

# Gainesville Police and Fire Pension Fund

## Executive Summary

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June 22<sup>nd</sup>, 2022

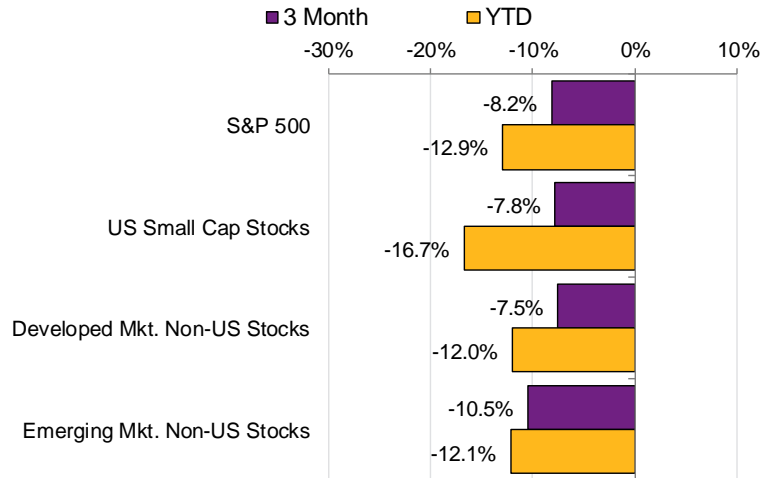
# Discussion Agenda

- Market and Performance Review
- Strategy Review
- Appendix

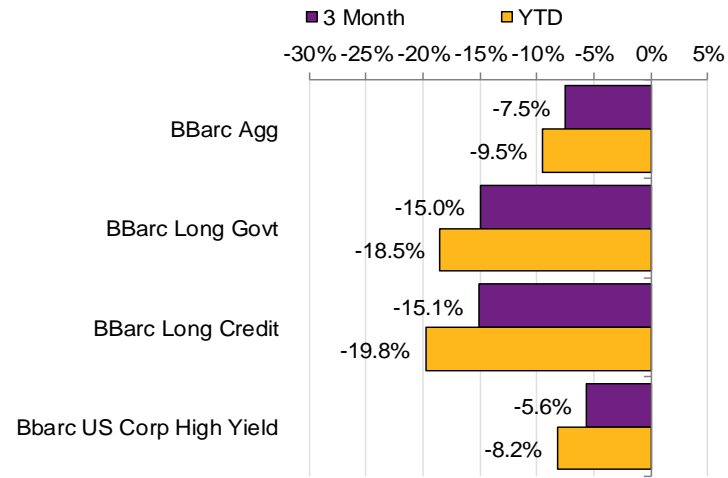
# Market and Performance Review

# Capital Markets Review: April 2022

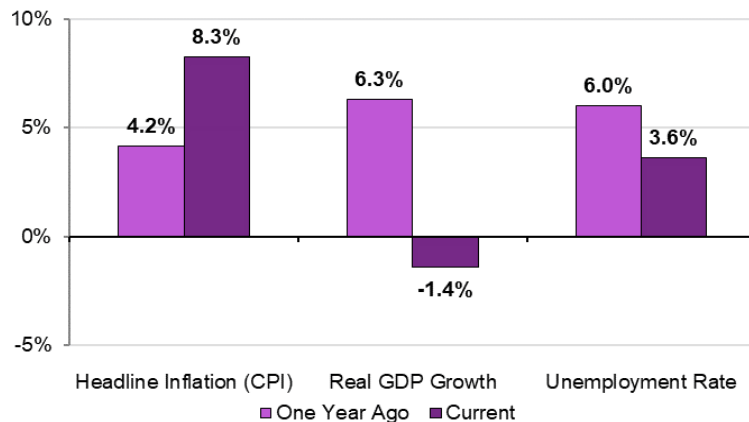
## Equity Markets



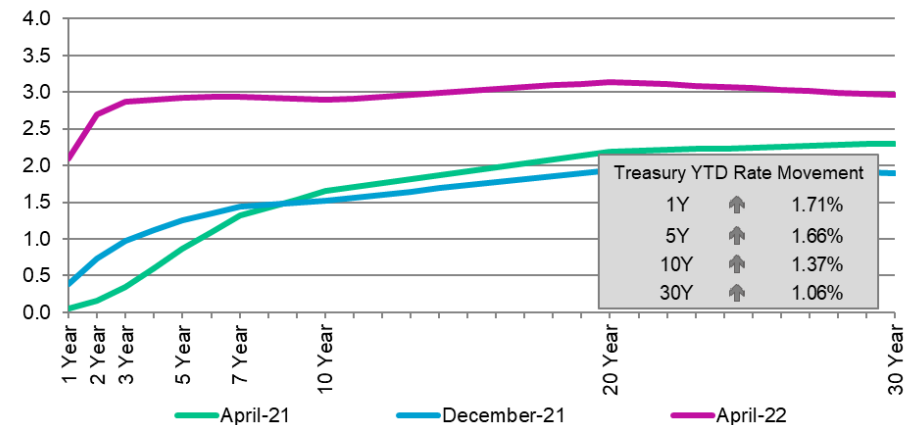
## Fixed Income Markets



## US Economic Data\*



## Treasury Rates



Note: \*\*GDP is updated quarterly and reflects the percentage change from prior quarter, based on the seasonally adjusted annual rate. Current Real GDP figure reflects latest available data.  
Sources: U.S. Bureau of Economic Analysis, FactSet.

