

Investment Tips for Plan Fiduciaries

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Clients first.



What We'll Cover

- Incorporating Closed-End Private Investments
 - Conducting an Asset Liability Study
 - Current Market Environment

Incorporating Closed-End Private Investments

- What are closed end private investments?
 - *Investments that have a finite life: There is a beginning and ending that is out of the Plan's control*
 - *Investments typically **ramp up** as the manager finds investments and **ramp down** as the manager executes the Plan and liquidates*

Incorporating Closed-End Private Investments

▪ **Liquidity**

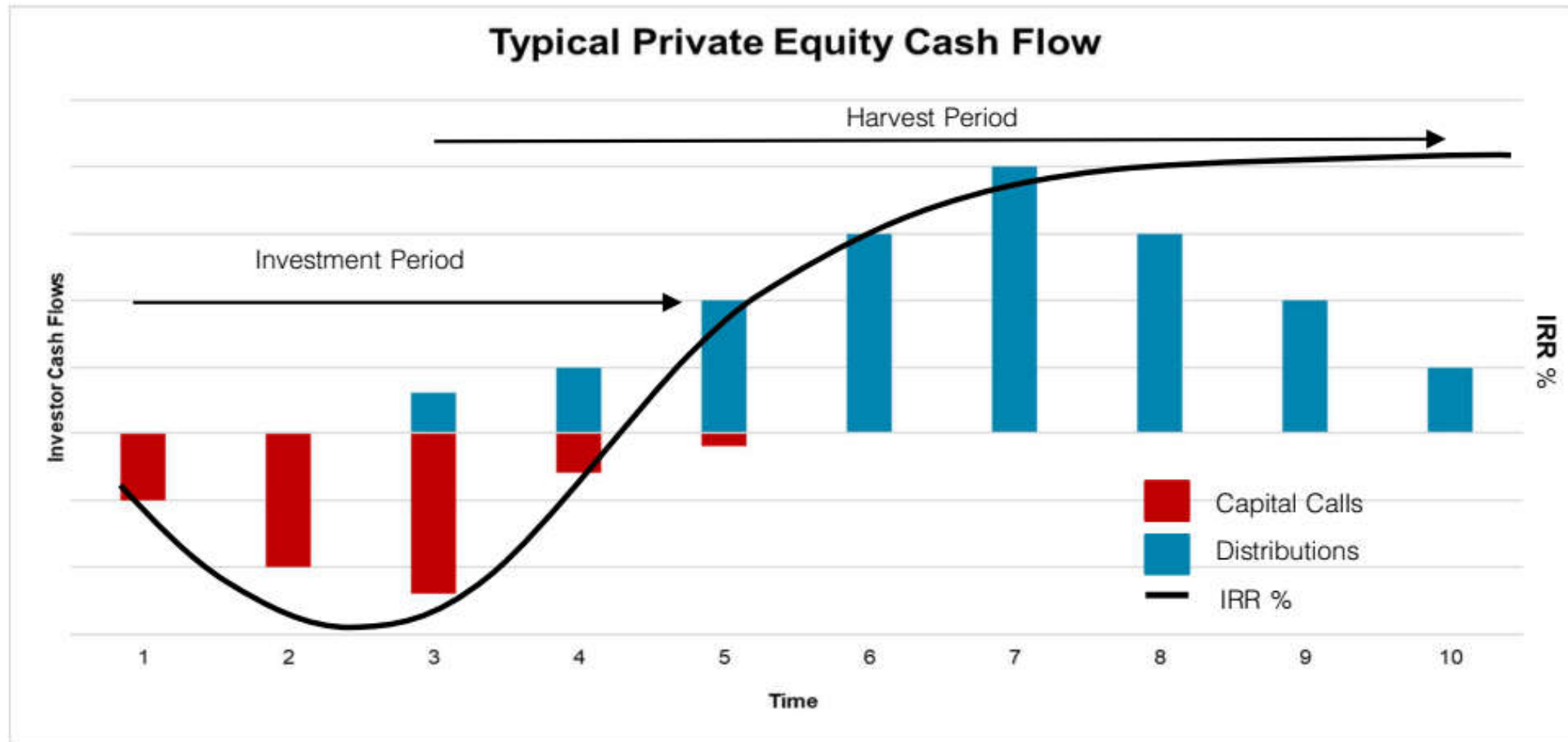
- Closed-end investments should be considered completely illiquid and will typically last 10-15 years.
- When a manager finds an investment, they will issue a “capital call”, in which the investor usually has 5-10 business days to wire the required capital.

