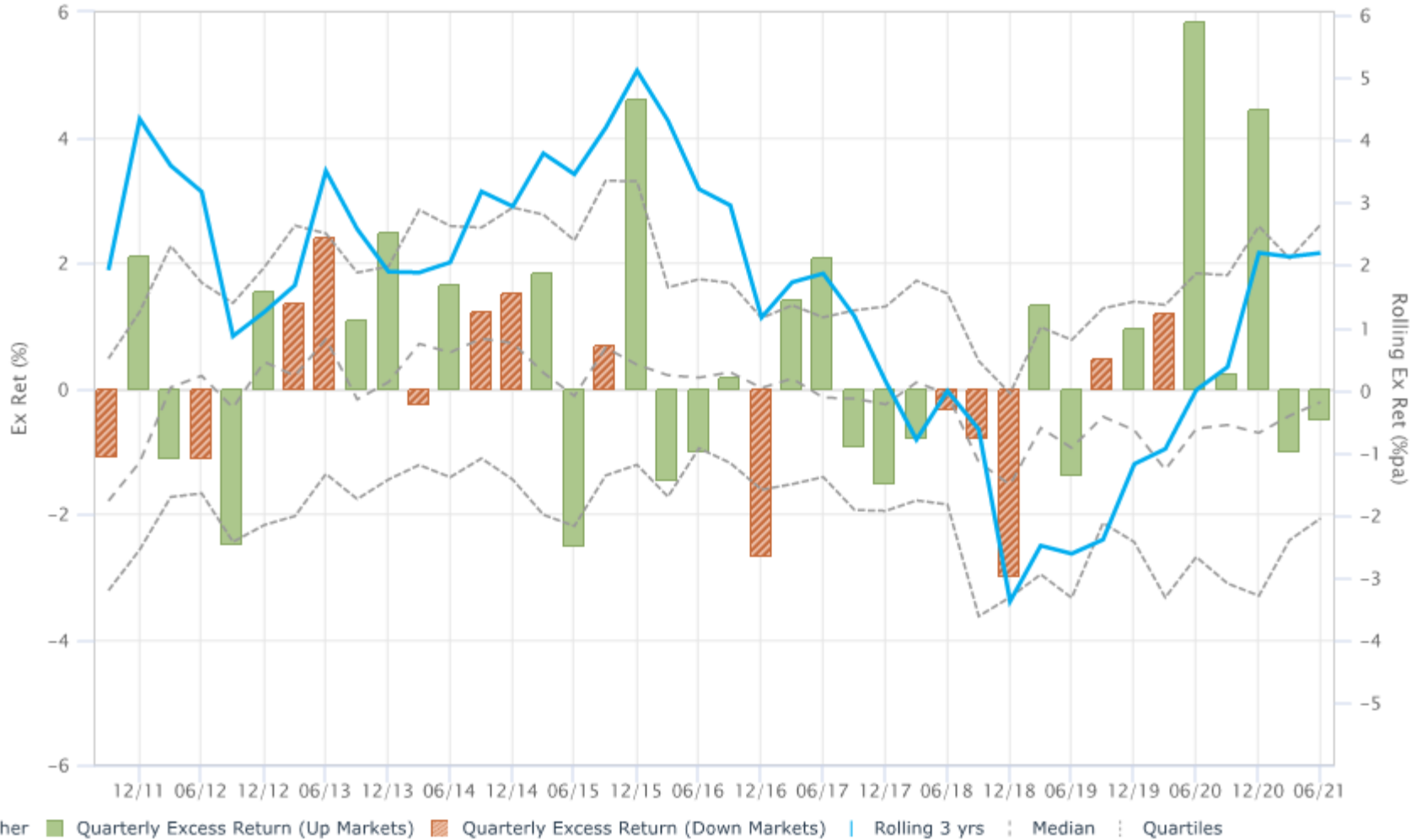
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# QUARTERLY EXCESS RETURN

## Fisher Emerging Markets Equity

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe



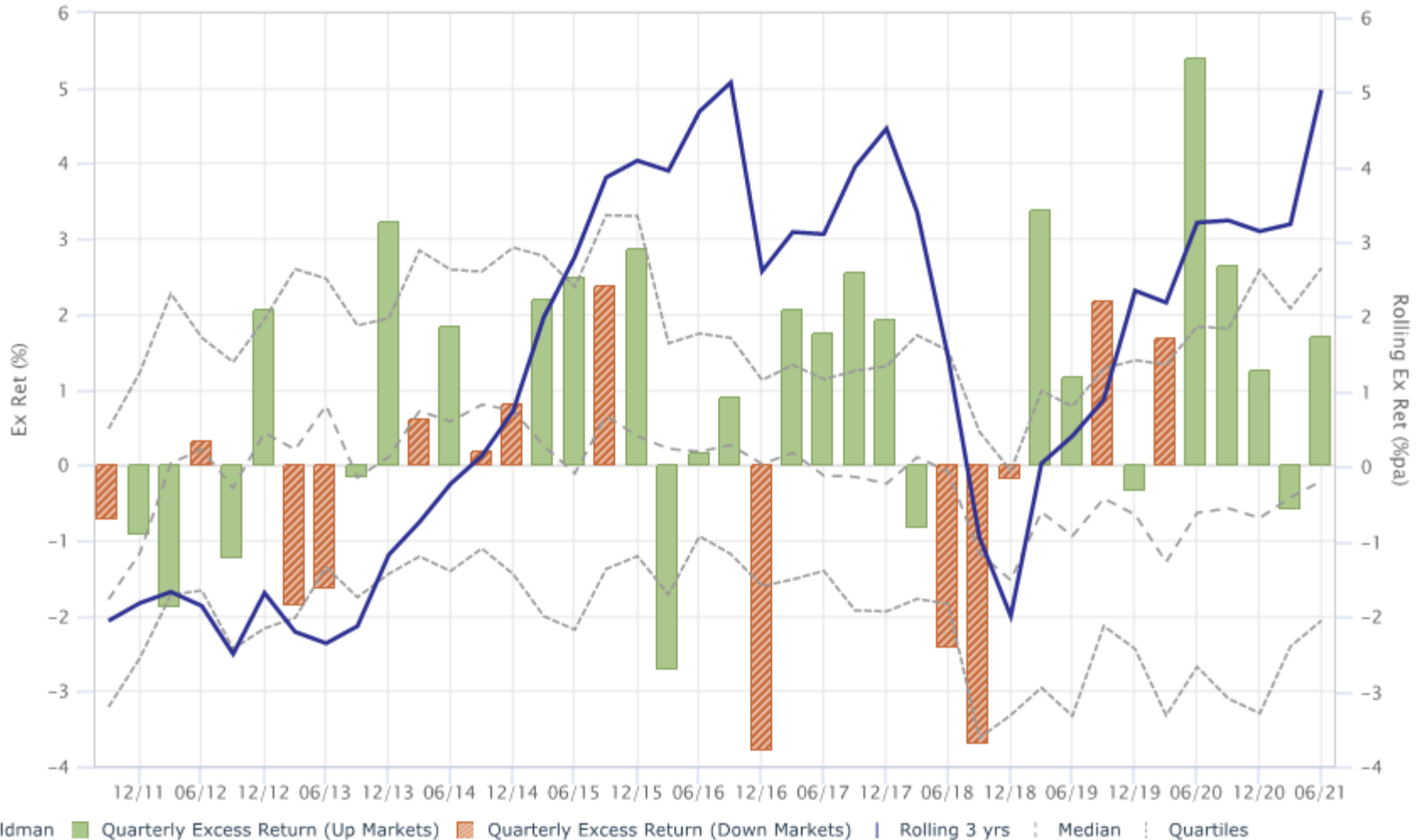
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# QUARTERLY EXCESS RETURN

## Goldman Sachs Global Emerging Markets Equity

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe



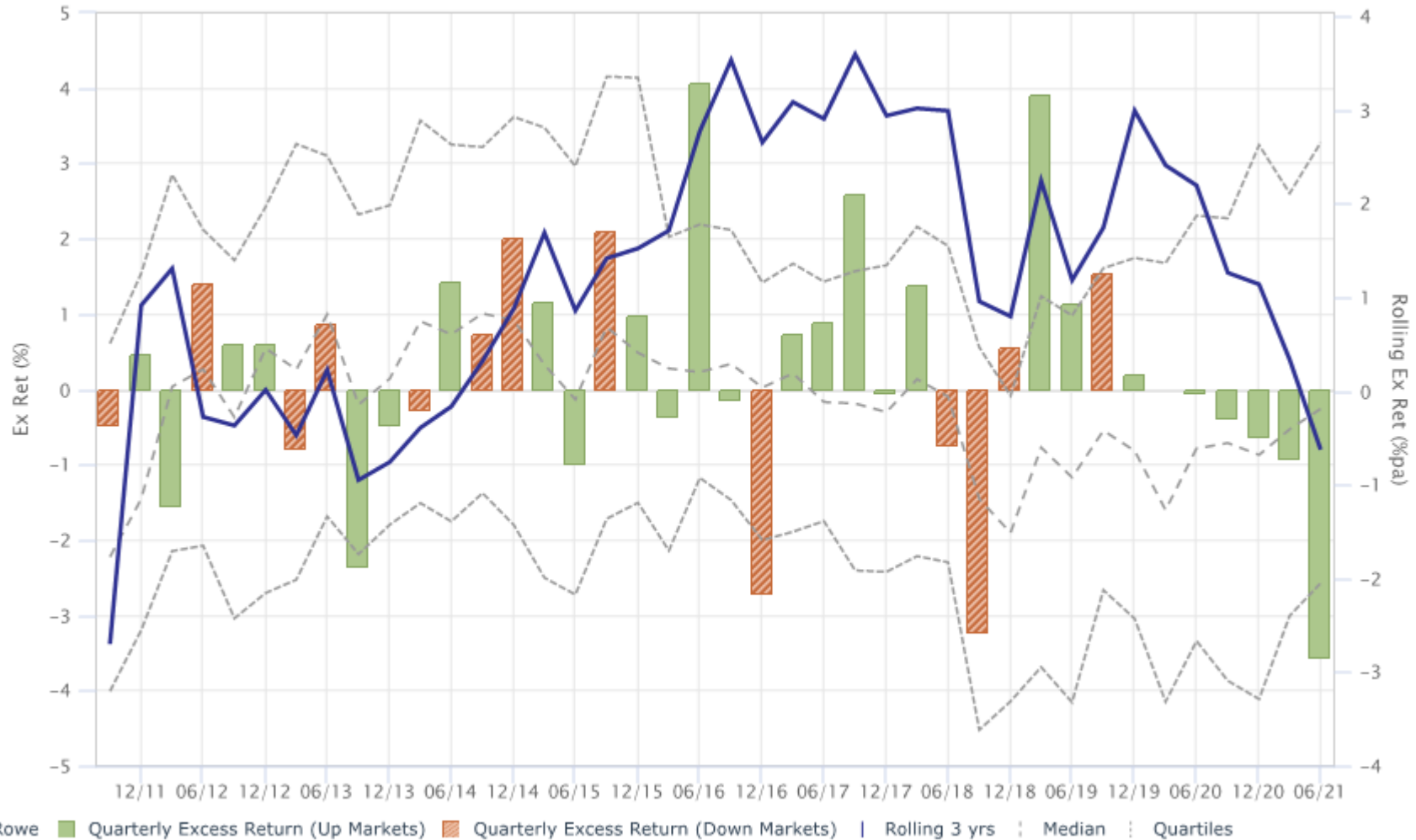
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# QUARTERLY EXCESS RETURN

## T. Rowe Price Emerging Markets Equity Strategy

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe



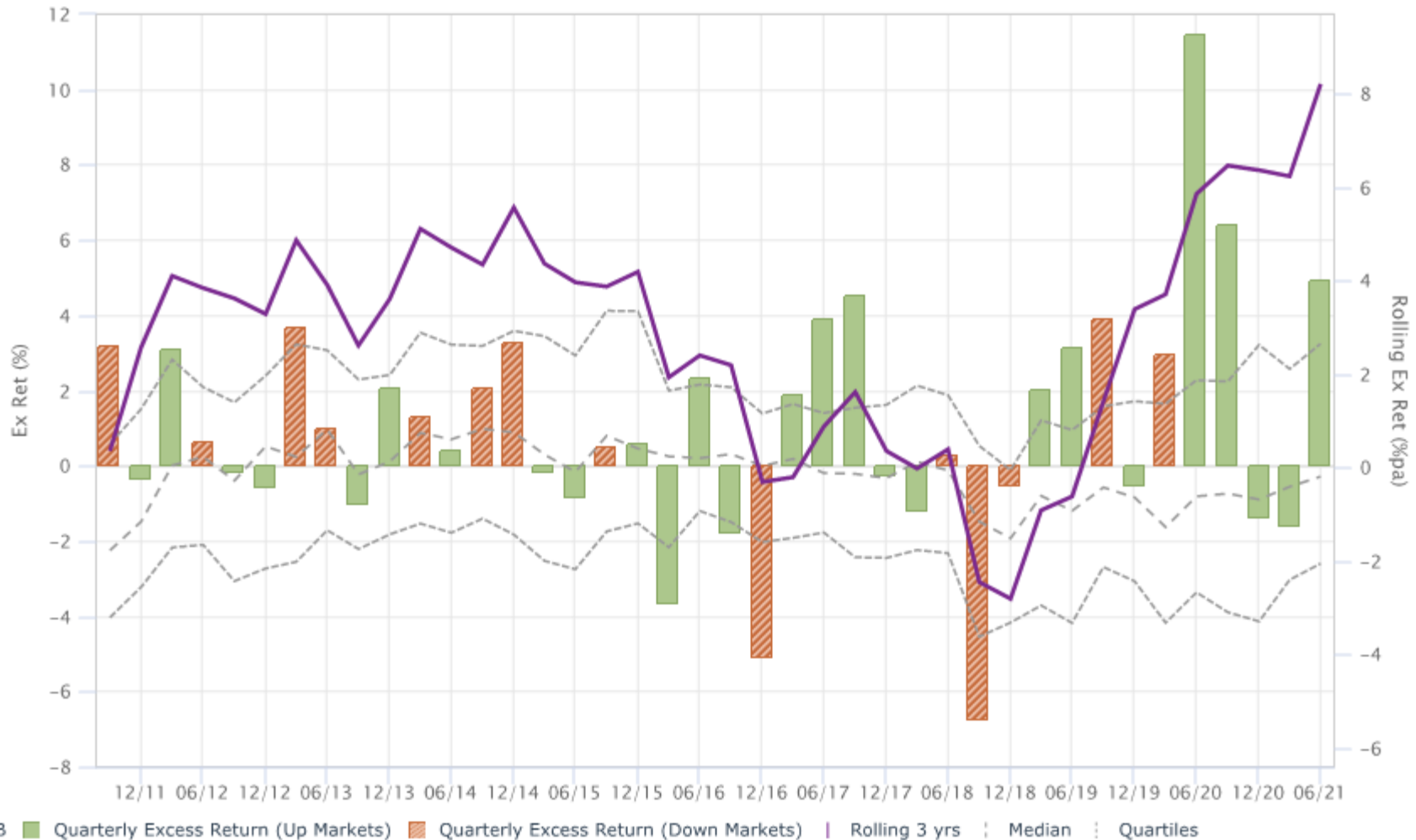
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# QUARTERLY EXCESS RETURN