# Plan Structure and Net Performance

## As of April 30, 2022

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Plan</b>	<b>313,623,571</b>	<b>100.0</b>	<b>100.0</b>	<b>-6.0</b>	<b>-6.7</b>	<b>-11.2</b>	<b>-6.9</b>	<b>-5.4</b>	<b>7.3</b>	<b>7.9</b>	<b>9.0</b>	<b>8.8</b>	<b>Apr-88</b>
Policy Benchmark				-5.9	-5.2	-9.1	-4.4	-3.0	8.7	8.9	9.2	9.1	Apr-88
Risk Equivalent Benchmark				-7.0	-8.2	-12.0	-7.6	-6.1	7.4	7.6	7.5	--	Apr-88
<b>Total Plan ex Overlay</b>	<b>308,427,753</b>	<b>98.3</b>	<b>--</b>	<b>-6.2</b>	<b>-6.8</b>	<b>-11.4</b>	<b>-6.8</b>	<b>-5.3</b>	<b>7.4</b>	<b>7.7</b>	<b>8.9</b>	<b>--</b>	<b>Mar-09</b>
Policy Benchmark				-5.9	-5.2	-9.1	-4.4	-3.0	8.7	8.9	9.2	11.4	Mar-09
<b>Growth Segment</b>	<b>235,186,650</b>	<b>75.0</b>	<b>70.0</b>	<b>-7.9</b>	<b>-9.0</b>	<b>-14.5</b>	<b>-9.6</b>	<b>-8.5</b>	<b>9.2</b>	<b>9.2</b>	<b>10.3</b>	<b>13.8</b>	<b>Mar-09</b>
Growth Segment Benchmark				-8.4	-7.9	-13.4	-8.1	-7.2	--	--	--	--	Mar-09
<b>Domestic Equity Segment</b>	<b>179,339,580</b>	<b>57.2</b>	<b>50.0</b>	<b>-8.2</b>	<b>-8.7</b>	<b>-13.4</b>	<b>-8.2</b>	<b>-6.6</b>	<b>11.1</b>	<b>10.5</b>	<b>12.1</b>	<b>10.3</b>	<b>Apr-88</b>
Russell 3000				-9.0	-8.4	-13.8	-5.8	-3.1	13.1	13.0	13.3	10.8	Apr-88
<b>Large Cap Equity Segment</b>	<b>120,764,835</b>	<b>38.5</b>	<b>35.0</b>	<b>-8.3</b>	<b>-9.1</b>	<b>-13.5</b>	<b>-6.3</b>	<b>-3.9</b>	<b>11.8</b>	<b>11.8</b>	<b>12.1</b>	<b>7.9</b>	<b>Apr-07</b>
Russell 1000				-8.9	-8.4	-13.6	-5.1	-2.1	13.6	13.4	13.5	9.5	Apr-07
LSV Large Cap Equity	38,053,297	12.1		-4.8	-5.4	-6.8	-0.1	-1.0	9.2	8.9	12.1	9.6	Sep-03
Russell 1000 Value				-5.6	-4.1	-6.3	0.9	1.3	9.6	9.1	11.2	8.7	Sep-03
Vanguard S&P 500 Index Fund	54,475,709	17.4		-8.7	-8.2	-12.9	-3.3	0.2	13.8	13.6	--	13.8	Oct-12
S&P 500				-8.7	-8.2	-12.9	-3.3	0.2	13.8	13.7	13.7	13.8	Oct-12
Sustainable Growth Advisors	28,235,828	9.0		-11.7	-15.2	-22.0	-18.2	-14.2	--	--	--	12.5	Sep-19
Russell 1000 Growth				-12.1	-12.5	-20.0	-10.7	-5.3	16.7	17.3	15.6	18.2	Sep-19
<b>Small Cap Equity Segment</b>	<b>58,574,745</b>	<b>18.7</b>	<b>15.0</b>	<b>-8.0</b>	<b>-7.9</b>	<b>-13.4</b>	<b>-11.8</b>	<b>-11.8</b>	<b>9.5</b>	<b>7.6</b>	<b>11.9</b>	<b>8.9</b>	<b>Apr-07</b>
Russell 2000				-9.9	-7.8	-16.7	-14.9	-16.9	6.7	7.2	10.1	7.2	Apr-07
LSV Small Cap Equity	31,857,686	10.2		-5.9	-4.6	-7.4	-0.6	-2.1	6.9	4.8	10.6	9.6	Jul-01
Russell 2000 Value				-7.8	-4.4	-10.0	-6.1	-6.6	8.4	6.7	9.8	8.3	Jul-01
Disciplined Growth Investors	26,717,059	8.5		-10.5	-11.5	-19.6	-22.3	-21.1	9.9	9.2	12.6	11.0	Jun-97
Russell 2000 Growth				-12.3	-11.5	-23.3	-23.3	-26.4	4.1	7.1	9.9	6.7	Jun-97
<b>International Equity Segment</b>	<b>55,847,070</b>	<b>17.8</b>	<b>20.0</b>	<b>-7.0</b>	<b>-9.9</b>	<b>-17.9</b>	<b>-13.9</b>	<b>-14.3</b>	<b>3.8</b>	<b>5.7</b>	<b>5.0</b>	<b>4.3</b>	<b>May-07</b>
MSCI ACWI ex USA				-6.3	-8.0	-11.4	-9.8	-10.3	4.3	4.9	5.0	2.4	May-07
Mawer International Equity Fund	55,847,070	17.8		-7.0	-9.9	-17.9	-13.9	-14.3	3.8	5.8	--	6.3	Dec-15
MSCI ACWI ex USA				-6.3	-8.0	-11.4	-9.8	-10.3	4.3	4.9	5.0	5.8	Dec-15

Note:

- Numbers in red indicate below benchmark performance.
- The Policy Index is currently a composite of 70% Growth Segment / 30% Income Segment benchmarks.
- The Risk Equivalent Benchmark is currently a composite of 75% MSCI ACWI Index and 25% Bloomberg Barclays Aggregate Index.