Incorporating Closed-End Private Investments

▪ Pacing

- Because the investments ramp up and then ramp down, investors need to **pace their commitments** in a programmatic way in order to achieve a consistent allocation.
- Committing evenly every year or every 2 or 3 years also provides **vintage year diversification**, which will help diversify Plans from concentration to certain market cycles.

Incorporating Closed-End Private Investments



The above chart is hypothetical and included strictly for illustrative purposes.

Incorporating Closed-End Private Investments

- **Reporting Delays**

- Statements can be released 5-6 months after the quarter end, which can cause delays in audits, actuarial valuations and performance reporting.

- **Legal Review and Subscription Process**

- Legal review and negotiating side letters can take several months and subscription documents can be several hundred pages long. There are closing deadlines that may preclude investments.

Incorporating Closed-End Private Investments

- **Leverage**

- Some funds utilize the fund assets as collateral and leverage the fund. This can make performance more volatile and could imperil some of the investments.

- **Transparency**

- Portfolio companies are typically privately owned enterprises and may not provide details on their financial positions.

Incorporating Closed-End Private Investments

■ Fees

- Fees on private investments are typically higher than publicly traded investments.
- Fee structures can be complex and usually utilize an incentive based fee.

Incorporating Closed-End Private Investments

▪ **Benchmarking**

- There are very few benchmarks that measure private investment performance.
- Usually investments can be compared to public markets, however the calculations can be complex due to the timing of the cash flows and the availability of the index data.
- Reporting delays can also cause confusion in how the overall performance of the client's portfolio is performing.

Asset Liability Studies

Asset Liability Studies

- When we talk about return vs risk, we usually are talking about the standard deviation. But what does that tell us? The risk that Plan sponsors and Boards need to think about is the funding volatility of the Plan.
- Asset Liability Studies, also known as Asset Liability Management (ALM) incorporate a Plan's liabilities to look at the impact of asset allocation decisions.