## William Blair International Growth: Emerging Markets

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe



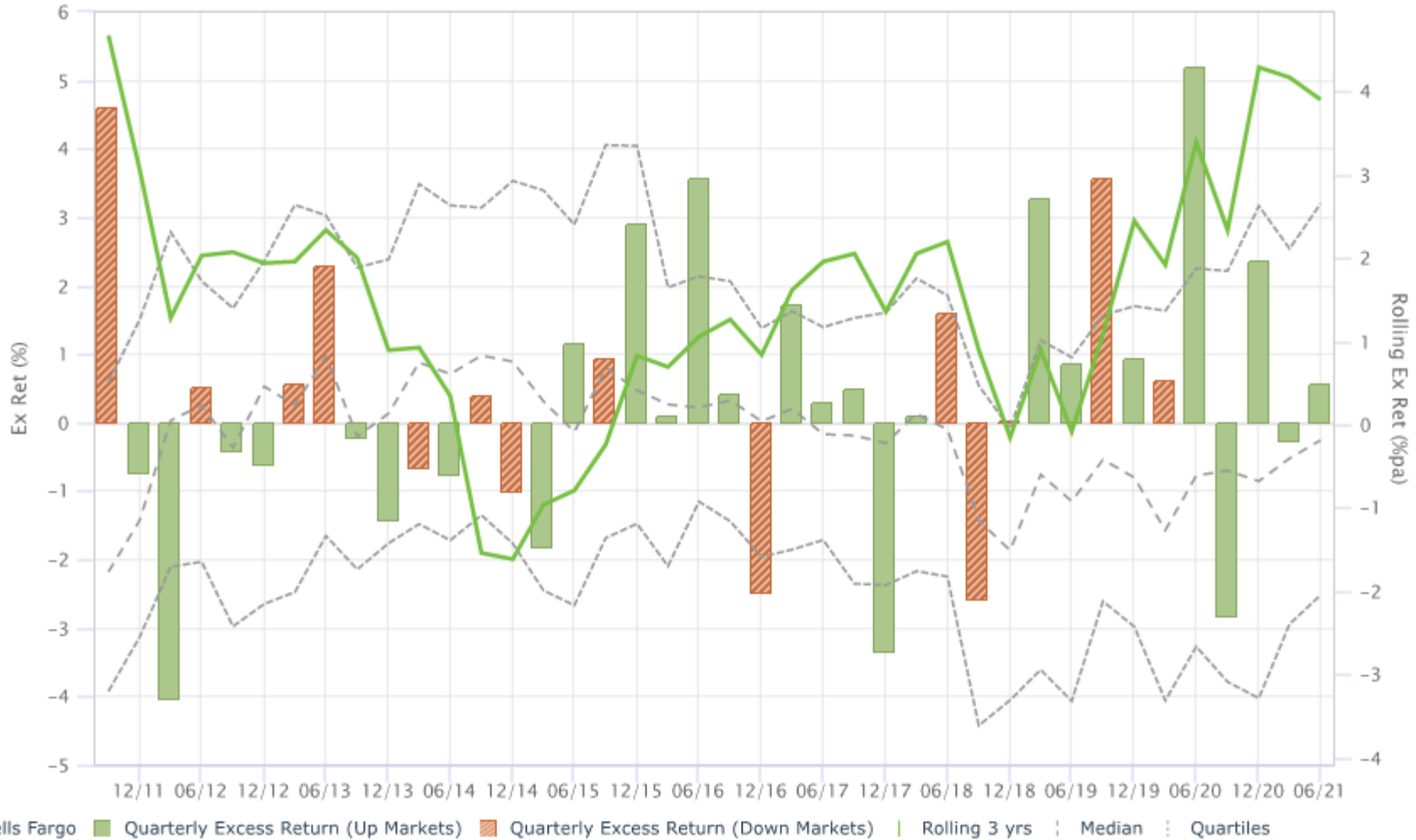
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# QUARTERLY EXCESS RETURN

## Wells Fargo Berkeley Street Emerging Markets Equity

Quarterly Excess Return vs. MSCI EM (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund Emerging Markets Equity universe



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# ROLLING 3-YEAR PERFORMANCE RANKINGS

Performance characteristics vs. MSCI EM (Net) in \$US (after fees) over 7 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe (quarterly calculations)

Name	1st Quartile		2nd Quartile		3rd Quartile		4th Quartile		Average Percentile Rank	Outperform	
	No.	%	No.	%	No.	%	No.	%		No.	%
Mutual Fund Emerging Markets Equity Universe - MSCI EM (Net) Index											
Products											
Axiom Emerging Markets Equity Strategy	21	75.0	7	25.0	0	0.0	0	0.0	21	27	96
Baillie Gifford Emerging Markets All Cap	22	78.6	6	21.4	0	0.0	0	0.0	15	28	100
BlackRock Alpha Tilts - Emerging Market	9	32.1	15	53.6	4	14.3	0	0.0	36	21	75
Columbia Emerging Markets Opportunity	27	96.4	1	3.6	0	0.0	0	0.0	10	28	100
Driehaus Emerging Markets Growth	21	75.0	5	17.9	2	7.1	0	0.0	20	24	86
FIAM Select Emerging Markets Equity	15	53.6	12	42.9	1	3.6	0	0.0	21	28	100
Fidelity Emerging Markets Fund	21	75.0	6	21.4	1	3.6	0	0.0	17	27	96
Fisher Emerging Markets Equity	13	46.4	9	32.1	4	14.3	2	7.1	35	19	68
Goldman Sachs Global Emerging Markets Equity	19	67.9	6	21.4	3	10.7	0	0.0	22	26	93
T. Rowe Price Emerging Markets Equity Strategy	18	64.3	8	28.6	2	7.1	0	0.0	24	27	96
William Blair International Growth: Emerging Markets	18	64.3	4	14.3	6	21.4	0	0.0	27	21	75
Wells Fargo Berkeley Street Emerging Markets Equity	14	50.0	9	32.1	3	10.7	2	7.1	32	21	75
DFA Emerging Markets All Cap Core Strategy	0	0.0	17	60.7	9	32.1	2	7.1	49	15	54
MSCI EM (Net)	1	3.6	16	57.1	11	39.3	0	0.0	47	28	0

BG, Columbia, and FIAM have outperformed on a rolling 3-year basis 100% of the time over the past 7 years.

The benchmark result for Number Outperform represents the total number of observations in the period.



# QUARTERLY UP / DOWN MARKET ANALYSIS

Performance characteristics vs. MSCI EM (Net) in \$US (after fees) over 10 yrs ending June-21  
Comparison with the Mutual Fund Emerging Markets Equity universe (quarterly calculations)

Name	Up Markets			Down Markets			All Markets				
	Outperform		Excess (Av) (%pq)	Outperform		Excess (Av) (%pq)	Outperform		Excess (Av) (%pq)	Outperform (Av) (%pq)	Underperform (Av) (%pq)
	No.	%		No.	%		No.	%			
Mutual Fund Emerging Markets Equity Universe - MSCI EM (Net) Index											
<b>Products</b>											
Axiom Emerging Markets Equity Strategy	21	81	1.0	8	57	0.3	29	73	0.7	1.5	-1.2
Baillie Gifford Emerging Markets All Cap	17	65	1.8	5	36	-0.4	22	55	1.0	3.2	-1.7
BlackRock Alpha Tilts - Emerging Market	14	54	0.3	8	57	0.2	22	55	0.3	0.9	-0.5
Columbia Emerging Markets Opportunity	20	77	1.9	8	57	0.2	28	70	1.3	2.7	-2.0
Driehaus Emerging Markets Growth	13	50	0.5	10	71	1.4	23	58	0.8	2.4	-1.3
FIAM Select Emerging Markets Equity	16	62	0.8	7	50	0.0	23	58	0.5	1.4	-0.7
Fidelity Emerging Markets Fund	16	62	0.8	8	57	0.7	24	60	0.8	2.4	-1.7
Fisher Emerging Markets Equity	15	58	0.7	7	50	0.0	22	55	0.4	1.8	-1.3
Goldman Sachs Global Emerging Markets Equity	18	69	1.2	7	50	-0.4	25	63	0.6	1.9	-1.5
T. Rowe Price Emerging Markets Equity Strategy	14	54	0.3	7	50	0.1	21	53	0.2	1.4	-1.0
William Blair International Growth: Emerging Markets	13	50	1.3	11	79	0.7	24	60	1.1	2.9	-1.6
Wells Fargo Berkeley Street Emerging Markets Equity	15	58	0.3	10	71	0.6	25	63	0.4	1.6	-1.5
DFA Emerging Markets All Cap Core Strategy	15	58	0.3	7	50	-0.4	22	55	0.0	1.0	-1.1
<b>Benchmark</b>											
MSCI EM (Net)	26	0	0.0	14	0	0.0	40	0	0.0	na	na
<b>Group Statistics</b>											
Upper Quartile	16	62	0.6	8	57	0.5	23	58	0.4	2.9	-1.4
Median	14	54	0.2	7	50	-0.2	21	53	0.1	1.8	-1.8
Lower Quartile	12	46	-0.1	5	36	-0.8	18	45	-0.2	1.4	-2.4
Number	133	133	133	133	133	133	133	133	133	133	133

# CORRELATION

Correlation of Returns in \$US (after fees) over 5 yrs ending June-21 (quarterly calculations)

	Axiom	Baillie	BlackRock	Columbia	Driehaus	FIAM	Fidelity	Fisher	Goldman	T.Rowe	WB	Wells Fargo	DFA	MSCI EM
Axiom		0.99	0.98	0.99	1.00	0.99	0.98	0.99	0.99	0.98	0.97	0.98	0.97	0.99
Baillie			0.99	0.98	0.98	0.99	0.97	0.99	0.99	0.99	0.95	0.98	0.98	0.99
BlackRock				0.98	0.97	0.99	0.96	0.98	0.98	0.98	0.94	0.98	0.99	1.00
Columbia					0.99	0.99	0.99	0.98	0.99	0.98	0.98	0.98	0.96	0.98
Driehaus						0.98	0.99	0.98	0.99	0.98	0.98	0.98	0.96	0.98
FIAM							0.97	0.99	0.99	0.99	0.96	0.99	0.98	0.99
Fidelity								0.97	0.99	0.97	0.98	0.97	0.94	0.96
Fisher									0.98	0.98	0.95	0.99	0.97	0.99
Goldman										0.99	0.98	0.98	0.97	0.98
T.Rowe											0.95	0.98	0.97	0.99
WB												0.95	0.93	0.94
Wells Fargo													0.97	0.98
DFA														0.99
MSCI EM														

Notes:

Correlation is shown in the right hand side of the table.

The information contained within the exhibit was derived by Mercer using content supplied by Lipper, a Thomson Reuters Company.

# APPENDIX

# PERFORMANCE NOTES

- **Axiom International Investors:** Composite performance net of 0.74% fee.
- **Baillie Gifford:** Composite performance net of 0.71% fee.
- **BlackRock:** Composite performance net of 0.77% fee.
- **Columbia Threadneedle :** Composite performance net of 0.56% fee.
- **Driehaus Capital Management :** Composite performance net of 0.77% fee.
- **Fidelity Institutional Asset Management (FIAM):** Net performance provided by the manager.
- **Fidelity Investments:** Mutual fund vehicle (ticker: FEMKX)
- **Fisher Investments:** Net performance provided by the manager.
- **Goldman Sachs Asset Management (GSAM):** Mutual fund vehicle (ticker: GIRMX)
- **T. Rowe Price:** Net performance provided by the manager.
- **William Blair:** Composite performance net of 0.86% fee.
- **Wells Fargo Asset Management (WFAM) :** Composite performance net of 0.79% fee.
- **Dimensional Fund Advisors (DFA):** Incumbent, mutual fund vehicle (ticker: DFCEX)

# MINIMUM QUALIFICATIONS

- The minimum qualifications outlined in section 2.2 of the RFP for the International Emerging Markets Equity mandate are included below:
  - Investment style consistent with emerging markets equity investment style and categorized in Mercer GIMD or other commercially available database as an emerging markets equity strategy
  - Stated benchmark of the strategy will be representative of the style (MSCI Emerging Markets Index or comparable), and strategy will have high correlation with the benchmark (similar to median of peer group or higher)
  - Strategy track record of 7 years or longer
  - Risk-adjusted net performance (as measured by Sharpe ratio and/or Information Ratio) better than median over trailing 7-year period ending most recent quarter
  - Minimum assets under management in strategy of \$5 billion
  - Maximum assets under management in strategy of \$40 billion
  - Investment expense, after all rebates, equal to or less than 1.00%

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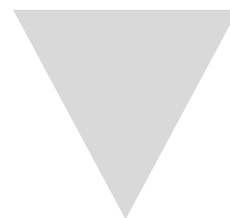
HEALTH WEALTH CAREER

# City of Los Angeles

## Deferred Compensation Plan

International Equity Small Cap  
Search – Stage 2

September 2021



# BACKGROUND

## Finalists – 6 total strategies

### Institutional Product RFP Response

American Century	TimesSquare
Fidelity	Victory Capital*
Kayne Anderson**	William Blair

\*Indicates mutual fund vehicle meeting screening requirements.

\*\*Indicates mutual fund vehicle not meeting screening requirements (Fees).

- For the International Equity Small Cap manager search, the City received 13 RFP responses, of which 12 met the minimum requirements outlined in section 2.2 of the RFP.
- In addition to the institutional products, Mercer evaluated 15 mutual funds, 12 of which passed the minimum requirements for Stage 1 evaluation presented to the City in July 2021.
- Stage 1 resulted in 7 candidates emerging as finalists. Subsequently, however, Acadian (RFP response) and AllianceBernstein (passed the mutual fund screen) notified us their strategies are now closed to new investments.
- Further, upon additional review, American Century's mutual fund vehicle did not meet expense requirements (higher than 0.95%) while TimesSquare's collective investment trust met expense requirements. We have included TimesSquare's strategy in this report and excluded ACIM's mutual fund (CIT still in consideration as noted above).
- Thus 6 candidates are reviewed throughout this document as well as the incumbent manager Brandes Investment Partners (Brandes) who did not pass the Stage 1 evaluation, due to not meeting the minimum qualification of strategy assets greater than \$1 billion, which is included for reference.

# STAGE 2 CANDIDATES

- 6 finalist candidates (all RFP respondents) are presented in this document:
  - American Century Investment Management
  - William Blair
  - Fidelity Institutional Asset Management (FIAM)
  - Kayne Anderson Rudnick Investment Management\*
  - TimesSquare Capital Management
  - Victory Capital Management\*
  - Brandes Investment Partners (*incumbent, added for comparative purposes*)

## Notes:

- All performance is net of fees, unless otherwise noted
- Portfolio characteristics are as of 3/31/21 and performance exhibits are as 6/30/21, unless otherwise noted
- Mandate size is approximately \$134.2 million as of June 30, 2021

# SUMMARY EVALUATION MATRIX

	Manager			Strategy		Performance			Fees
	Business Management	Team Depth	Personnel Stability	AUM	Portfolio Construction fits Mandate	Long-Term Performance (7-Year)	Performance Consistency (7-Year)	Information Ratio (7-Year)	Attractiveness of Fees
ACIM	✓	✓	✓	=	✗	✓	✓	✓	✗
Blair	✓	✓	✗	✓	✗	✓	=	✓	=
FIAM	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kayne	✓	✓	✓	✓	✓	✓	✓	✓	✓
TSCM	✓	✓	✓	✓	✓	✓	✓	✓	✗
Victory (Trivalent)	✓	✓	✓	✓	✗	✓	✓	✓	✓

# SUMMARY EVALUATION

- **Firm strength** – All candidates have well run businesses with substantial levels of overall assets under management and internal resources to support the DCP.
- **Strategy team depth and stability** – While all candidates possess strong depth in terms of team resources devoted to the respective strategies, stability of team personnel for William Blair was lesser than the other candidates.
- **Strategy Assets Under Management (AUM)** – All strategies have sufficient assets under management such that the DCP would not represent a disproportionate percentage of strategy assets, though ACIM is notably smaller than peers.
- **Mandate fit** – Given that screening incorporates a component of trailing performance evaluation, several candidates that screened favorably through Stage 1 exhibit a substantial style bias (most commonly a growth tilt). Ultimately, it is desirable for the strategy to reside close to “core” from a style perspective and within range of benchmark market cap. This dimension of evaluation serves to counterbalance gravitating to top performing strategies over recent years since we expect growth and value styles to rotate over time. Kayne, FIAM, and TSCM all display less style bias over trailing periods.
- **Performance** – Generally all candidates have strong performance, though Kayne, ACIM, and FIAM (up/down market characteristics) display highly competitive performance characteristics.
- **Fees** – All fee proposals represent substantial savings to the DCP. FIAM, Kayne, and Victory Trivalent are most attractive.