# Plan Structure and Net Performance

## As of April 30, 2022

Ending April 30, 2022													
	MarketValue (\$)	% of Portfolio	Policy %	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Income Segment</b>	<b>73,241,104</b>	<b>23.4</b>	<b>30.0</b>	<b>-0.5</b>	<b>0.9</b>	<b>0.5</b>	<b>3.4</b>	<b>6.8</b>	<b>5.1</b>	<b>4.7</b>	<b>5.4</b>	<b>--</b>	<b>Mar-09</b>
<i>Income segment benchmark</i>				<b>-0.1</b>	<b>1.2</b>	<b>1.2</b>	<b>4.0</b>	<b>7.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>Mar-09</b>
Commingled Cash	492,267	0.2											
<b>Alternative Credit</b>	<b>42,500,761</b>	<b>13.6</b>	<b>17.5</b>	<b>-1.2</b>	<b>-1.8</b>	<b>-2.8</b>	<b>-1.9</b>	<b>0.8</b>	<b>3.2</b>	<b>--</b>	<b>--</b>	<b>2.8</b>	<b>Feb-18</b>
<i>Alternative Credit Benchmark</i>				<b>-1.7</b>	<b>-2.4</b>	<b>-3.6</b>	<b>-3.0</b>	<b>-1.4</b>	<b>2.2</b>	<b>--</b>	<b>--</b>	<b>2.3</b>	<b>Feb-18</b>
Ares US High Yield Fund	8,396,662	2.7		<b>-3.7</b>	<b>-5.4</b>	<b>-7.8</b>	<b>-7.4</b>	<b>-5.1</b>	<b>3.0</b>	<b>--</b>	<b>--</b>	<b>3.6</b>	<b>Mar-18</b>
<i>ICE BofAML US HY Master II Constrained</i>				<b>-3.6</b>	<b>-5.4</b>	<b>-8.0</b>	<b>-7.4</b>	<b>-5.0</b>	<b>2.6</b>	<b>3.5</b>	<b>5.2</b>	<b>3.5</b>	<b>Mar-18</b>
1Sharpe Opportunity Fund	17,231,715	5.5		<b>0.6</b>	<b>1.4</b>	<b>1.9</b>	<b>3.3</b>	<b>5.5</b>	<b>6.0</b>	<b>--</b>	<b>--</b>	<b>6.1</b>	<b>Jul-18</b>
<i>3-Mo T-Bills + 1%</i>				<b>0.1</b>	<b>0.3</b>	<b>0.4</b>	<b>0.7</b>	<b>1.1</b>	<b>1.7</b>	<b>2.1</b>	<b>1.6</b>	<b>2.1</b>	<b>Jul-18</b>
LibreMax Value Fund	8,841,112	2.8		<b>0.4</b>	<b>0.2</b>	<b>0.7</b>	<b>2.2</b>	<b>6.2</b>	<b>-0.2</b>	<b>--</b>	<b>--</b>	<b>0.2</b>	<b>Dec-18</b>
<i>3 Month LIBOR + 4%</i>				<b>0.4</b>	<b>1.2</b>	<b>1.5</b>	<b>2.6</b>	<b>4.3</b>	<b>4.9</b>	<b>5.4</b>	<b>4.9</b>	<b>5.1</b>	<b>Dec-18</b>
BNYM Mellon NSL Efficient Beta Fallen Angels	8,031,272	2.6		<b>-4.1</b>	<b>-6.3</b>	<b>-10.1</b>	<b>-10.0</b>	<b>-6.7</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-4.3</b>	<b>Feb-21</b>
<i>Bloomberg US HY 2% Issuer Cap Index</i>				<b>-3.6</b>	<b>-5.6</b>	<b>-8.2</b>	<b>-7.6</b>	<b>-5.2</b>	<b>2.8</b>	<b>3.7</b>	<b>5.3</b>	<b>-3.0</b>	<b>Feb-21</b>
<b>Real Estate Segment</b>	<b>30,248,075</b>	<b>9.6</b>	<b>10.0</b>	<b>0.6</b>	<b>5.0</b>	<b>5.5</b>	<b>11.9</b>	<b>20.1</b>	<b>9.3</b>	<b>8.7</b>	<b>10.4</b>	<b>7.4</b>	<b>Feb-05</b>
<i>Real Estate Segment Index</i>				<b>2.5</b>	<b>7.8</b>	<b>10.5</b>	<b>18.6</b>	<b>30.2</b>	<b>12.0</b>	<b>10.3</b>	<b>11.0</b>	<b>9.4</b>	<b>Feb-05</b>
Principal US Property	15,244,830	4.9		<b>1.1</b>	<b>7.5</b>	<b>8.5</b>	<b>19.4</b>	<b>29.3</b>	<b>11.6</b>	<b>10.1</b>	<b>11.1</b>	<b>7.8</b>	<b>Feb-05</b>
<i>NCREIF ODCE (Equal-weighted) Net</i>				<b>2.5</b>	<b>7.8</b>	<b>10.5</b>	<b>18.6</b>	<b>30.2</b>	<b>11.9</b>	<b>9.9</b>	<b>10.4</b>	<b>7.5</b>	<b>Feb-05</b>
Harrison Street Core Property Fund	15,003,245	4.8		<b>0.0</b>	<b>2.6</b>	<b>2.6</b>	<b>5.3</b>	<b>11.3</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7.7</b>	<b>Aug-19</b>
<i>NCREIF ODCE (Equal-weighted) Net</i>				<b>2.5</b>	<b>7.8</b>	<b>10.5</b>	<b>18.6</b>	<b>30.2</b>	<b>11.9</b>	<b>9.9</b>	<b>10.4</b>	<b>12.6</b>	<b>Aug-19</b>
<b>Parametric</b>	<b>5,195,817</b>	<b>1.7</b>	<b>--</b>										

Note:

- Numbers in red indicate below benchmark performance.