Asset Liability Studies

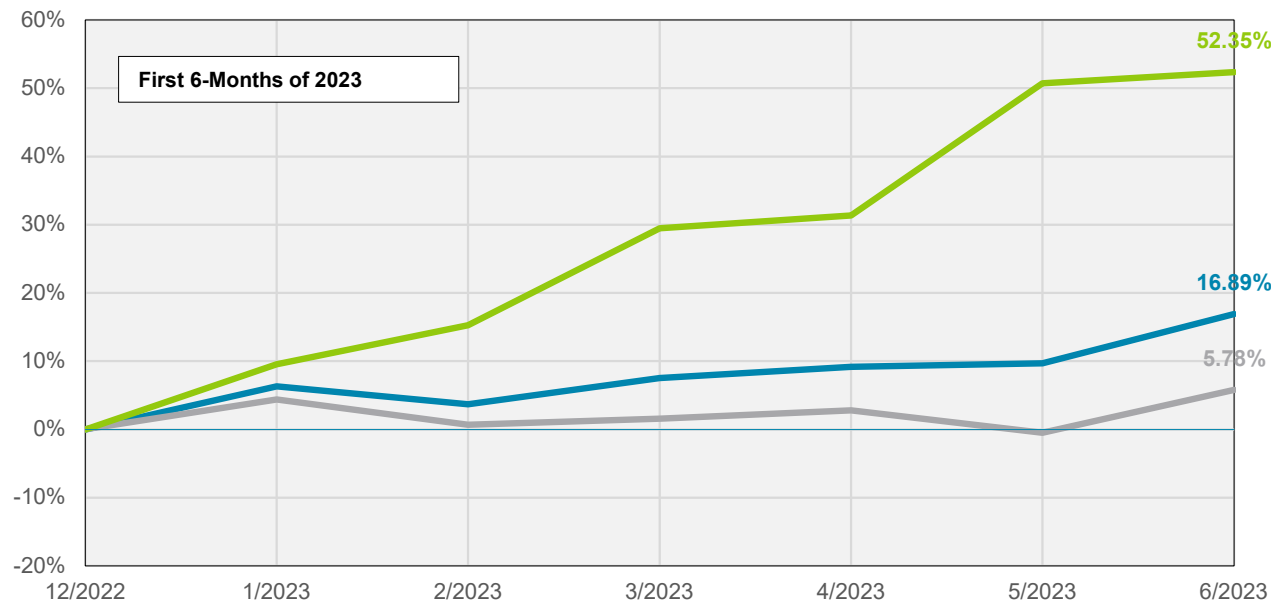
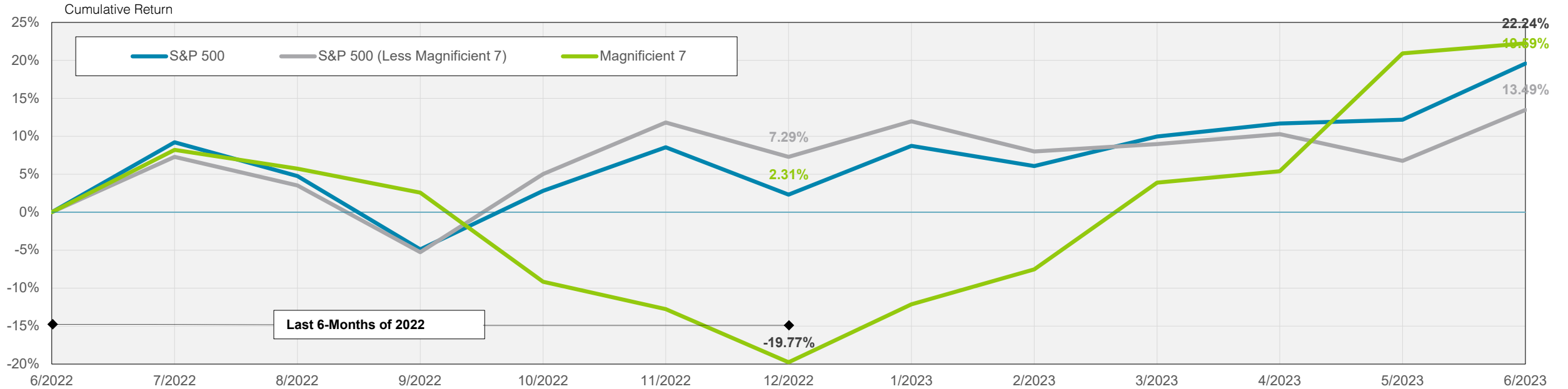
- Your consultant will typically work in conjunction with your actuary to implement an asset liability study.
- In the study, the Board will look at how the projected risk and return of different asset mixes could impact smoothed returns, funded ratios and minimum funding requirements.

Asset Liability Studies

- ALM studies are complex undertakings that require coordination between your service providers, take several months to complete, and may increase the costs of the Plan.
- ALM studies will give you a range of outcomes, and may not lead to definitive answers.