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<b>American Century Investment Management</b>	<p>American Century Investments (ACIM) is an independent, privately controlled company that has managed investments since 1958. In addition to U.S. offices in Kansas City, California, New York, and LA (Avantis), the firm maintains a global presence with offices in London, Hong Kong and Sydney. The institutional investment strategies are managed by teams dedicated to a disciplined investment process focused on independent research.</p>	<p>ACIM applies a growth-oriented, earnings momentum approach. The firm's fundamental, bottom-up research process focuses on inflection points in a company's fundamentals. The American Century Non-U.S. Small Cap philosophy is centered on the belief that accelerating growth in earnings and revenues, rather than the absolute level of growth, is more highly correlated to stock price performance. ACIM takes advantage of both the normal price appreciation that results from a company's earnings growth and the market's re-rating of a company's price-to-earnings multiple as the earnings acceleration becomes visible. The goal is to construct a portfolio of stocks that are experiencing accelerating growth that can be sustainable over time.</p>
<b>William Blair</b>	<p>William Blair is 100% active-employee-owned with broad-based ownership Investment teams that are solely focused on active management and employ a disciplined, analytical research process. William Blair is based in Chicago with resources in New York, London, Zurich, Sydney, Stockholm, The Hague, Singapore and dedicated coverage for Canada.</p>	<p>Blair follows a bottom-up, fundamentally-based process. The team focuses on companies that have demonstrated consistent returns on capital with high and consistent rates of growth, are highly profitable, have conservative finances, and are well-managed. Blair describes the approach as high quality growth, falling in-between GARP and aggressive growth with an emphasis on companies with high returns on capital and low leverage. William Blair's quality growth philosophy is based on the belief that the market is inefficient with respect to distinguishing between an average growth company and a quality growth company.</p>
<b>Fidelity Institutional Asset Management (FIAM)</b>	<p>Fidelity Institutional Asset Management (FIAM) leverages Fidelity's broad and deep institutional investment management capabilities, including FIAM Equity, and Fidelity's Fixed Income, High Income and Global Asset Allocation divisions. The investment management units of FIAM, FIAM LLC and Fidelity Institutional Asset Management Trust Company, and the other entities that make up FIAM, are wholly owned, indirect subsidiaries of FMR LLC, commonly known as Fidelity Investments. The firm offers clearly defined, traditional long-only, equity, fixed income, and asset allocation disciplines, as well as customized solutions to meet specific client objectives. Fidelity was founded in 1946 by Edward Johnson 2<sup>nd</sup>, the grandfather of the current Chairman, Abigail P. Johnson. Privately held for over 70 years, Fidelity maintains its independence to focus on the long-term growth and success of its customers.</p>	<p>Fidelity believes that small cap markets are not fully efficient and that stock-specific pricing anomalies exist. The fundamental stock analysts apply a fundamental, bottom-up process using various valuation methods to find mispriced stocks. The small cap strategy is a core approach without a persistent style bias, although growth and quality biases emerge at times. The Select International Small Cap philosophy is based on the premise that international small-cap is an inefficient, under-covered asset class which presents frequent opportunities to purchase individual equities at a significant discount to their long-term fundamental fair value. The firm believes that fundamental, bottom-up, forward-looking, stock-specific research is the highest-conviction approach to exploiting these inefficiencies.</p>

# MANAGER OVERVIEW

Candidate	Manager Background	Strategy Description & Process
<p><b>Kayne Anderson Rudnick Investment Management</b></p>	<p>Kayne Anderson Rudnick (KAR) was founded in 1984 by two successful entrepreneurs, Richard Kayne and John Anderson, to manage the funds of its principals and clients. John Anderson was a prominent Los Angeles attorney and businessman, member of the Forbes 400 and named benefactor of The Anderson School of Business at The University of California, Los Angeles. The firm, headquartered in Los Angeles, is wholly owned by Virtus Investment Partners, Inc. (NASDAQ: VRTS).</p>	<p>KAR International Small Cap strategy is a fundamental, research-oriented approach that invests exclusively in "high-quality" international small cap companies. Key differentiators of the firm's investment approach are 1) an exclusive focus on "high-quality" companies; 2) a "business analyst" approach to evaluating potential investment opportunities; and 3) a focused, yet diversified, portfolio. KAR defines "high quality" as a business characteristic that results from a company's ability to source and develop control of its markets. Evidence of this control of markets is characterized by consistent and sustainable growth and profitability through a full economic cycle, high returns on capital, and strong free cash flow supported by an underleveraged balance sheet. The firm further evaluates a company's management team as to its ability to develop and adhere to the business' core competencies and to remain disciplined in their capital allocations.</p>
<p><b>TimesSquare Capital Management</b></p>	<p>TimesSquare (TSCM) is a fundamental research-oriented equity investment management firm specializing in growth equity strategies for institutional investors. Senior team members have a long tenure managing equity portfolios for institutional investors, with the firm's investment process tracing its roots back to 1984. TimesSquare is a significantly employee-owned organization. The firm believes that this broad equity participation aligns the interests of clients and associates, and promotes retention of key professionals. TimesSquare is an independent affiliate of Affiliated Managers Group, Inc. (AMG), an asset management company.</p>	<p>TimesSquare believes that price discrepancies exist in the non-US small cap markets due to investors' misunderstanding of a company's longer-term drivers of growth with their focus instead placed on a company's shorter-term earnings prospects. The firm believes its fundamental research skills, which put particular emphasis on assessing the quality of a company's management and business model, and valuation analysis, are keys to outperforming the benchmark. TimesSquare believes that fundamental equity growth research skills, which place a particular emphasis on the assessment of management quality, an in-depth understanding of business models, and valuation discrepancies, enable them to build a diversified portfolio of international small cap stocks that is designed to generate positive risk-adjusted relative returns</p>
<p><b>Victory Capital Management (Trivalent)</b></p>	<p>Victory Capital Management Inc. (Victory Capital) is a U.S. SEC-registered diversified global asset management firm. Through predecessor firms, Victory Capital was organized in 1894 and began managing tax-exempt assets in 1912. Victory Capital was wholly owned by KeyCorp until 2013, when the employees of Victory Capital partnered with Crestview Partners to acquire all of KeyCorp's interest. Since then, Victory Capital has made several acquisitions since becoming independent in 2013, including Munder Capital Management in 2014. The International Equity team came together originally at Standish, Ayer and Wood. Standish was acquired by Mellon in 2001, and in 2003, Mellon moved the team under its investment manager, The Boston Company Asset Management (TBCAM). In 2007, the team moved again to Munder Capital. Following Victory Capital's acquisition of Munder in 2014, the International Equity team was re-branded under the name Trivalent Investments.</p>	<p>Trivalent believes the markets have a tendency to underestimate improving business momentum. In capturing this anomaly, the team focuses its fundamental research on companies with demonstrably improving business momentum relative to their peers as determined by the team's proprietary quantitative model. Key metrics include upward earnings revisions, improving business momentum and attractive valuation characteristics. Accordingly, the portfolio is expected to display value and momentum characteristics.</p>

# MERCER RATINGS SCALE

## A

Strategies assessed as having “**above average**” prospects of outperformance

## B+

Strategies assessed as having “**above average**” prospects of outperformance, but with some reservations.

## B

Strategies assessed as having “**average**” prospects of outperformance

## C

Strategies assessed as having “**below average**” prospects of outperformance

## R

The **R rating** is applied in two situations:

1. Mercer has carried out some research, but has not completed its full investment strategy research process
2. Mercer has in the past carried out its full investment strategy research process on the strategy, but we are no longer maintaining full research coverage

## N

**No rating**, strategies not currently rated by Mercer

## W

**Watch**: where there is some uncertainty about a rating that we do not expect to be resolved soon, but consider it unlikely that it will lead to a rating change

## T

**Tracking error**: potential for high tracking error or high volatility

## P

**Provisional rating**: where there is uncertainty about a rating that we expect to resolve quickly

Please see the Guide to Mercer’s Investment Strategy Ratings <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf>



# MERCER RESEARCH ASSESSMENT

While not part of the evaluation process, Mercer research ratings and evaluations are provided, where available, for additional context.

MERCER EVALUATION SUMMARY					
	Manager Rating	Idea Generation	Portfolio Construction	Implementation	Business Management
American Century Investment Management (ACIM)	B+ (T)	■■■□	■■■□	■■■□	■■■□
William Blair	B+ (T)	■■■□	■■■□	■■■□	■■■□
Fidelity Institutional Asset Management (FIAM)	B+	■■■□	■■■□	■■■□	■■■□
Kayne Anderson Rudnick Investment Management	R	N/A	N/A	N/A	N/A
TimesSquare Capital Management (TSCM)	A (T)	■■■■	■■■□	■■■□	■■■□
Victory Capital Management (Trivalent)	R	N/A	N/A	N/A	N/A
Brandes Investment Partners (incumbent)	B+ (T)	■■■□	■■■□	■■■□	■■■■

## Mercer's Rating Scale

<b>A</b>	Above average prospects of outperformance	<b>C</b>	Below average prospects of outperformance
<b>B+</b>	Above average prospects of outperformance but which are qualified by: 1) There are other strategies in which we have a greater conviction of outperformance and/or 2) Mercer requires more evidence to support its assessment	<b>R</b>	1) Early stage research 2) Research no longer maintained
<b>B</b>	Average prospects of outperformance	<b>N</b>	Not rated

# MERCER RESEARCH COMMENTARY

Candidate	Mercer Rating	Research Commentary
<b>American Century Investment Management</b>	<b>B+ (T)</b>	ACIM applies a bottom-up, fundamental growth-oriented approach geared towards identifying companies experiencing earnings acceleration. It operates with a clear investment thesis and makes disciplined use of its screens to effectively direct the team of three portfolio managers and eight global analysts to candidates that best fit the investment philosophy. The discipline with which the analysts conduct research and portfolio managers execute the strategy are strengths. Trevor Gurwich and Frederico Laffan demonstrate a strong understanding of the portfolio positioning and have the qualitative insights and quantitative tools to assist in managing the portfolio. Laffan is newer to the co-portfolio manager role, and Pratik Patel joined the team in early 2018. As such, there is still an element of uncertainty as to how the working relationship between the three portfolio managers will develop.
<b>William Blair</b>	<b>B+ (T)</b>	Blair's strengths include a disciplined investment process, a consistent emphasis on higher quality growth names, and a cohesive investment team. Blair fosters a collaborative environment in which to vet investments, and the team's experience provides it with the insight to find growth opportunities before they are fully realized by others in the market. Fennel and Flynn work closely with the analysts and other portfolio managers, allowing them to benefit from the broader group and leverage the insights this experienced and tenured team provides. Flynn and have only worked together on International Small Cap Growth since 2017 after a series of portfolio manager changes following George Greig and subsequently Jeff Urbina's retirements. The level of change at the helm of this strategy since 2014 has held us back from a higher rating. Nieman was added as portfolio manager in July 2021 with the announcement of Flynn's pending retirement within the next 18 to 24 months.
<b>Fidelity Institutional Asset Management (FIAM)</b>	<b>B+</b>	The team's edge comes from the institutional small cap team's active engagement with Fidelity's extensive research resources. The Fidelity analysts offer breadth of coverage and clearly identify the best investment opportunities through a well-established stock ranking system. We credit the small cap team with the ability to discern the best ideas for inclusion in the portfolio among the many highly rated stocks, and we like their ability to support their investment choices. Fidelity is a complex firm subject to frequent reorganizations and the potential for changes in the supporting analyst team.

# MERCER RESEARCH COMMENTARY

Candidate	Mercer Rating	Research Commentary
<b>Kayne Anderson Rudnick Investment Management</b>	<b>R</b>	Mercer does not formally rate the strategy. Strategy employs a relatively concentrated approach (30-60 stocks) to investing in international small cap companies. Emphasis is placed on high quality companies in developed and emerging countries which are trading at what the team perceives to be reasonable valuations. Strategy aims to be well diversified yet no sector nor geographic constraints are set. Team is led by Craig Thrasher (joined the firm/industry in 2008/2004) and Hyung Kim (2017/2004). Track record has been remarkably strong with only one poor year in the past 8+ years.
<b>TimesSquare Capital Management</b>	<b>A (T)</b>	Portfolio manager Magnus Larsson is an experienced and skilled non-US small cap investor who demonstrates discipline and patience in capturing the inefficiencies among the quality companies he seeks. Larsson is supported by a strong, although small, but equally experienced team of analysts. Additional strengths include the team's discipline and drive to identify quality, sustainable growth companies in which to invest for the long term. Overall, we believe this strategy has an above average likelihood of outperforming the benchmark over a market cycle.
<b>Victory Capital Management (Trivalent)</b>	<b>R</b>	Mercer does not formally rate the strategy. The International Small Cap strategy is led by Dan LeVan (joined the firm/industry in 2007/1994) along with co-PM John Evers (2007/1991). All investment professionals have sector-specific research responsibilities. The team ranks the universe using a five-factor model, broadly grouped into two categories: business momentum and valuation. The former is the most important factor the team considers when purchasing a stock. It assigns a "score" from which the team ranks relative attractiveness on a sector/peer-relative basis, and identifies which securities warrant additional review for purchase or sale. Trivalent conducts fundamental research on stocks that pass the screens. The portfolio typically holds between 190 and 230 stocks. A stock is sold when its earnings outlook declines; the valuation becomes less attractive relative to other opportunities; finance the purchase of stocks with better risk/return profiles; or, maintain the portfolio construction guidelines. Annual turnover ranges between 60% and 80%. Trivalent does not hedge the currency exposures.