- Cash account is included in the Fixed Income segment. The Real Estate Segment Index was the NCREIF Property Index up until July 1, 2013 and the NCREIF ODCE Index (Equal-Weighted) thereafter.

Returns for NCREIF have been estimated. The Parametric Overlay program was implemented on March 27, 2015. Market value is sourced from State Street. Alternative Credit Benchmark 25% BBgBarc US HY 2% Issuer Cap index / 25% ICE BofAML US HY Master II Constrained / 25% 3-Mo T-Bills + 1% / 25% 3 Month LIBOR + 4%. Manager values were used for Principal, 1Sharpe, Mawer, SSGA, Harrison St., and LibreMax. Due to availability 1Sharpe and Libremax are lagged.



# Strategy Review

# Today's Discussion

## Goals/Content:

To provide the Board with an overview of portfolio objectives and positioning

## Discussion:

- Background
- Outlook
- Portfolio Strategy Review
- Income Sleeve Overview



# Background

CBOT decided to move to a delegated model for the following reasons

<b>Achieve CBOT's objectives</b>	<ul style="list-style-type: none"><li>■ Reduces the Board's and Staffs involvement in the day-to-day management of the Plan – focusing on big decisions</li><li>■ Allows the board to seek the same high return on assets, but at a lower level of volatility</li><li>■ Permits quick access to best-in-class managers and real time portfolio management</li><li>■ Fees were significantly reduced at the time of delegation<ul style="list-style-type: none"><li>■ Fees are breakeven currently for like-to-like portfolio</li></ul></li></ul>
<b>Achieve Plan Sponsor objectives</b>	<ul style="list-style-type: none"><li>■ Large drawdown in assets inhibits ability to meet return target and improve funded status</li><li>■ Unplanned and unbudgeted future contributions are directly linked to lower and volatile rates of future return, impacting City budgets</li><li>■ Diversification in the portfolio is expected to mitigate big swings in returns, reducing large and unexpected contributions</li></ul>

# Gainesville Police & Fire

## Portfolio Strategy Review Summary

### Background

The Portfolio has a current long-term objective of generating returns consistent with the expected return on plan assets (7.75%).

Key to achieving this return objective is a large allocation to equities. Target allocations to alternative credit and real assets have been added alongside equity as a means of maintaining the portfolio's existing return potential, while reducing downside risk with a larger % of returns being generated by income instead of growth.

In 2021, the target allocations to alternative credit and real assets were combined into a single 30% "Income" allocation.

### Outlook

Financial markets are at a pivotal point in the capital cycle as central banks begin to tighten monetary policy while governments slow their pace of spending. Keeping track of how economic policy "pivots" (tighter) in 2022/23 in response to strong growth and high inflation is key for portfolio strategy.

Inflation – due to rising energy and food prices, high demand for goods, and supply chain bottlenecks for those goods – is putting pressure on monetary and fiscal policy. In the US, our baseline is for CPI inflation to fall gradually from the second half of this year and reach 2.5% in the second half of 2023. However, there is an unusually high level of uncertainty around this outlook.

The path of inflation and its impact on margins is key for equity markets. Leading growth indicators have weakened recently as confidence has been impacted by the cost of living squeeze caused by rising prices. Given the high level of uncertainty in both the inflation outlook and broader economic picture, we continue to favor assets with contractual cash flows and either an explicit inflation linkage (real assets) or limited sensitivity to inflation due to short duration or floating rate structures (alternative credit).

### Positioning

The Portfolio remains appropriately positioned to meet its objectives in the current environment. No changes to portfolio positioning are recommended at this time.