Current Market Environment

Magnificent Seven



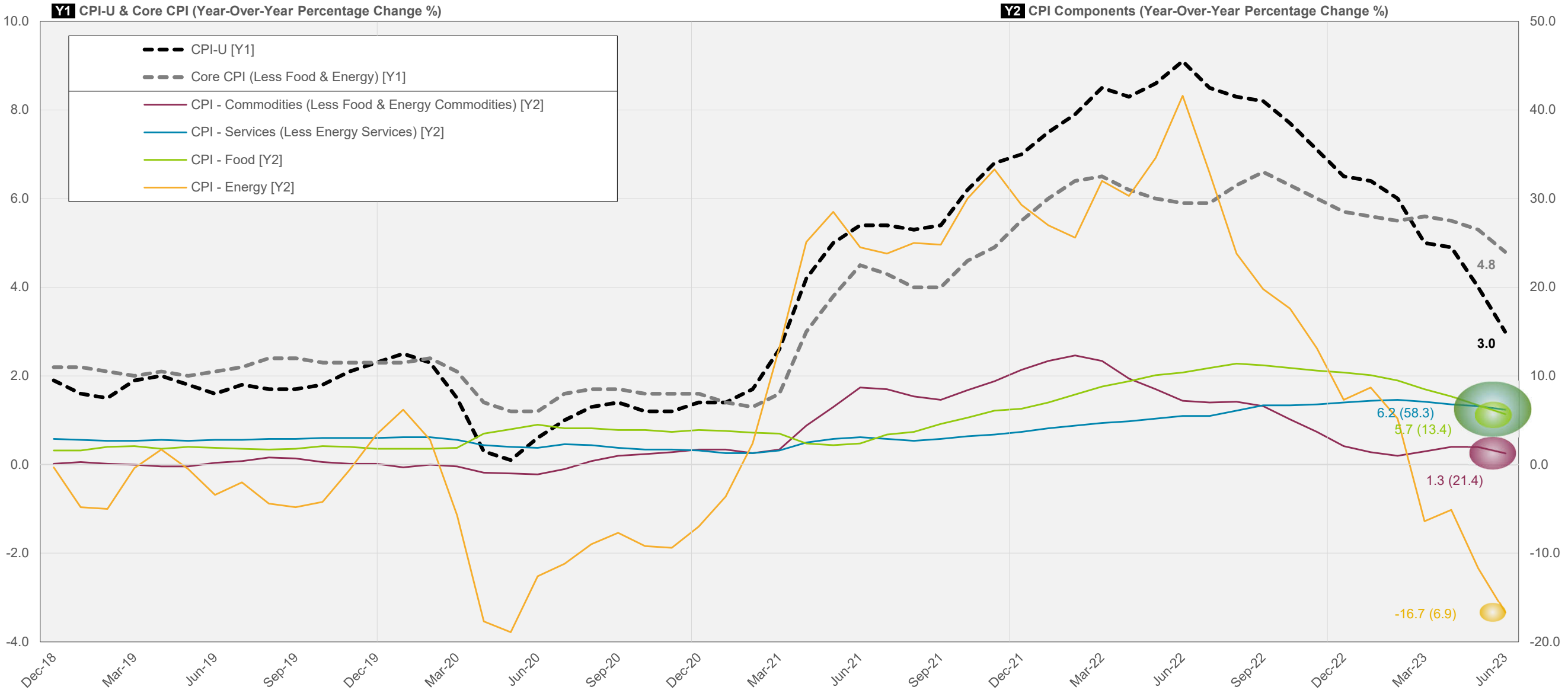
Company	YTD Return as of 6/30/2023	6/30/2023 Weight in the S&P 500	Contribution to YTD S&P 500 Return
Alphabet Inc Class A	35.67%	1.91%	0.59%
Alphabet Inc Class C	36.33%	1.66%	0.53%
Amazon.com Inc	55.19%	3.13%	1.29%
Apple Inc	49.72%	7.72%	3.01%
Microsoft Corp	42.66%	6.81%	2.38%
NVIDIA Corp	189.54%	2.82%	2.14%
Tesla Inc	112.51%	1.90%	1.16%
Meta Platforms Inc Class A	138.47%	1.71%	1.17%
		27.66%	

Source: AndCo Consulting, using data and information derived from Morningstar Direct.