# STRATEGY OVERVIEW

## Quantitative Scorecard

Funds	Performance Characteristics (over 5 Years ending June-21)	% of time out-performing (all/up/down markets over 5 Years ending June-21)	Portfolio Characteristics (AUM as of 6/30/21)	Fees (revenue sharing)
<b>American Century - Non-U.S. Small Cap</b>	Ret (%p.a.): 15.1 (2) Tracking error (%pa): 7.6 (11) Information ratio: 0.4 (0) Return/SD: 0.6 (5)	All markets: 65% Up markets: 79% Down markets: 33%	AUM (\$B): 1.9 Inception year: 2001 Market cap (\$MM): 4,402 No. of stocks held: 125 Avg. turnover(%):150	0.95%
<b>William Blair - International Growth: Small Cap</b>	Ret (%p.a.): 13.8 (4) Tracking error (%pa): 7.0 (13) Information ratio: 0.3 (3) Return/SD: 0.6 (7)	All markets: 45% Up markets: 57% Down markets: 17%	AUM (\$B): 3.3 Inception year: 2004 Market cap (\$MM): 4,913 No. of stocks held: 106 Avg. turnover(%): 100	0.89%
<b>FIAM - Select International Small Cap</b>	Ret (%p.a.): 12.6 (7) Tracking error (%pa): 2.3 (94) Information ratio: 0.3 (3) Return/SD: 0.6 (6)	All markets: 50% Up markets: 57% Down markets: 33%	AUM (\$B): 2.7 Inception year: 1995 Market cap (\$MM): 3,337 No. of stocks held: 196 Avg. turnover(%): 45	0.85%
<b>Kayne - International Small Cap</b>	Ret (%pa): 19.2 (0) Tracking error (%pa): 6.2 (15) Information ratio: 1.2 (0) Return/SD: 0.9 (-)	All markets: 75% Up markets: 79% Down markets:67%	AUM (\$B): 3.6 Inception year: 2012 Market cap (\$MM): 3,164 No. of stocks held: 37 Avg. turnover(%): 30	0.80%
<b>TimesSquare - International Small Cap</b>	Ret (%p.a.): 10.7 (45) Tracking error (%pa): 5.3 (27) Information ratio: -0.2 (47) Return/SD: 0.4 (68)	All markets: 55% Up markets: 79% Down markets: 0%	AUM (\$B): 3.5 Inception year: 2012 Market cap (\$MM): 4,168 No. of stocks held: 79 Avg. turnover(%):40	0.95%
<b>Victory - Trivalent International Small-Cap Equity</b>	Ret (%p.a.): 13.1 (6) Tracking error (%pa): 4.2 (59) Information ratio: 0.3 (3) Return/SD: 0.6 (7)	All markets: 55% Up markets: 57% Down markets: 50%	AUM (\$B): 5.3 Inception year: 2007 Market cap (\$MM): 4,797 No. of stocks held: 216 Avg. turnover(%): 75	0.75%
<b>Brandes - International Small Cap Equity (incumbent)</b>	Ret (%p.a.): 5.8 (100) Tracking error (%pa): 9.1 (8) Information ratio: -0.7 (62) Return/SD: 0.3 (92)	All markets: 25% Up markets: 21% Down markets: 33%	AUM (\$B): 0.9 Inception year: 1995 Market cap (\$MM): 2,318 No. of stocks held: 77 Avg. turnover(%): 24	1.16% (0.15%)

# FACTS AND FIGURES

# CANDIDATE SUMMARY

Firm	Candidate Characteristics (AUM as of 6/30/2021)					
	Headquarters	Firm Ownership	Firm AUM (billions)	Strategy AUM (billions)	Strategy Inception Year	# of PMs / # of Analysts
<b>ACIM</b>	Kansas City, MO	Nomura Holdings Inc. 39% Stowers family and Stowers Institute 44% Current Employees and Other 17%	\$235.1	\$1.9	2001	3 / 7
<b>Blair</b>	Chicago, IL	Employee owned 100%	\$74.0	\$3.3	2004	3 / 16
<b>FIAM</b>	Smithfield, RI	Officers and Senior Employees of Fidelity 51% Johnson Family 49%	\$295.8*	\$2.7	1995	2 / 148
<b>Kayne</b>	Los Angeles, CA	Virtus Investment Partners 100%	\$61.2	\$3.6	2012	2 / 2
<b>TSCM</b>	New York, NY	Affiliated Managers Group, Inc. 60% TimesSquare CM employees 40%	\$16.1	\$3.5	2012	1 / 4
<b>Victory (Trivalent)</b>	San Antonio, Texas	Crestview Partners, L.P. and Others 44% Victory Employees 23% Public 21% Reverence Capital Partners 12%	\$161.9	\$5.3	2007	4 / 2
<b>Brandes (incumbent)</b>	San Diego, CA	Senior Professionals of the Firm 100%	\$23.7	\$0.9	1995	4 / 25

**Key observation:**

- All of the managers are established firms with reasonable levels of strategy assets (neither too large nor too small).

# STRATEGY ASSETS

Firm	As of December 31, 2020			From December 31, 2017 to December 31, 2020			
	Strategy assets (\$MM)	Number of clients	Largest Account Size (\$MM)	Accounts Gained (#)	Accounts Gained (\$MM)	Accounts lost (#)	Accounts lost (\$MM)
ACIM	1,971	11	410	3	124	0	0
Blair	3,113	12	466	0	0	2	361
FIAM	2,568	52	293	7	36	20	2,044
Kayne	3,004	6	2,934	5	334	1	0
TSCM	2,856	11	1,293	0	0	7	393
Victory (Trivalent)	4,492	10	756	5	632	0	0
Brandes (incumbent)	752	11	473	5	397	45	1,903

**Key observations:**

- Kayne, Trivalent, and ACIM have tended to have the most positive new client growth in recent years.
- Meanwhile, FIAM and TSCM have seen more client departures.

# PERSONNEL

Firm	As of December 31, 2020		Investment professional strategy turnover from December 31, 2017 to December 31, 2020	
	Total investment professionals	Investment professionals in strategy	Additions	Departures
ACIM	195	10	1	1
Blair	144	19	2	6
FIAM	622	150	47	48
Kayne	63	4	1	0
TSCM	46	5	0	0
Victory (Trivalent)	224	6	0	0
Brandes (incumbent)	35	29	3	8

## **Key observations:**

- Staffing appears reasonable at all firms, though Blair shows the most net departures over the past 3 calendar years.
- FIAM, given its size and analyst driven strategy, typically will have higher personnel turnover as noted here.



# SELECTED PORTFOLIO GUIDELINES

Firm	Minimum market cap (\$MM)	Maximum market cap (\$MM)	Number of stocks typically held	Average cash position over last 5 years (%)	Average portfolio turnover over last 5 years(%)	Use of currency hedging	Percent limit on hedging (%)	Maximum allocation to emerging markets (%)
ACIM	0	2,000	134	1	150	No Hedging	0	30
Blair	100	5,000	107	3	100	Occasional Hedging	50	35
FIAM	100	5,000	150-200	2	45	No Hedging	0	0
Kayne	50	10,000	43	4	30	No Hedging	0	35
TSCM	0	5,000	75	1	40	No Hedging	0	15
Victory (Trivalent)	100	5,000	220	1	75	No Hedging	0	0
Brandes (incumbent)	250	2,500	60-85	9	24	No Hedging	0	30

## Key observations:

- Kayne runs the most concentrated strategy and tends to have wider latitude to its investment guidelines (e.g., higher percentage to EM allowed, higher cap limit, etc.)
- FIAM and Trivalent run more diversified strategies

# SELECTED PORTFOLIO GUIDELINES

	# of Holdings	% in Top 10 Holdings	Market Cap (\$M)	Dividend Yield	Price / Earnings	Price / Book
ACIM	125	14.49	4,402	1.1	29.13	3.32
Blair	106	18.61	4,913	0.89	46.38	6.8
FIAM	196	11.08	3,337	1.84	21.13	1.78
Kayne	37	37.39	3,164	1.81	27.93	4.35
TSCM	79	25.07	4,168	1.53	24.67	3.54
Victory (Trivalent)	216	11.07	4,797	1.96	15.51	1.88
Brandes (incumbent)	77	29.04	2,318	2.32	13.73	0.69
<b>MS EAFE SC Index</b>	2,312	2.52	3,274	1.98	21.04	1.63

## Key observations:

- Kayne represents the most concentrated strategy with close to 40% of holdings in the top ten. Victory and Fidelity are the most diversified, with the highest number of holdings and less concentration in the top 10.
- FIAM and Kayne tend to be in line with the benchmark average market cap, while Blair and Trivalent move up cap.
- Blair's P/E and P/B are very high, indicating a notable growth orientation.

# SECTOR DISTRIBUTION

Firm	Energy (%)	Materials (%)	Industrials (%)	Cons Disc (%)	Cons Staples (%)	Health Care (%)	Financials (%)	Real Estate (%)	Info Tech (%)	Comm Services (%)	Utilities (%)
ACIM	1.1	7.5	28.4	19.7	4.2	5.0	6.7	1.5	18.4	5.1	2.3
Blair	1.0	0.0	29.2	14.6	3.5	14.5	4.8	2.4	22.0	3.1	2.5
FIAM	1.0	10.3	21.5	15.6	4.7	6.9	9.9	8.7	12.8	5.4	1.3
Kayne	3.1	1.2	27.2	9.3	3.7	4.8	15.0	0.0	12.5	23.3	0.0
TSCM	0.0	3.5	25.6	5.9	5.8	8.4	17.1	2.4	16.3	9.8	2.5
Victory (Trivalent)	2.2	9.4	21.3	13.2	4.5	8.8	9.3	8.4	12.6	5.2	2.7
Brandes (incumbent)	3.3	3.9	19.4	10.2	18.7	6.6	16.8	7.3	3.8	6.2	1.4
MS EAFE SC Index	1.7	9.2	23.6	13.5	5.7	6.7	10.9	11.3	9.9	4.5	2.8

## Key observations:

- All strategies appear well diversified from a sector concentration standpoint.
- FIAM tends to maintain highly benchmark aware positioning, while TSCM, Blair, and Kayne show some notable sector bets.

Data as of 3/31/2021 except for Kayne which is as of 6/30/2021.

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# COUNTRY ALLOCATION

Firm	UK (%)	Europe ex UK (Developed) (%)	Japan (%)	Pacific ex Japan (Developed) (%)	North America (%)	Emerging Markets (%)	Other Developed Markets (%)	Cash (%)
ACIM	12.8	29.9	18.3	5.2	0.0	18.9	14.9	0.0
Blair	11.9	37.5	15.7	2.9	0.0	24.1	5.1	2.8
FIAM	14.9	40.9	20.6	8.9	0.0	4.7	8.3	1.7
Kayne	25.6	32.0	5.3	6.6	0.0	20.4	7.3	2.8
TSCM	14.2	39.2	25.1	9.6	0.0	10.1	1.9	0.0
Victory (Trivalent)	14.0	39.3	19.6	10.4	0.0	6.0	9.9	0.8
Brandes (incumbent)	16.9	23.0	17.3	4.9	0.0	28.8	7.9	1.2
MS EAFE SC Index	17.5	37.7	28.0	16.8	0.0	0.0	0.0	0.0

## Key observations:

- EM exposure is a key differentiator for some strategies, with Kayne, Blair, and ACIM all holding large EM positions.

# VEHICLES & FEES

Manager	Vehicle	Fund Name	Expense Ratio (Revenue Sharing)	Estimated Expense (Based of 6/30/21 Assets of \$134.2 M)	Estimated \$ Difference vs Incumbent
ACIM	CIT	Non-US Small Cap	0.95%	1,274,893	(281,819)
Blair	CIT	International Growth Small Cap	0.89% <sup>1</sup>	1,261,473	(295,238)
FIAM	CIT	Select International Small Cap	0.85% <sup>2</sup>	1,140,694	(416,018)
Kayne	CIT	KAR/International Small Cap	0.80%	1,073,594	(483,117)
TSCM	CIT	International Small Cap	0.95%	1,274,893	(281,819)
Victory (Trivalent)	CIT	Trivalent International Small-Cap Equity	0.75%	1,006,495	(550,217)
Brandes (incumbent)	Mutual Fund	International Small Cap Equity	1.16% (0.15%)	1,556,712	--

## Key observations:

- All strategies present fee savings to the Plan.
- Victory has the lowest fee amongst the candidates; meanwhile ACIM, William Blair and TimesSquare are on the higher end.
- Fidelity and Kayne are in the middle of the group.

<sup>1</sup> Includes current operating expenses of 0.05%

<sup>2</sup> Includes operating expenses capped at 0.10%

# PERFORMANCE DETAILS

# PERFORMANCE CHARACTERISTICS

Performance characteristics vs. MSCI EAFE Small Cap (Net) in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (Percentile Ranking) (quarterly calculations)

	Return (%pa)	Std Deviation (%pa)	Tracking Error (%pa)	Information Ratio	Sharpe Ratio	Alpha (%pa)	Up Markets Capture (%)	Down Markets Capture (%)	Beta
ACIM	15.08	24.79	7.64	0.40	0.56	1.88	136.61	111.18	1.11
Blair	13.84	24.30	6.97	0.26	0.52	0.88	125.41	110.13	1.09
FIAM	12.64	21.30	2.26	0.27	0.54	0.63	104.01	99.92	0.99
Kayne	19.21	21.68	6.15	1.17	0.83	6.96	125.15	77.52	0.97
TSCM	10.73	24.38	5.29	-0.25	0.39	-2.16	118.64	121.85	1.12
Victory (Trivalent)	13.12	22.87	4.22	0.26	0.52	0.58	111.08	103.17	1.05
Brandes (incumbent)	5.54	20.71	9.16	-0.71	0.21	-4.48	63.14	101.62	0.88
MS EAFE SC	12.03	21.37	N/A	N/A	0.51	N/A	N/A	N/A	N/A

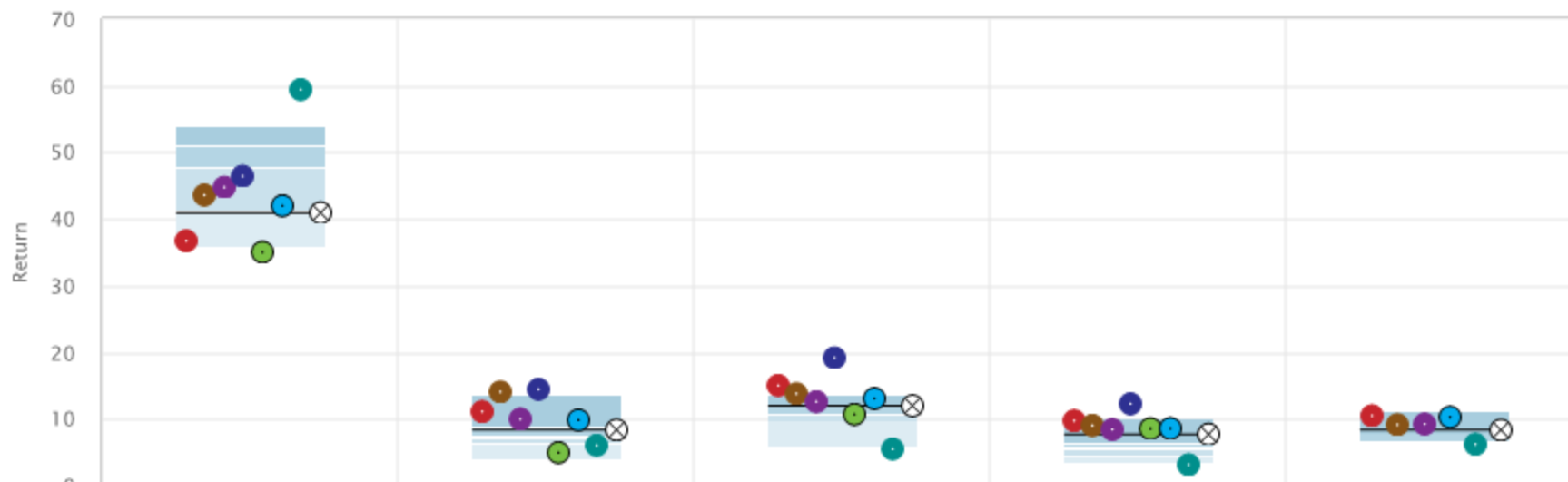
1st Quartile 2nd Quartile 3rd Quartile 4th Quartile

## Key observations:

- FIAM's tends to minimize volatility relative to the benchmark, while Kayne's concentrated approach delivers meaningful tracking error versus the benchmark. Despite this, both strategies performed well in from an up/down market perspective, with Kayne having excellent trailing metrics in this regard.
- All others candidates delivered meaningful up market participation, with a downside capture greater than the benchmark.