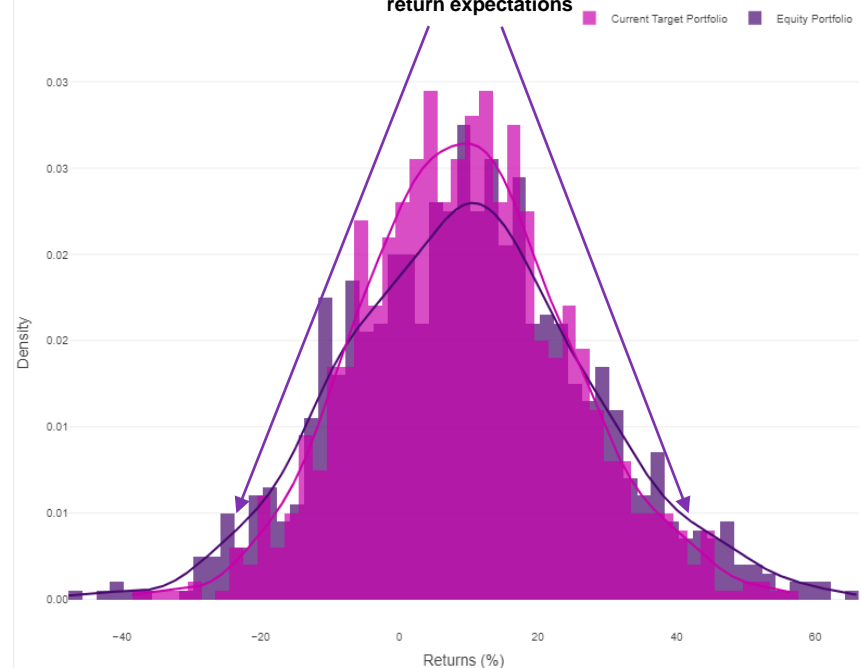
# Gainesville Police & Fire

## Portfolio Strategy Review

	Current	All Equity
<b>Growth</b>	70%	100%
US Equity	50%	80%
Ex-US Equity	20%	20%
<b>Income</b>	30%	0%
Alternative Credit		
Real Assets	30%	-
<b>Portfolio Metrics</b>		
10 Year Return (p.a.)	7.9%	7.9%
<b>Probability of 10 Year Annualized Return &gt; 7.75%</b>	<b>51.5%</b>	<b>51.2%</b>
<b>Annualized Volatility</b>	<b>14.5%</b>	<b>17.3%</b>
5% VaR	-14.9%	-19.0%

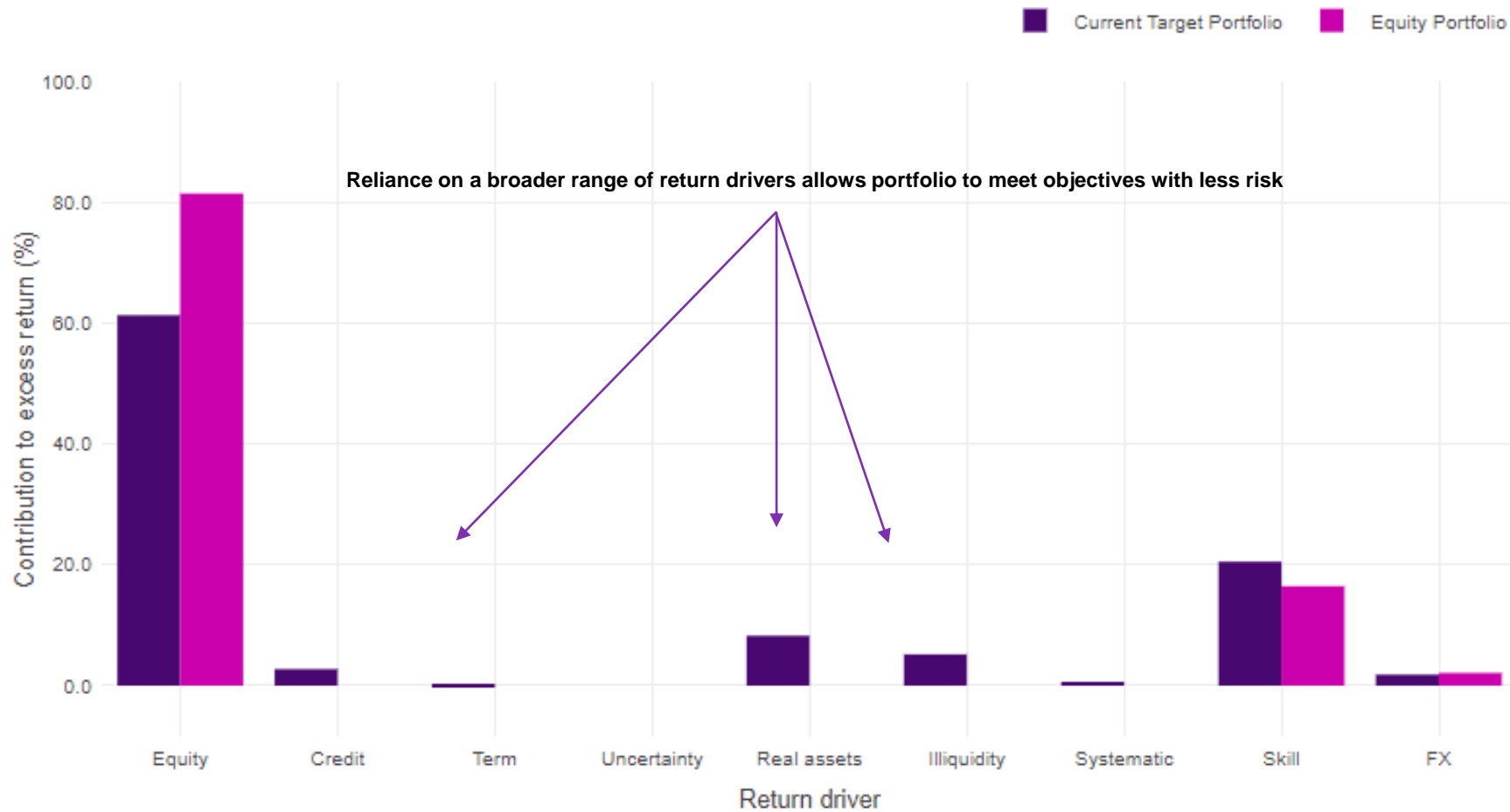
### Forward Return Distribution

A larger allocation to equities increases total portfolio risk without impacting median return expectations