• Alphabet (A&C), Amazon, Apple, Microsoft, Nvidia, Tesla, and Meta

• Return data is provided for historical and informational purposes only. The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results. Securities cited for illustrative purposes only. References herein do not constitute a recommendation to buy, sell or hold such securities

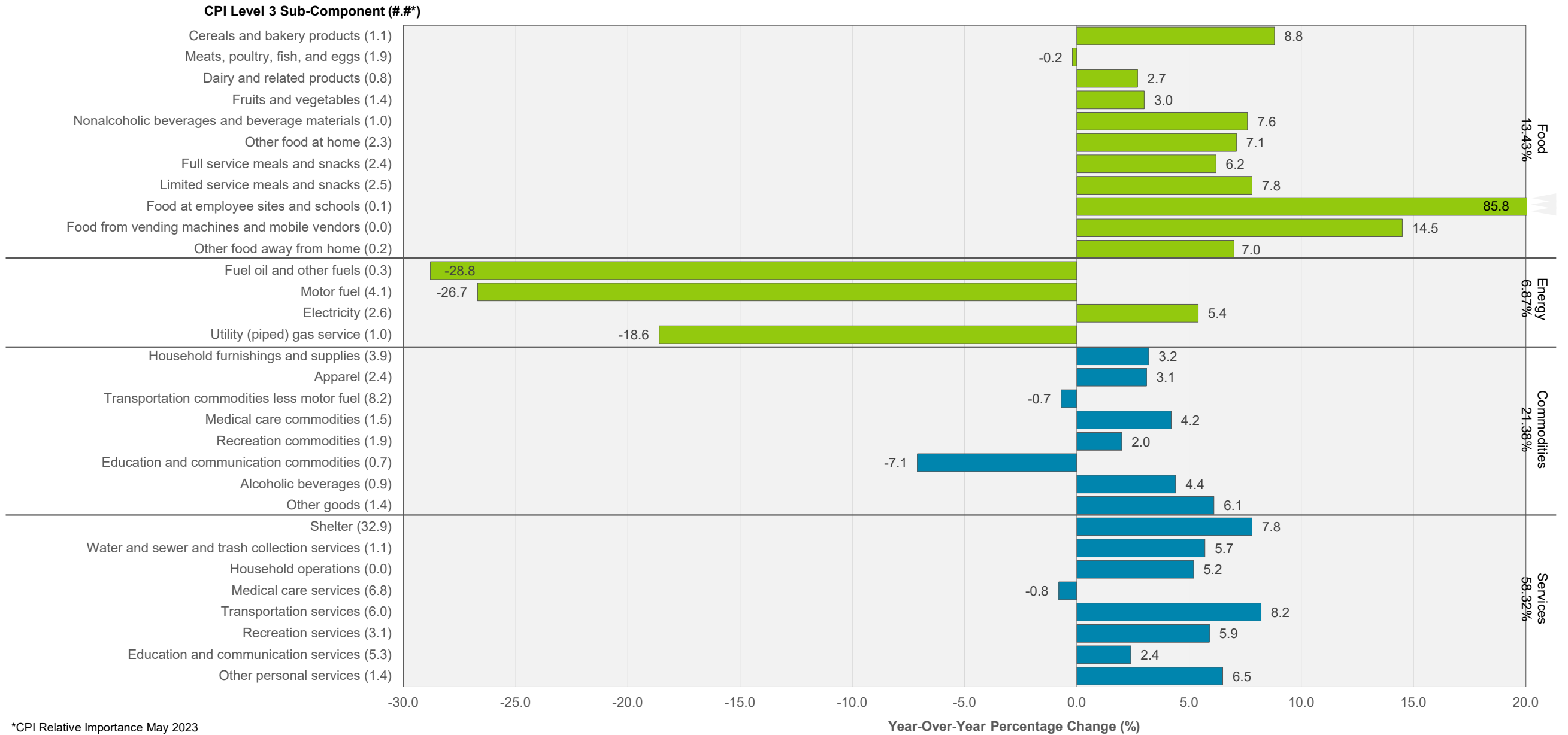
Inflation (YoY % Change)



Source: Bureau of Labor Statistics. Data as of July 12, 2023

1. Data for the CPI-U and Core CPI measures are plotted on the Y1 axis scale.
2. Data for the 4 major CPI-U component measures (food, energy, commodities, and services) are plotted on the Y2 axis scale.
3. The bubble sizes and (##.#) on the right of the chart represent the respective component's relative importance (weight) in the CPI-U measure.
4. For illustrative purposes only