# ANNUALIZED PERFORMANCE

Return in \$US (after fees) over 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (Percentile Ranking)



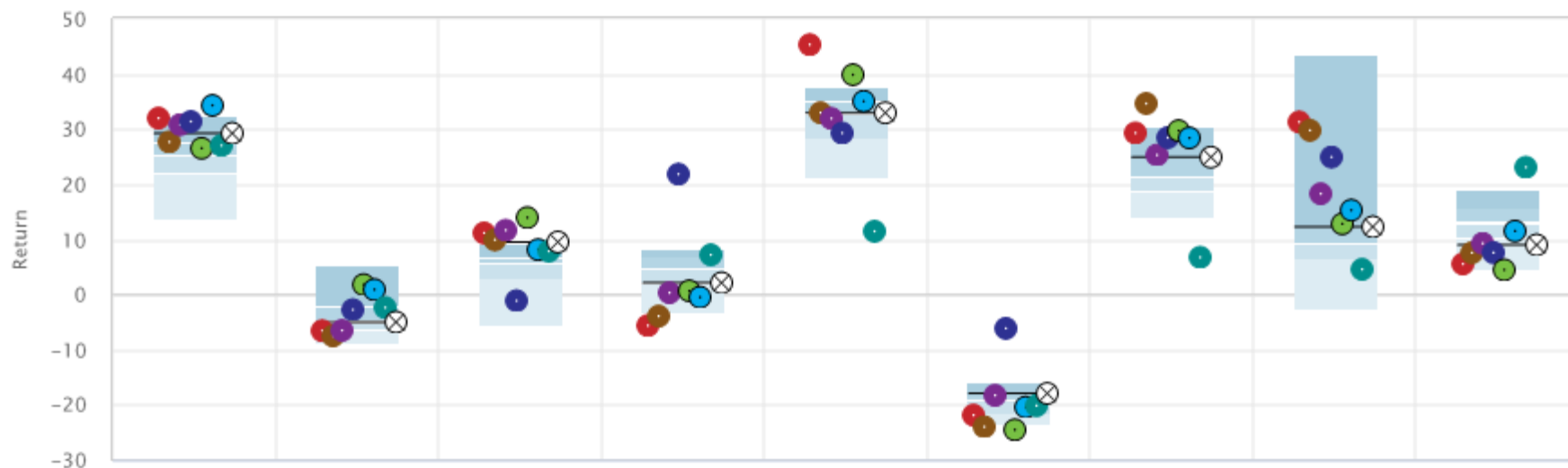
	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
● ACIM	36.8 (91)	11.1 (9)	15.1 (2)	9.8 (5)	10.5 (7)
● Blair	43.6 (69)	14.1 (4)	13.8 (4)	9.1 (7)	9.2 (13)
● FIAM	44.8 (56)	10.0 (11)	12.6 (7)	8.5 (8)	9.3 (13)
● Kayne	46.5 (52)	14.5 (3)	19.2 (0)	12.3 (0)	-
● TSCM	35.1 (97)	5.0 (94)	10.7 (45)	8.6 (7)	-
● Victory	42.0 (73)	9.9 (12)	13.1 (6)	8.6 (7)	10.3 (8)
● Brandes (incb)	59.5 (0)	6.1 (79)	5.5 (100)	3.2 (100)	6.2 (80)
⊗ MSEAFESCN	41.0 (76)	8.4 (34)	12.0 (12)	7.8 (9)	8.4 (16)
5th Percentile	53.7	13.4	13.5	9.9	11.1
Upper Quartile	51.0	8.7	11.8	6.2	7.8
Median	47.6	7.2	10.5	5.6	6.6
Lower Quartile	41.1	6.2	9.6	4.4	6.3
95th Percentile	35.8	4.0	5.9	3.3	6.1
Number	17	15	14	10	7

- Generally all candidates delivered excellent performance over trailing periods, with Kayne exhibiting strong consistency.



# CALENDAR YEAR PERFORMANCE

Return in \$US (after fees) over last 9 calendar years ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (Percentile Ranking)

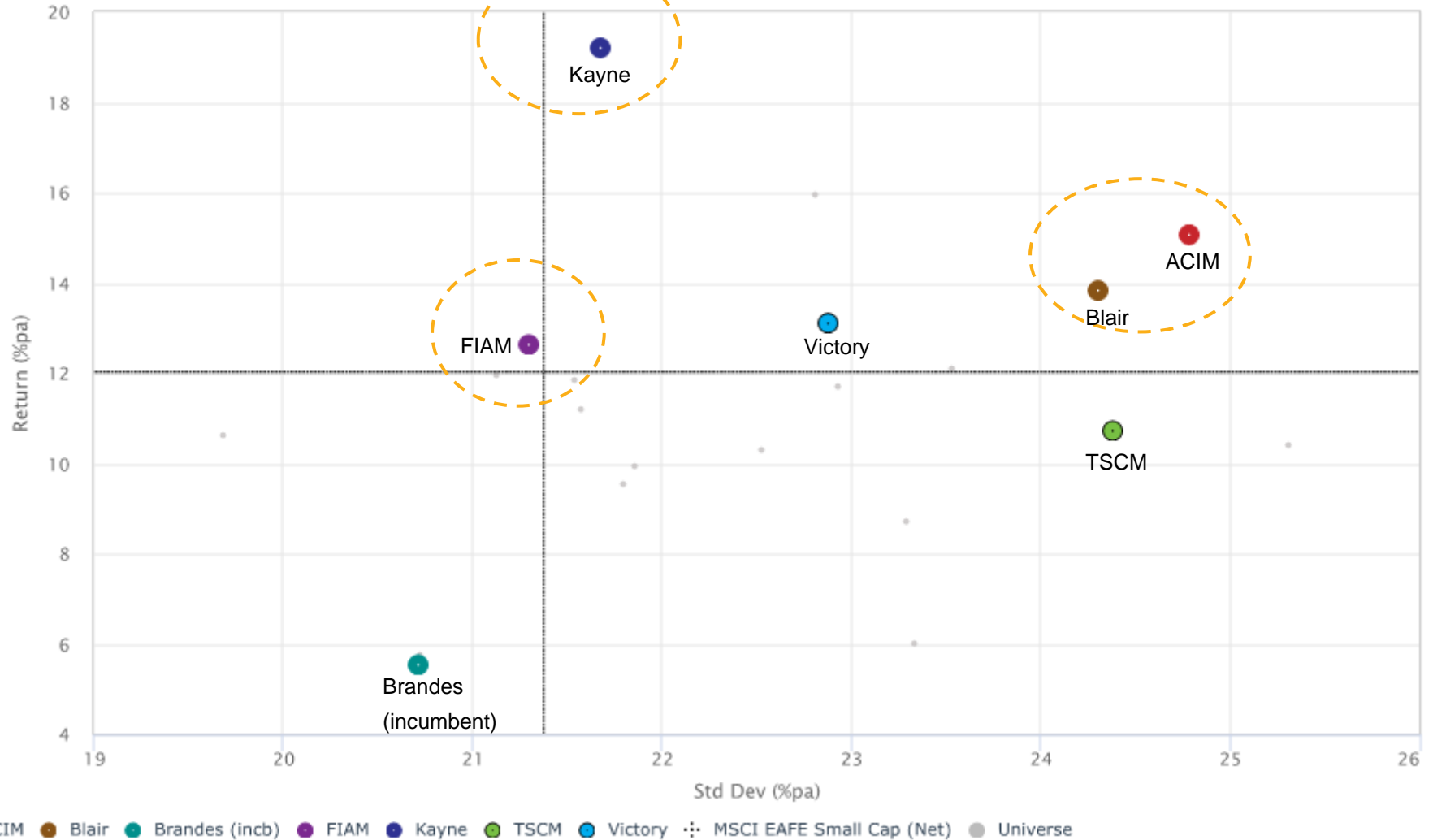


	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	6 mths to 6/2021 (%)
● ACIM	32.1 (6)	-6.5 (76)	11.2 (0)	-5.6 (99)	45.4 (0)	-21.8 (76)	29.4 (7)	31.4 (10)	5.6 (92)
● Blair	27.7 (24)	-7.5 (89)	10.0 (0)	-3.9 (96)	33.0 (46)	-24.0 (99)	34.7 (0)	29.8 (11)	7.6 (86)
● FIAM	30.9 (14)	-6.5 (74)	11.7 (0)	0.4 (81)	32.0 (51)	-18.2 (22)	25.4 (23)	18.3 (16)	9.3 (83)
● Kayne	31.4 (11)	-2.7 (34)	-1.1 (88)	21.9 (0)	29.3 (57)	-6.1 (0)	28.5 (9)	25.0 (12)	7.7 (86)
● TSCM	26.6 (32)	1.9 (14)	14.0 (0)	0.7 (79)	39.9 (0)	-24.5 (100)	29.8 (6)	12.9 (23)	4.5 (95)
● Victory	34.4 (0)	0.9 (16)	8.2 (11)	-0.4 (86)	35.1 (25)	-20.4 (68)	28.5 (9)	15.3 (18)	11.6 (64)
● Brandes (incb)	27.1 (28)	-2.3 (28)	7.9 (13)	7.3 (18)	11.5 (100)	-20.1 (65)	6.8 (100)	4.6 (87)	23.1 (0)
⊗ MSEAFESCN	29.3 (19)	-4.9 (44)	9.6 (0)	2.2 (75)	33.0 (47)	-17.9 (19)	25.0 (25)	12.3 (30)	9.0 (83)
5th Percentile	32.1	5.1	8.9	8.1	37.3	-16.0	30.1	43.4	18.7
Upper Quartile	27.4	-2.2	6.5	6.8	35.0	-18.4	25.0	12.7	15.6
Median	25.2	-5.1	5.7	4.5	32.6	-19.3	21.2	9.2	12.9
Lower Quartile	21.8	-6.5	2.8	2.1	28.3	-21.6	18.6	6.4	10.3
95th Percentile	13.4	-9.0	-5.7	-3.4	21.0	-23.8	13.8	-2.7	4.6
Number	9	10	10	12	15	15	16	16	17

- During the 2018 drawdown, Kayne and to a lesser extent FIAM, protected better than the other managers

# RISK / RETURN – 5-YEAR PERIOD (6/30/21)

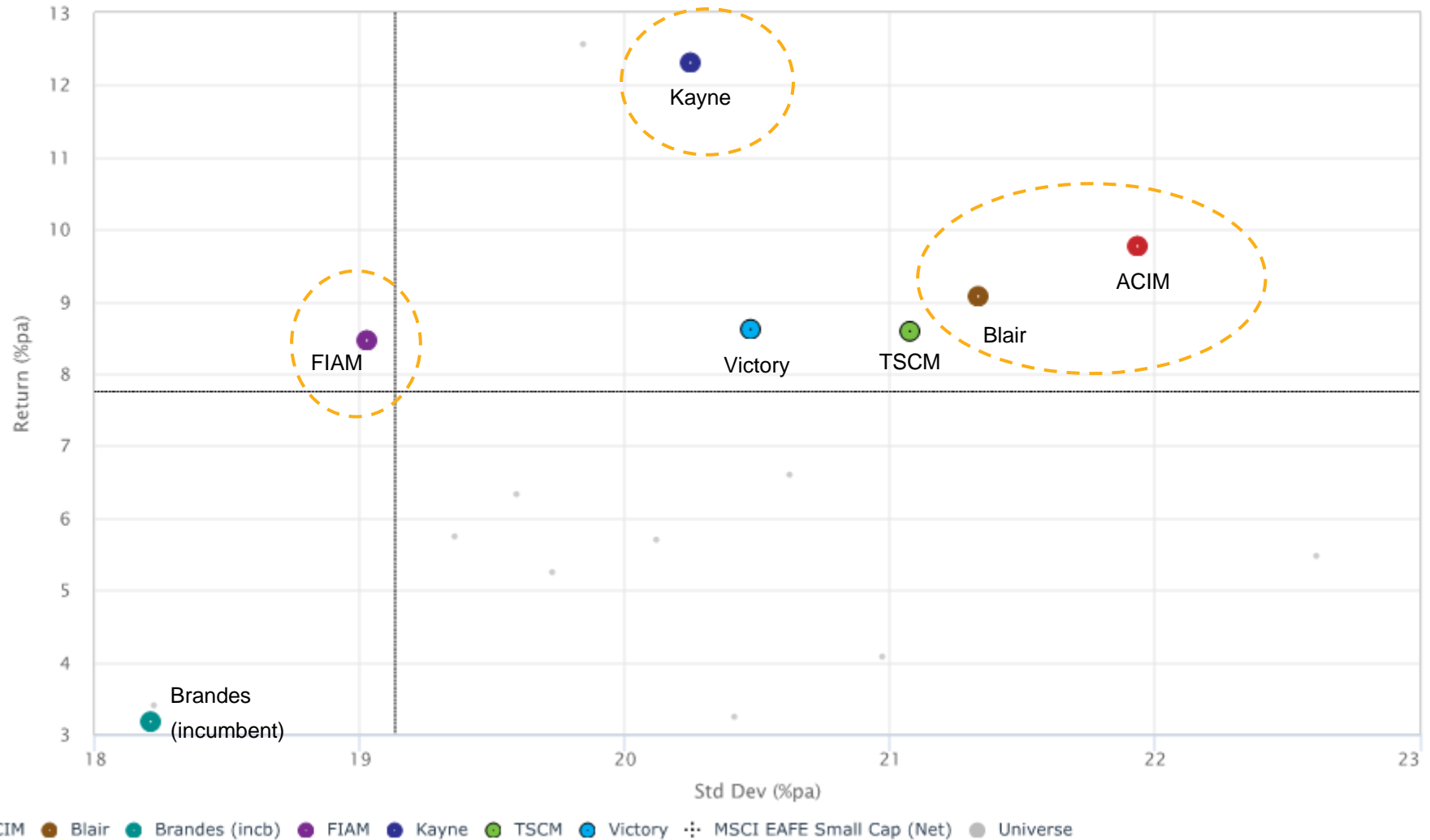
Return and Std Deviation in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (quarterly calculations)



- ACIM and Blair performed better than the index, but are much more volatile compared to peers. From a risk/return perspective, FIAM and Kayne stand out.

# RISK / RETURN – 7-YEAR PERIOD (6/30/21)

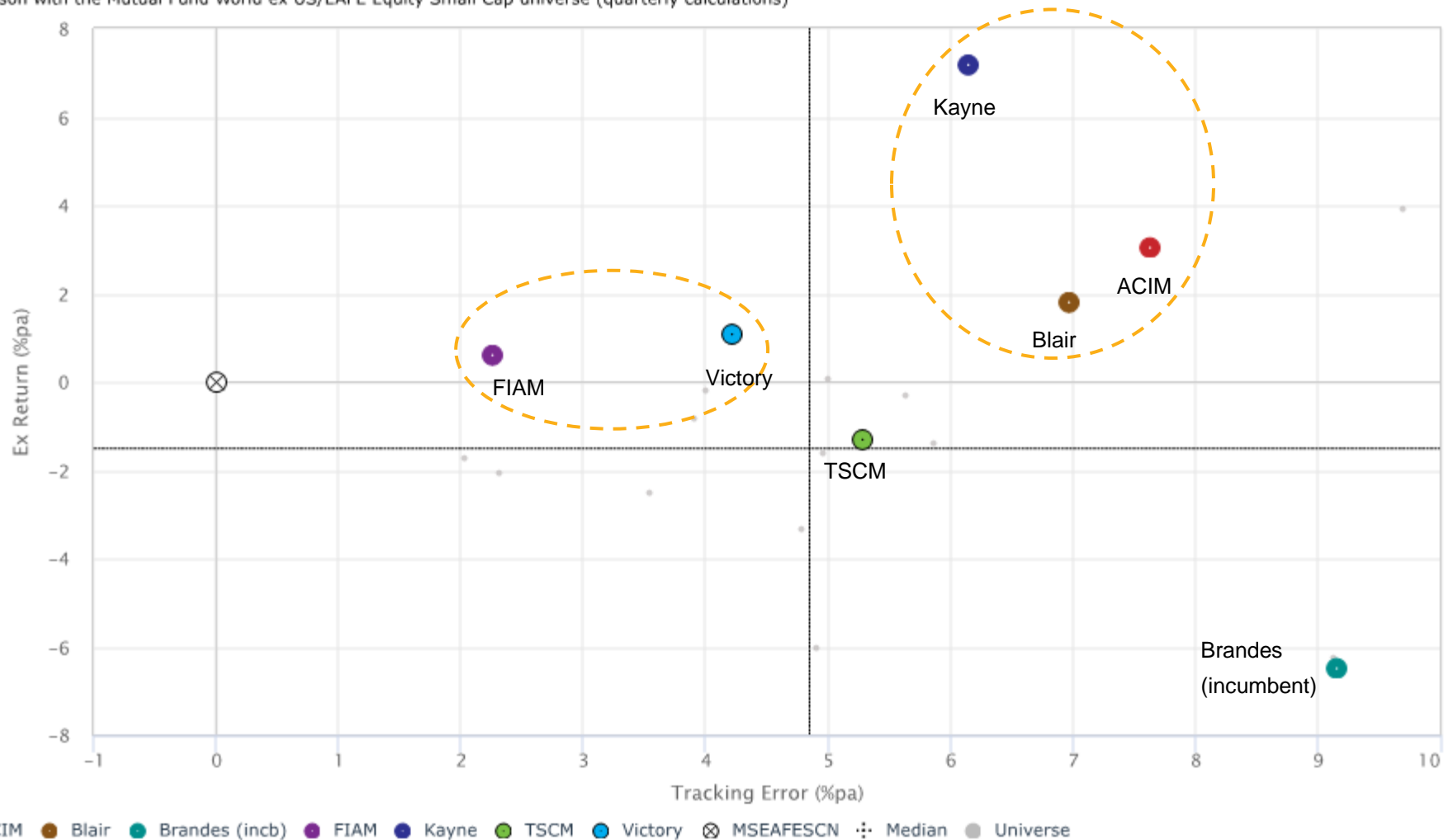
Return and Std Deviation in \$US (after fees) over 7 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (quarterly calculations)



- Over longer term, many of the candidates show a similar risk/return profile to the 5-year period.