# Gainesville Police & Fire

## Portfolio Strategy Review



# Income Segment Investment Philosophy



**Do: Focus on diversification and resilience of cash flows**



**Don't: Construct portfolios defined by traditional building blocks**



# How to invest in Alternative Credit?


True diversity means lending widely, lending differently



Diversified credit is accessing a combination of all these exposures

# Alternative Credit Inflation Linkage

Stronger linkage  
to inflation



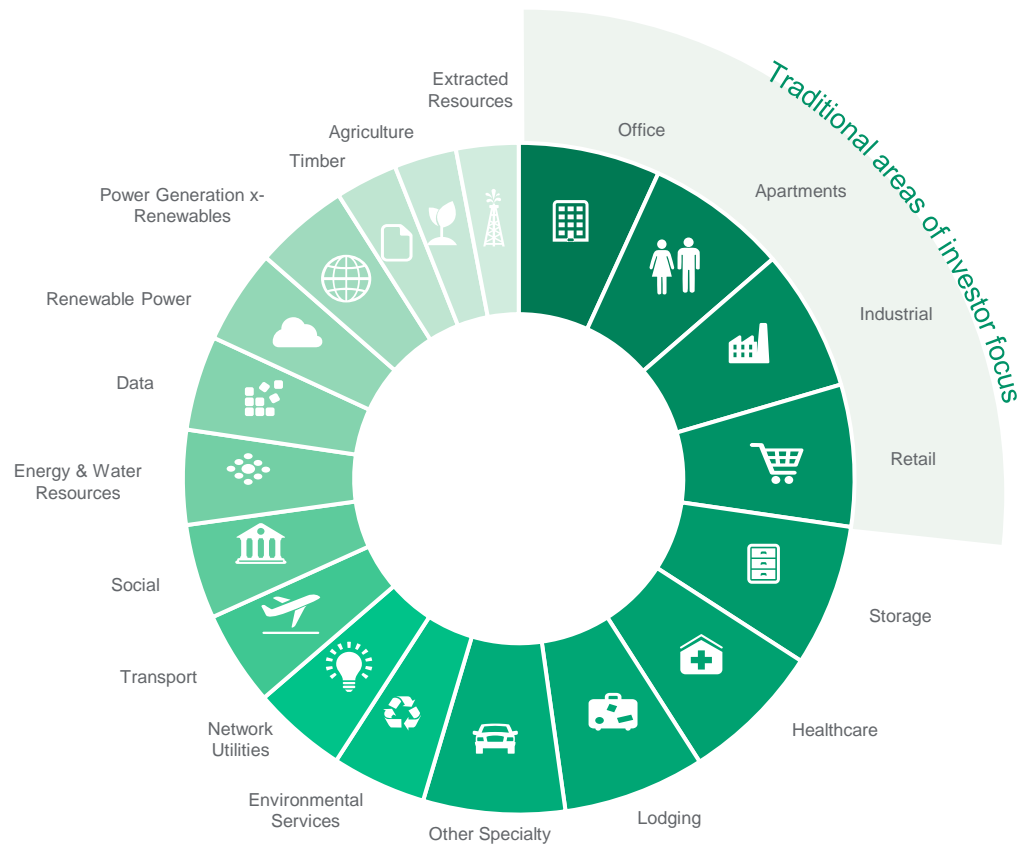
Income investments positioned for rising inflation		Yield	Liquidity	In Gainesville Income Segment
Senior secured infrastructure debt	Long dated, cash flows explicitly inflation linked	Low	Illiquid	No
<b>Floating rate high yield asset backed securities</b>	High carry per unit of duration, floating cash flows	High	Liquid	<b>Yes</b>
<b>Bridge/short term lending</b>	Less than one-year loans, borrowing costs adjust as rates potentially reflect inflation. May be supported by underlying real estate assets.	Med-High	Semi-liquid	<b>Yes</b>
High carry emerging market debt	High carry, potentially in excess of 10%, can offset duration or FX movement	High	Liquid / semi-liquid	No
Short duration emerging market debt	Inherently less rate/inflation sensitivity given short duration	Low-Med	Liquid	No
<b>Loans/Collateralized Loan Obligations ("CLOs")</b>	Floating rate, higher coupon in CLO mezzanine tranches	Med-High	Semi-liquid	<b>Yes</b>

Weaker linkage  
to inflation

# How to Invest in Real Assets?

Attractive risk-adjusted returns, diversification, income and downside protection potential

- Real assets contain a large mix of sectors available to investors
- These sectors have different return drivers, risk factors and economic sensitivities, providing diversification opportunities with each other
- Investors have historically focused just on core real estate