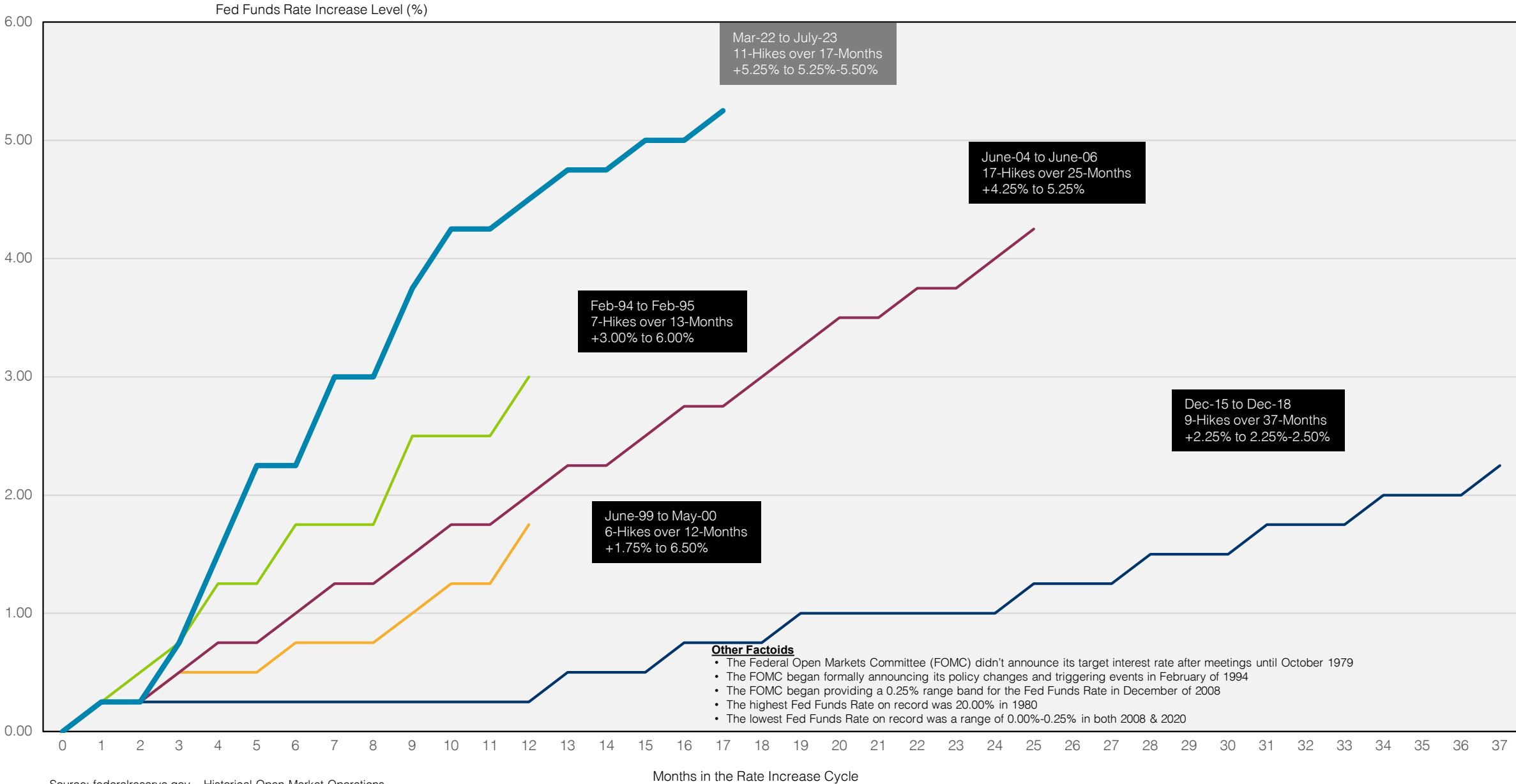
Measures of Inflation (YoY % Change)



*CPI Relative Importance May 2023

Source: Bureau of Labor Statistics. Data as of July 12, 2023
For illustrative purposes only

Feds Fund Rate Increases



Disclosures

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