# TRACKING ERROR / EXCESS RETURN (5-YR)

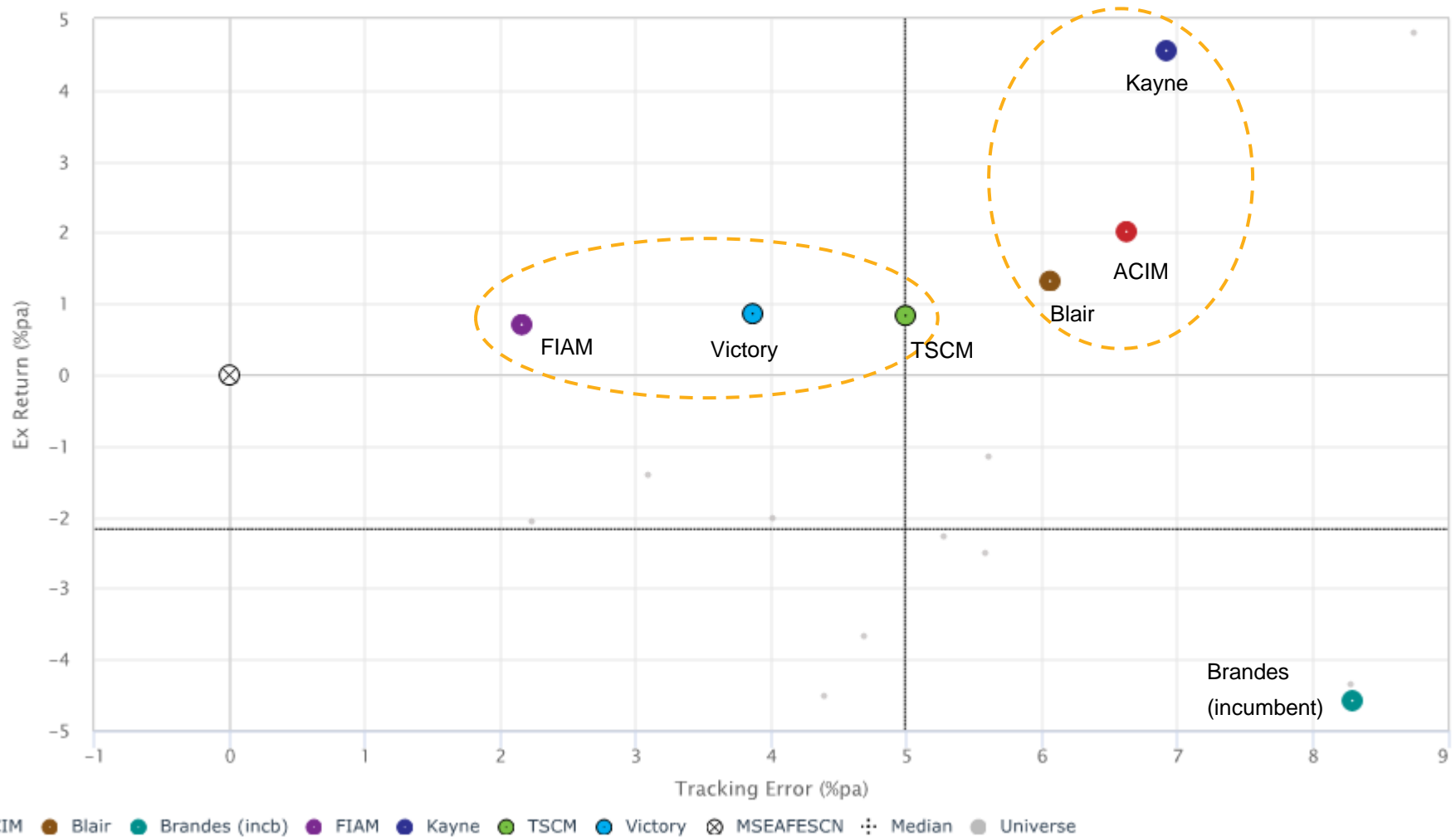
Excess Return and Tracking Error vs. MSCI EAFE Small Cap (Net) in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (quarterly calculations)



- Kayne, ACIM and Blair exhibit strong excess performance, but have not tracked the index as closely as some other managers.
- From a risk/return perspective, FIAM and Victory are notable.

# TRACKING ERROR / EXCESS RETURN (7-YR)

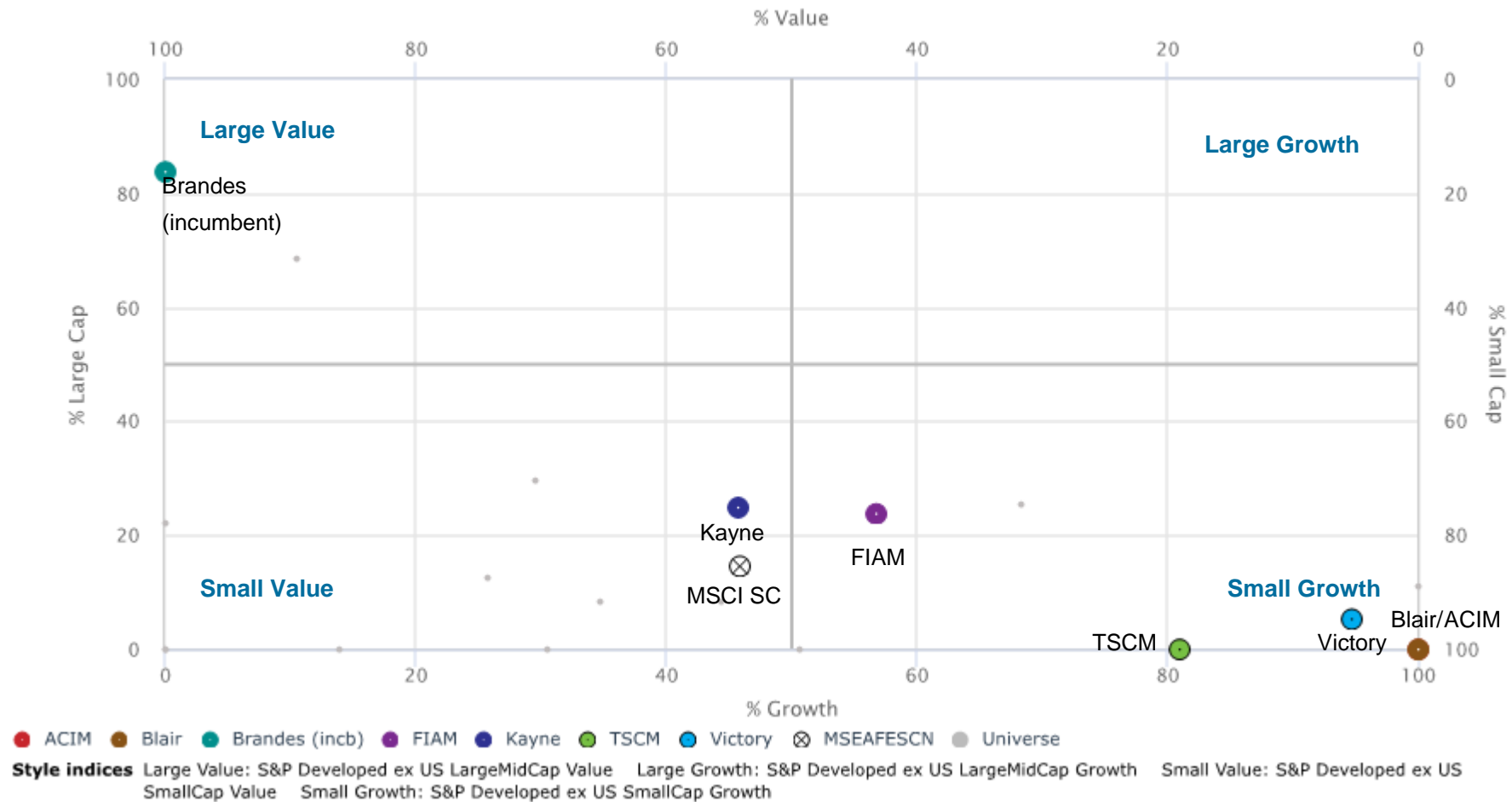
Excess Return and Tracking Error vs. MSCI EAFE Small Cap (Net) in \$US (after fees) over 7 yrs ending June-21  
Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (quarterly calculations)



- All 6 candidates exhibit above median excess returns, but similar to the prior exhibit only FIAM and Victory exhibited below median tracking error.

# RETURNS-BASED STYLE ANALYSIS (5-YR)

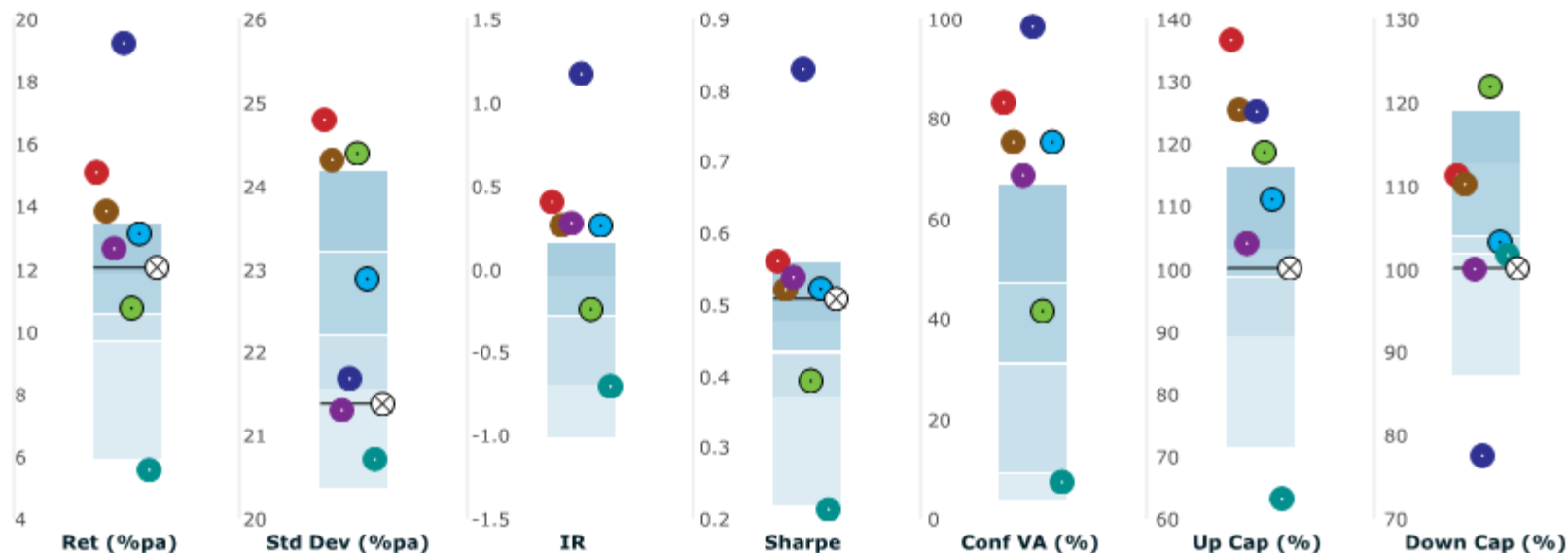
Returns based style analysis in \$US (after fees) over 5 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (quarterly calculations)



- Kayne and FIAM have a core orientation while William Blair, ACIM (overlaid by Blair), TimesSquare and Victory exhibit a strong growth orientation.

# RISK STATISTICS – 5 YEAR (6/30/2021)

Performance characteristics vs. MSCI EAFE Small Cap (Net) in \$US (after fees) over 5 yrs ending June-21  
Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (Percentile Ranking) (quarterly calculations)



	Ret (%pa)	Std Dev (%pa)	IR	Sharpe	Conf VA (%)	Up Cap (%)	Down Cap (%)
● ACIM	15.1(2)	24.8(2)	0.4(0)	0.6(5)	83.2(0)	136.6(0)	111.2(27)
● Blair	13.8(4)	24.3(4)	0.3(3)	0.5(7)	75.3(2)	125.4(0)	110.1(28)
● FIAM	12.6(7)	21.3(81)	0.3(3)	0.5(6)	68.7(4)	104.0(23)	99.9(85)
● Kayne	19.2(0)	21.7(66)	1.2(0)	0.8(0)	98.4(0)	125.2(0)	77.5(100)
● TSCM	10.7(45)	24.4(4)	-0.2(47)	0.4(66)	41.5(38)	118.6(0)	121.9(0)
● Victory	13.1(6)	22.9(34)	0.3(3)	0.5(7)	75.3(2)	111.1(16)	103.2(64)
● Brandes (incb)	5.5(100)	20.7(92)	-0.7(77)	0.2(98)	7.2(86)	63.1(100)	101.6(76)
⊗ MSEAFESCN	12.0(12)	21.4(80)	-	0.5(9)	-	100.0(43)	100.0(85)
5th Percentile	13.5	24.2	0.2	0.6	66.7	116.2	118.9
Upper Quartile	11.8	23.2	-0.0	0.5	47.0	103.1	112.6
Median	10.5	22.2	-0.3	0.4	30.9	98.6	103.9
Lower Quartile	9.6	21.5	-0.7	0.4	8.9	89.1	101.7
95th Percentile	5.9	20.4	-1.0	0.2	3.8	71.3	87.2
Number	14	14	14	14	14	14	14

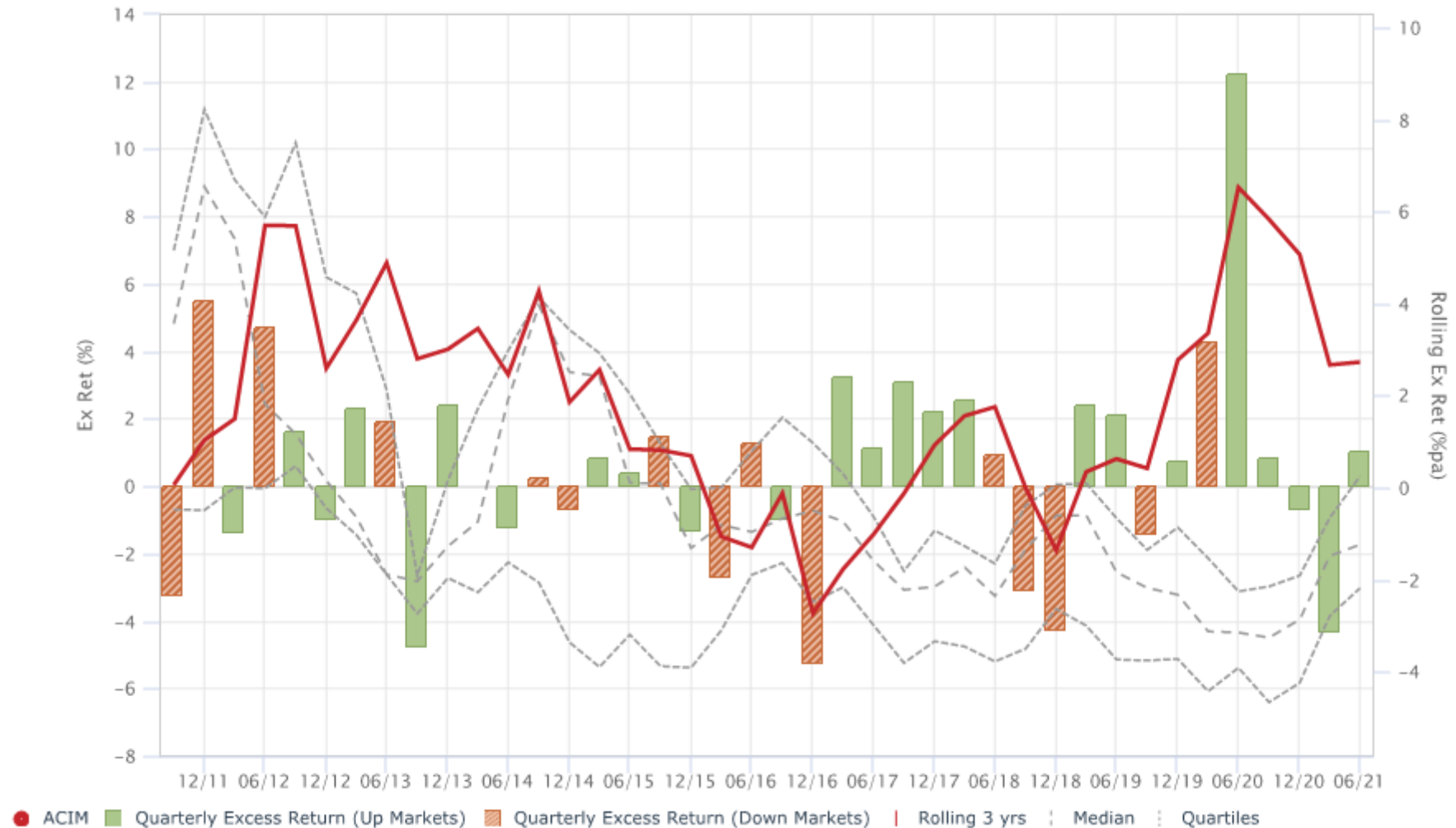
- Kayne has excellent trailing 5-year performance metrics; FIAM displays a more risk measured approach; Meanwhile, ACIM drove higher upside at the cost of greater down market capture.