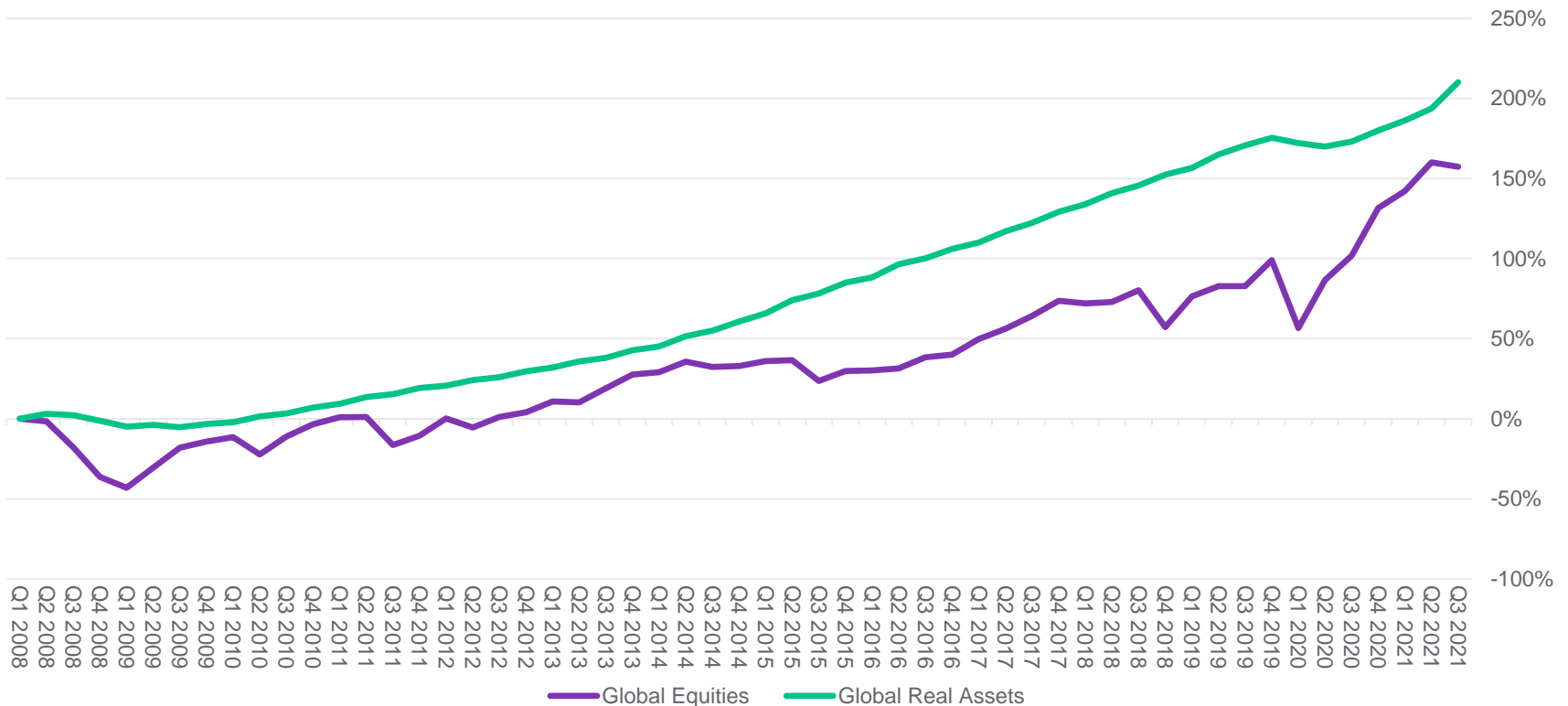


**Look beyond labels to understand what fundamentally drives the returns of the underlying assets**

**Note:** This is not an actual Real Assets portfolio but an example of all the sectors potentially accessible by institutional investors.

# Real assets have delivered strong historical returns

**Global Real Assets vs. Global Equities Cumulative Returns**




**Income component of ~40-50% of total returns helps to provide overall stability through the financial crisis and beyond**

Source: eVestment, NCREIF, MSCI from 1Q08 through 3Q21

Global Equities: MSCI ACWI IMI-ND; Global Real Assets: 50/50 portfolio of the following indices; Private Global Infrastructure: MSCI Global Quarterly Infrastructure Asset Index; Private Global Real Estate: ANREV/INREV/NCREIF Global Real Estate Fund Index (GREFI)

# Real assets inflation linkage

Stronger linkage  
to inflation



Income investments positioned for rising inflation		Yield	Liquidity	In Gainesville Income Segment
<b>Shorter duration real estate</b>	Shorter lease terms provide ability for quicker rent increases in rising cost environment: self storage and residential, including senior housing, student housing, multi family and single family.	Med-High	Semi-liquid	<b>Yes</b>
<b>Triple net lease</b>	Allows landlords to pass through increases in expenses/costs to tenants: commonly used in industrial, medical and life sciences.	Med	Semi-liquid	<b>Yes</b>
Utilities	Price increases passed on to consumer, though there may be a lag.	Med-High	Liquid/semi liquid	No
<b>Longer duration real estate</b>	The longer the lease the lower the ability to “mark to market” rents if inflation comes in higher than rent escalators: retail (3-6 years), office (5-7 years).	Med	Semi-liquid	<b>Yes</b>
Renewable energy	Generally longer term contractual cash flows which may not have built in escalators	High	Semi-liquid/ Illiquid	No
Development/land	Rising costs on construction inputs (labor and materials) can offset higher rents once asset is ready for use leads to a mixed impact	Low	Illiquid	No

Weaker linkage  
to inflation



# Income Segment New Manager Summary

Asset / Manager	Description	Features	Return Objective	Liquidity Terms	Fee	Current Target
<b>Alternative Credit</b>						<b>12.5%</b>
High yield bonds <b>Ares</b>	US market high yield corporate credit; unsecured creditor in companies, fixed coupons	Diversification with high income profile; expanded opportunity set which allows skilled manager to potentially add value	US HY Index + 50-100 bps	Monthly	IM: 0.35%	2.5%
High Yield Bonds <b>Mellon Investments</b>	Smart beta strategy that uses a multi-factor model to invest in the US fallen angels universe, which are high yield bonds which were previously rated investment grade and have been downgraded to non-investment grade.	Higher quality than the broader HY universe with similar beta. Can offer better risk-adjusted returns vs. broad HY by capturing positive price momentum around credit rating downgrades and upgrades ('the fallen angels effect').	US HY Index + 50-100 bps	Daily	IM: 0.09%	2.5%
Opportunistic Structured Credit <b>LibreMax</b>	High conviction, fundamental long-bias structured credit fund. The Fund seeks to achieve a high performance target through a concentrated portfolio of investments and active trading in sub-investment grade structured credit opportunities.	Opportunistic investment approach on more inefficient and complex segments of securitized credit and as early movers, capturing added illiquidity and complexity premia. Strategy seeks to earn returns in excess of public equity markets; providing an overall increase to the Plan's expected return profile.	6-8% net annualized return	Quarterly redemption 1-year hard lock 12.5% investor gate	IM: 0.35%  Perf: 20% over 3 Month US Treasury Bill +4.3% hard hurdle	2.5%
U.S. Residential Bridge Loans <b>1Sharpe</b>	Strategy is focused on US single family residential bridge loans. These are business purpose loans made to borrowers seeking to acquire, renovate and sell the property for a profit.	Highly fragmented market with operational complexity and small balance lending provides barriers to entry; creating opportunities for specialized lenders to generate strong risk adjusted returns.	6-8% net annualized return	Bi-annual redemption	IM: 0.50%  Perf: 20% over 3 Month US Treasury Bill +1.3% hard hurdle	5.0%