The risk free rate used for these calculations is the US 3 month T-Bill

# QUARTERLY EXCESS RETURN

## American Century - Non-U.S. Small Cap

Quarterly Excess Return vs. MSCI EAFE Small Cap (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe

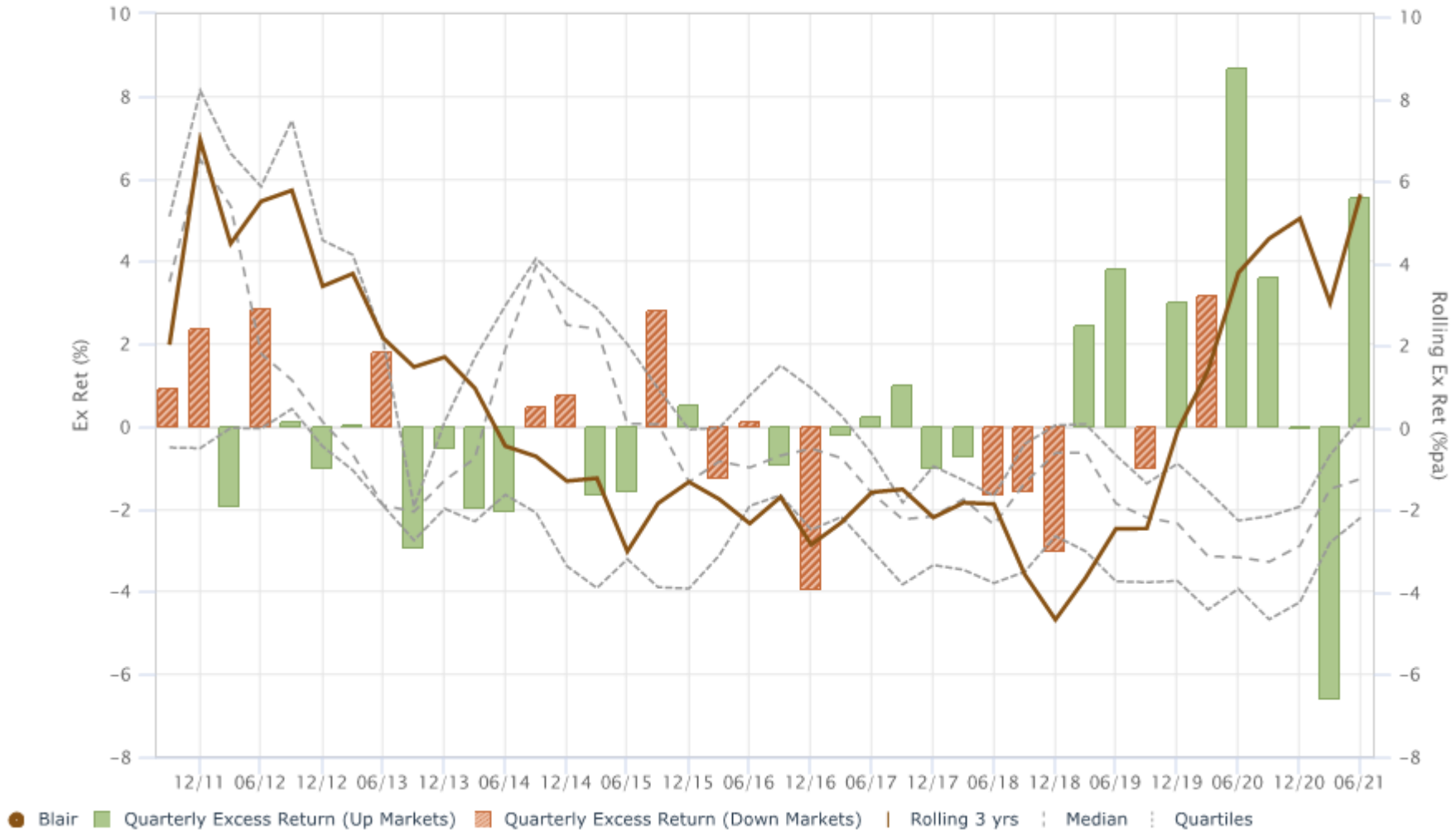




# QUARTERLY EXCESS RETURN

## William Blair - International Small Cap Growth

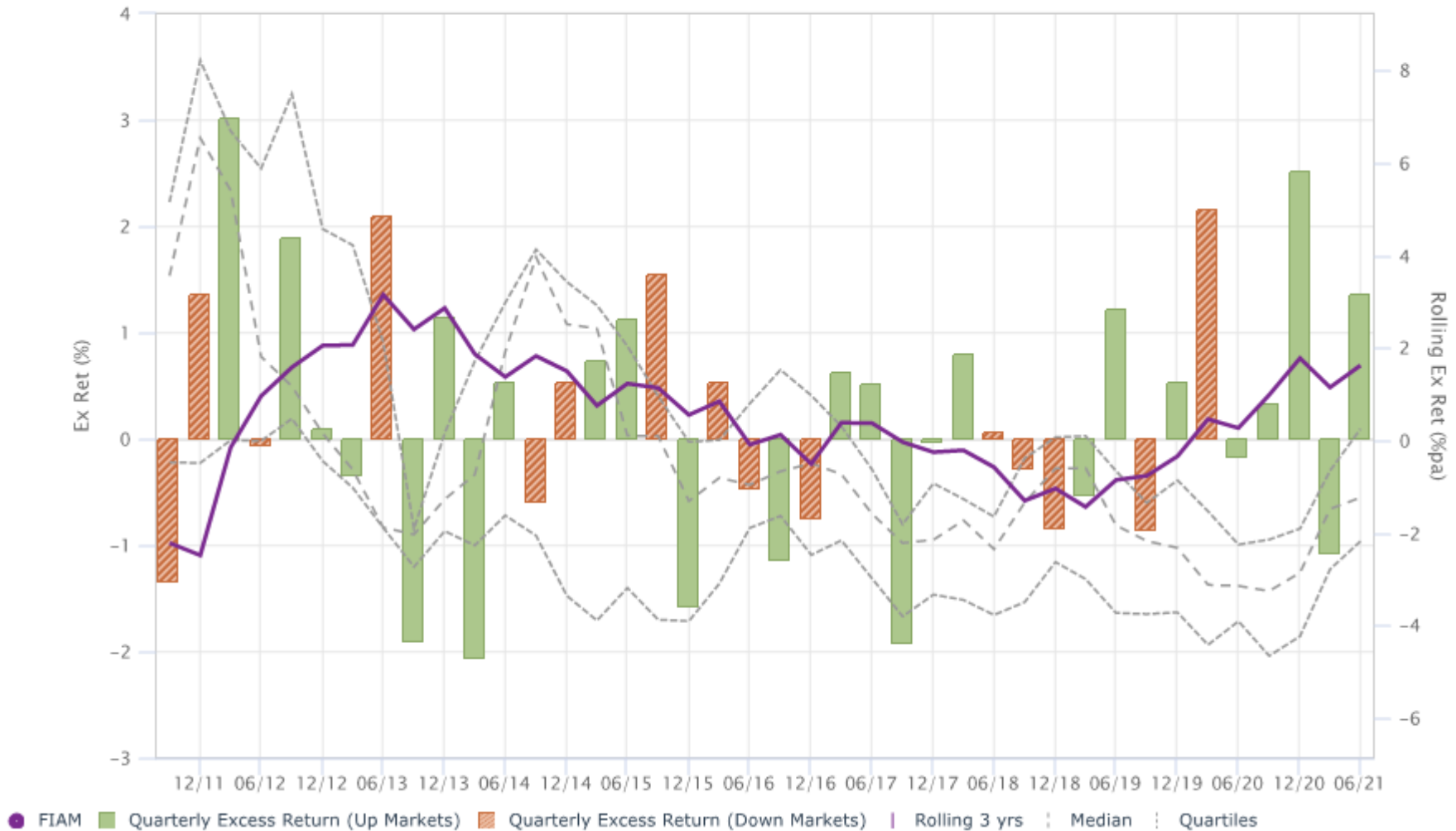
Quarterly Excess Return vs. MSCI EAFE Small Cap (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe



# QUARTERLY EXCESS RETURN

## FIAM Select International Small Cap Pool

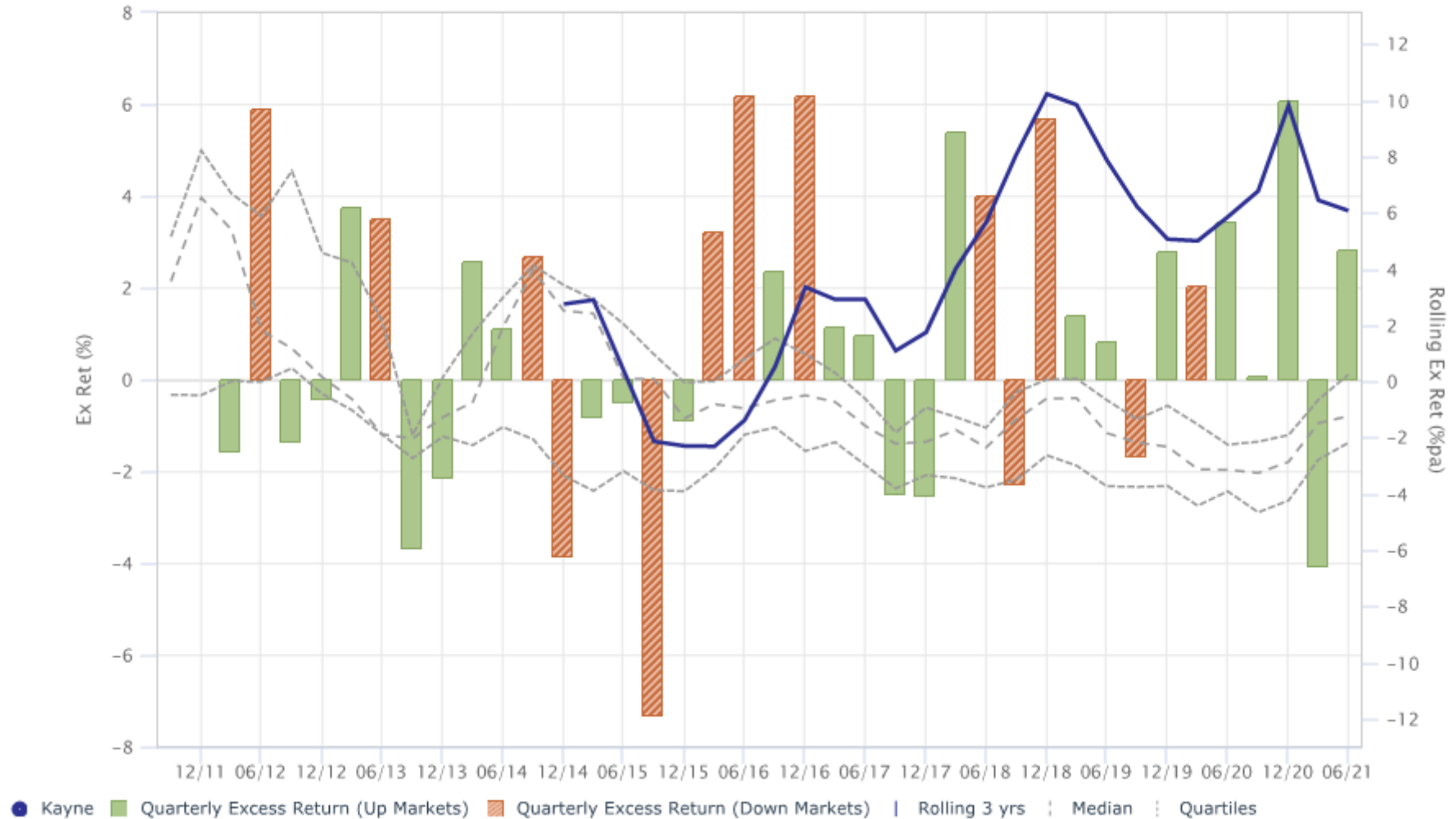
Quarterly Excess Return vs. MSCI EAFE Small Cap (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe



# QUARTERLY EXCESS RETURN

## Kayne - International Small Cap

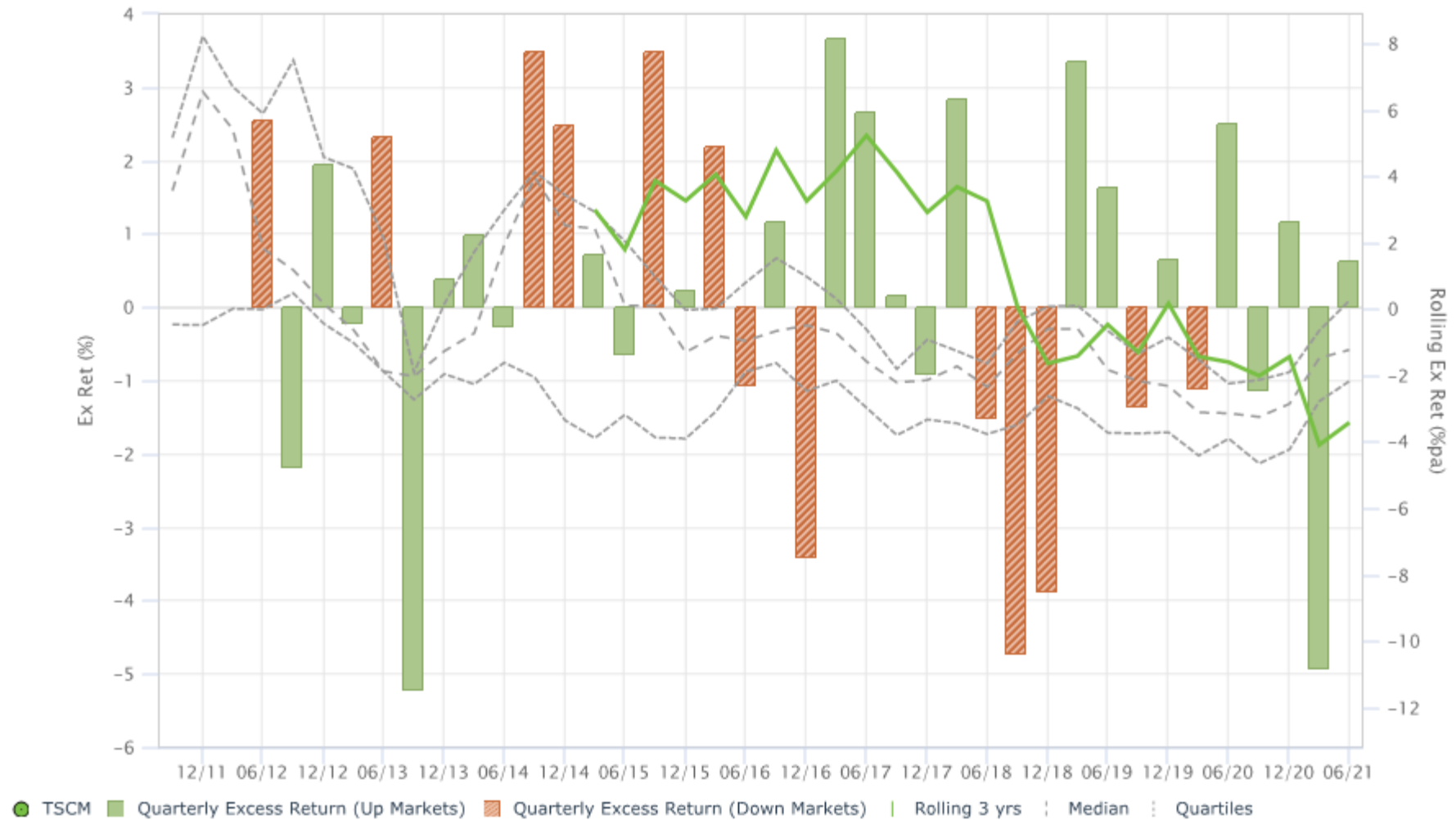
Quarterly Excess Return vs. MSCI EAFE Small Cap (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe



# QUARTERLY EXCESS RETURN

## TimesSquare - International Small Cap

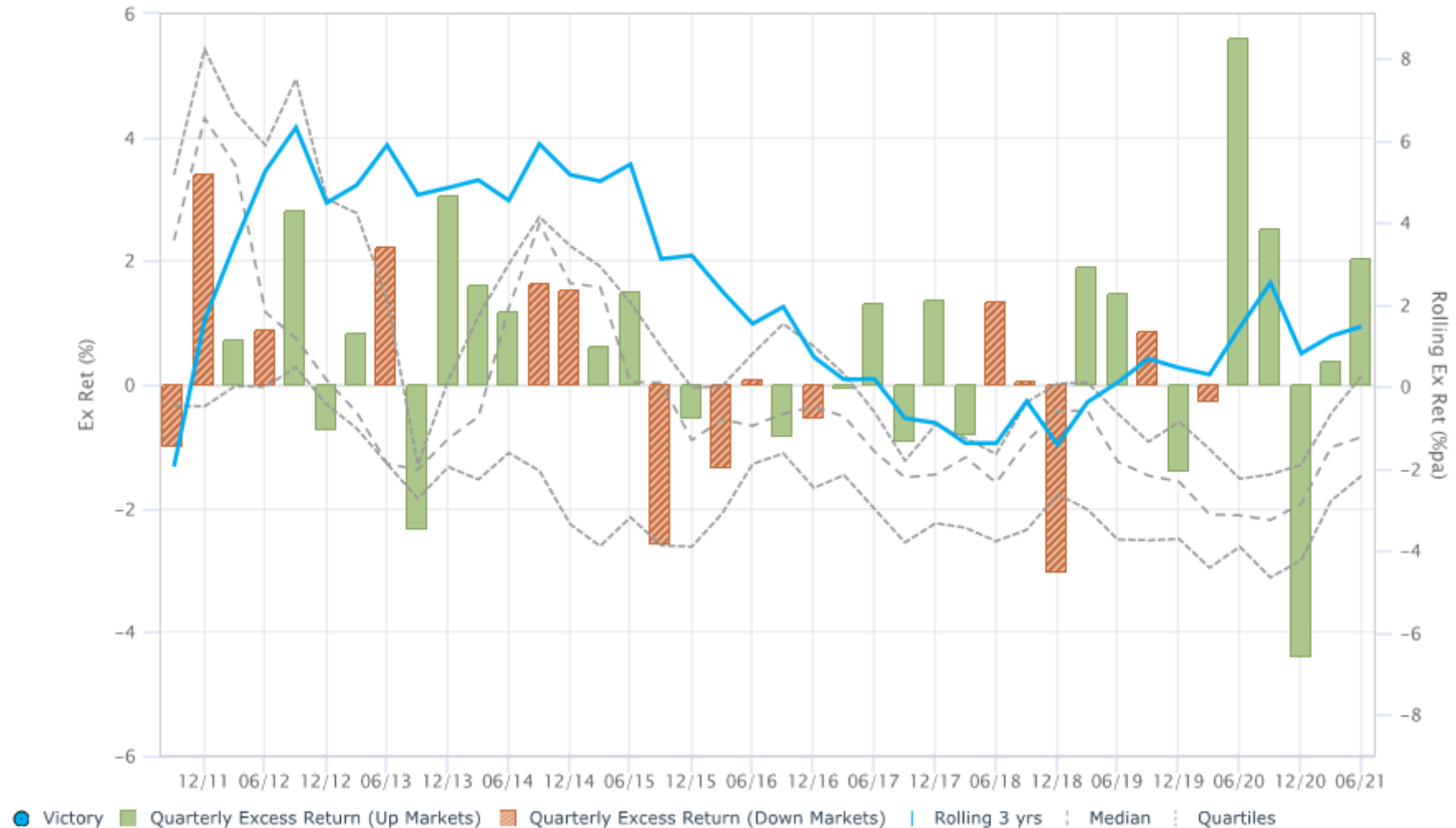
Quarterly Excess Return vs. MSCI EAFE Small Cap (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe



# QUARTERLY EXCESS RETURN

## Victory Trivalent Intl Small-Cap Eq

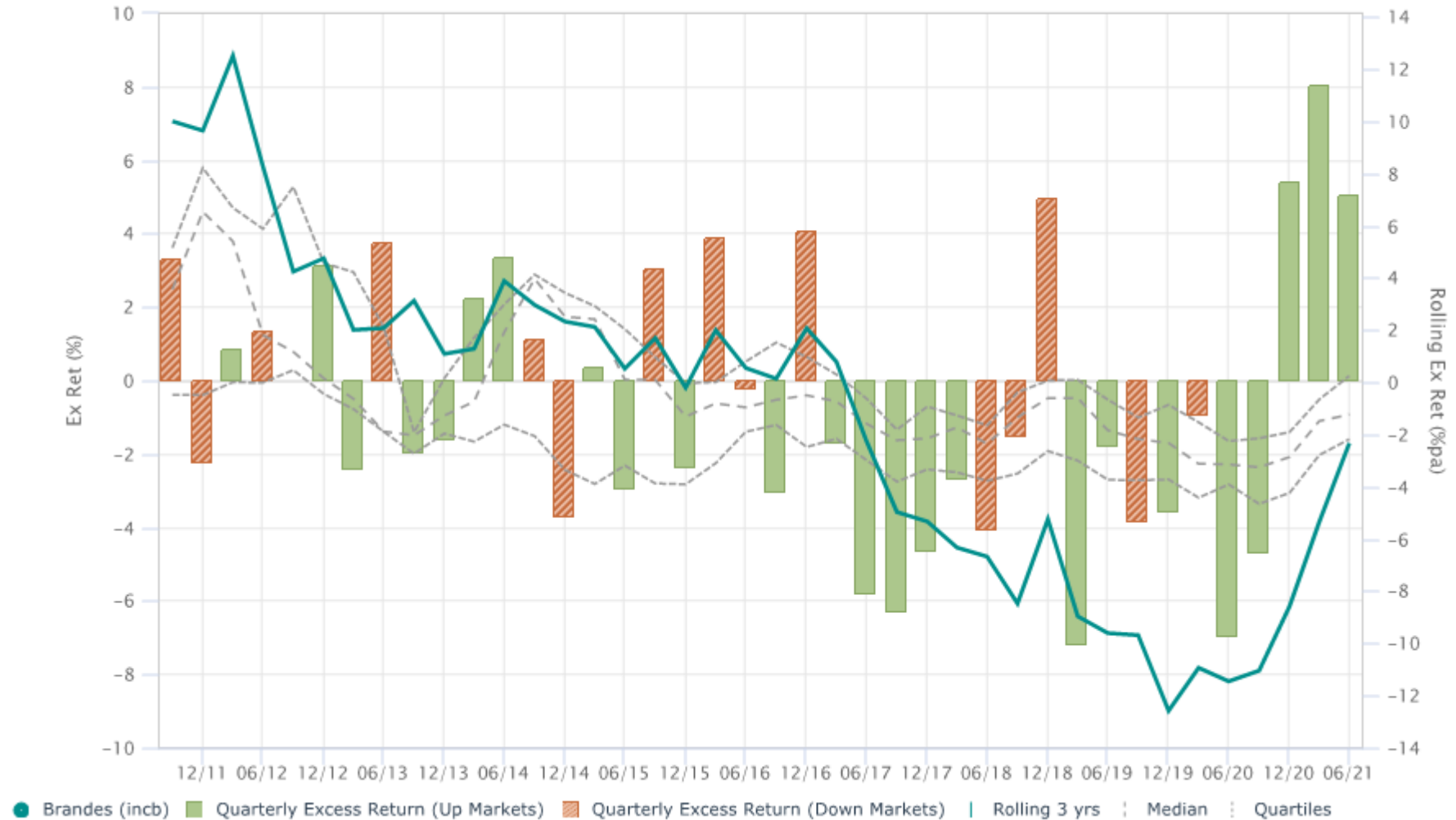
Quarterly Excess Return vs. MSCI EAFE Small Cap (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe



# QUARTERLY EXCESS RETURN

## Brandes International Small Cap Equity A (incumbent)

Quarterly Excess Return vs. MSCI EAFE Small Cap (Net) with rolling 3 yr line in \$US (after fees) over 10 yrs ending June-21  
 Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe



# ROLLING 3-YEAR PERFORMANCE RANKINGS

## Rolling 3 yr performance characteristics vs. MSCI EAFE Small Cap (Net) in \$US (after fees) over 5 yrs ending June-21

Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (quarterly calculations)

Name	1st Quartile		2nd Quartile		3rd Quartile		4th Quartile		Average Percentile Rank	Outperform	
	No.	%	No.	%	No.	%	No.	%		No.	%
Mutual Fund World ex US/EAFE Equity Small Cap Universe - MSCI EAFE Small Cap (Net) Index											
<b>Products</b>											
ACIM	15	75.0	2	10.0	2	10.0	1	5.0	19	14	70
Blair	8	40.0	2	10.0	4	20.0	6	30.0	42	6	30
FIAM	14	70.0	3	15.0	3	15.0	0	0.0	23	9	45
Kayne	19	95.0	1	5.0	0	0.0	0	0.0	3	20	100
TSCM	16	80.0	0	0.0	2	10.0	2	10.0	23	10	50
Victory (Trivalent)	15	75.0	4	20.0	1	5.0	0	0.0	20	13	65
Brandes (incb)	2	10.0	1	5.0	1	5.0	16	80.0	85	3	15
<b>Benchmark</b>											
MSCI EAFE SC (Net)	14	70.0	6	30.0	0	0.0	0	0.0	19	20	0

- On a rolling 3-year basis, Kayne was the only manager to consistently outperform the median over the past 5 years. Most managers performed in the top quartile of the universe on average over the trailing 5 years, with the exception of William Blair.

The benchmark result for Number Outperform represents the total number of observations in the period.

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# QUARTERLY UP / DOWN MARKET ANALYSIS

Performance characteristics vs. MSCI EAFE Small Cap (Net) in \$US (after fees) over 5 yrs ending June-21

Comparison with the Mutual Fund World ex US/EAFE Equity Small Cap universe (quarterly calculations)

Name	Up Markets			Down Markets			All Markets				
	Outperform		Excess (Av) (%pq)	Outperform		Excess (Av) (%pq)	Outperform		Excess (Av) (%pq)	Outperform (Av) (%pq)	Underperform (Av) (%pq)
	No.	%		No.	%		No.	%			
<b>Mutual Fund World ex US/EAFE Equity Small Cap Universe - MSCI EAFE Small Cap (Net) Index</b>											
<b>Products</b>											
American Century - Non-U.S. Small Cap	11	79	1.8	2	33	-1.5	13	65	0.8	2.8	-2.9
William Blair - International Small Cap Growth	8	57	1.3	1	17	-1.3	9	45	0.5	3.5	-1.9
FIAM Select International Small Cap Pool	8	57	0.2	2	33	-0.1	10	50	0.1	1.0	-0.8
Kayne - International Small Cap	11	79	1.3	4	67	2.3	15	75	1.6	3.0	-2.6
TimesSquare - International Small Cap	11	79	1.0	0	0	-2.7	11	55	-0.1	1.9	-2.6
Victory Trivalent Intl Small-Cap Eq	8	57	0.6	3	50	-0.3	11	55	0.3	1.7	-1.4
Brandes International Small Cap Equity A (incumbent)	3	21	-2.1	2	33	-0.2	5	25	-1.6	5.5	-3.9
MSCI EAFE Small Cap (Net)	14	0	0.0	6	0	0.0	20	0	0.0	na	na
<b>Group Statistics</b>											
Upper Quartile	7	50	0.2	3	46	-0.2	10	49	0.0	2.2	-1.4
Median	7	46	-0.1	2	33	-0.4	9	43	-0.3	1.6	-1.9
Lower Quartile	6	43	-0.6	1	17	-1.4	8	40	-0.5	1.2	-2.4
Number	14	14	14	14	14	14	14	14	14	14	14

- Kayne outperformed during all markets over the past 5 years 75% of the time; followed by ACIM which outperformed 65% of the time.

The benchmark results represent the total number of up markets, down markets and observations in the period.

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# CORRELATION

Correlation of Returns in \$US (after fees) over 5 yrs ending June-21 (quarterly calculations)

	ACIM	Blair	FIAM	Kayne	TSCM	Victory	Brandes (incb)	MSEAFESCN
ACIM		0.98	0.96	0.92	0.97	0.97	0.79	0.96
Blair			0.97	0.94	0.97	0.97	0.82	0.96
FIAM				0.97	0.99	0.98	0.91	0.99
Kayne					0.96	0.93	0.89	0.96
TSCM						0.97	0.85	0.98
Victory (Trivalent)							0.86	0.98
Brandes (incb)								0.91
MSEAFESCN								

Notes:

Correlation is shown in the right hand side of the table.

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# APPENDIX

# PERFORMANCE NOTES

- **American century** : Composite performance net of 0.95% fee.
- **William Blair** : Net of 0.89% performance provided by manager.
- **Fidelity** : Net performance provided by the manager.
- **Kayne** : Composite performance net of 0.80% fee.
- **Victory** : Composite performance net of 0.75% fee.
- **TimesSquare** : Composite performance net of 0.95% fee.
- **Brandes** : Incumbent, mutual fund vehicle (used A shares ticker: BISAX due to shorter performance history of the I shares: BISMX)

# MINIMUM QUALIFICATIONS

- The minimum qualifications outlined in section 2.2 of the RFP for the International Equity Small Cap mandate are included below:
  - Investment style consistent with international (ex-US) small-cap equity investment style and categorized in Mercer GIMD or other commercially available database as an international (ex-US) small-cap equity strategy
  - Stated benchmark of the strategy will be representative of the style (MSCI EAFE Small-Cap Index or comparable), and strategy will have high correlation with the benchmark (similar to median of peer group or higher)
  - Strategy track record of 5 years or longer
  - Risk-adjusted net performance (as measured by Sharpe ratio and/or Information Ratio) better than median over trailing 5-year period ending most recent quarter
  - Minimum assets under management in strategy of \$1 billion
  - Maximum assets under management in strategy of \$20 billion
  - Investment expense, after all rebates, equal to or less than 1.15%

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