# Income Segment New Manager Summary

Asset / Manager	Description	Features	Return Objective	Liquidity Terms	Fee	Current Target
<b>Real Assets</b>						<b>17.5%<sup>1</sup></b>
Direct Real Estate <b>Harrison Street</b>	Direct investment in property types typically left out of core real estate portfolios: Education, Healthcare and Storage real estate	Diversifies traditional core real estate exposure given greater income profile (as component of total return) & distribution yield	7-9% net annualized return	Quarterly redemption	IM: 0.91% Perf: n/a	4.5%
Social Infrastructure <b>Harrison Street</b>	<p>The Fund is an open-end commingled vehicle targeting primarily small- to mid-market opportunities focused on the Education, Healthcare, Government, and Utility ("EHGU") real asset segment in North America (primarily U.S.).</p> <p>This offering is unique as no other market players have mandates exclusively focusing on smaller deals with the targeted institutions resulting in less competition for HSRE.</p>	<p>Many of the Fund's investments will be structured Public-Private Partnerships ("P3s") whereby eliminating or reducing demand risk which is further augmented by HSRE's exceptional ability to assess the creditworthiness of counterparties.</p> <p>Moreover, given the needs-based nature of the institutions (i.e., universities, health systems) and the types of assets (e.g., housing, dining/fitness, classrooms/labs, energy, waste, water, hospital, etc.) that the Fund will target provides the potential for significant diversification benefits to an investor's portfolio.</p>	6.5-9.5% net annualized return	<p>Quarterly redemption</p> <p>4-year soft lock</p> <p>(2% charge if redeem within 4 years)</p>	IM: 0.82% Perf: 15% over 7% hard hurdle	4.5%
Industrial Real Estate <b>Nuveen</b>	<p>The Fund is an open-end industrial fund with a strategy of primarily acquiring and managing well-located, income-generating institutional quality industrial properties in the U.S.</p> <p>Target investments are in industrial properties with core attributes, which are best-positioned to benefit from structural trends in e-commerce, supply chain modernization, and urbanization driving demand and rent growth.</p>	<p>Demand anticipated to remain solid given strong consumption (including e-commerce) indicators and long-term trends</p> <p>Rent and net operating income growth are expected to remain attractive allowing the opportunity set to materially outperform other traditional property types</p> <p>Unique access to deal flow given NRE's scale as well as team members' embedded relationships within the sector</p>	8-10% net annualized return	Quarterly redemption	IM: 0.75% Perf: n/a	4.5%

<sup>1</sup> Note: 17.5% includes a 4% target allocation to Principal US Property Fund

# Appendix

# Appendix: Capital Market Assumptions

Asset Class	Total 10Y median	Total volatility	Sharpe ratio	Beta to Global equity
Global equity - passive	7.0%	17.1%	0.31	1.00
US equity - passive	6.7%	17.8%	0.29	1.01
Emerging market equity - passive	6.6%	26.5%	0.26	1.19
Private equity	12.3%	26.8%	0.46	0.96
REITs - passive	5.8%	14.9%	0.27	0.52
Core unlisted US property	5.6%	10.7%	0.30	0.33
Listed infrastructure - passive	6.3%	14.4%	0.31	0.50
Unlisted infrastructure	8.6%	17.4%	0.40	0.57
Direct hedge funds	6.4%	8.2%	0.47	0.44
Reinsurance	5.8%	3.1%	0.96	0.03
US High yield - passive	3.8%	11.9%	0.13	0.40
EMD Hard Currency - passive	3.5%	9.8%	0.12	0.33
EMD Corporate	4.8%	17.2%	0.19	0.62
EMD Hard Currency Aggregate	4.7%	9.1%	0.24	0.29
US Loans - passive	4.7%	7.5%	0.26	0.23
US securitised - passive	4.0%	5.0%	0.25	0.15
Securitised credit	5.5%	7.7%	0.36	0.19
Structured credit	5.9%	15.8%	0.25	0.53
Emerging market currency (1.0x leveraged)	4.7%	5.4%	0.35	0.14
Multi-asset volatility premium	5.0%	6.5%	0.35	0.14
US short duration government bonds - passive	2.6%	2.3%	-0.09	0.01
US short duration corporate bonds - passive	3.1%	3.4%	0.07	0.07
US long government bonds - passive	2.2%	6.9%	-0.07	0.02
US long-corporate bonds - passive	3.6%	9.1%	0.12	0.21
US ultra long duration government bonds - passive	1.7%	9.9%	-0.07	0.03
US Cash	2.9%	0.0%		0.00

# Fee Differential

At the time of delegation,

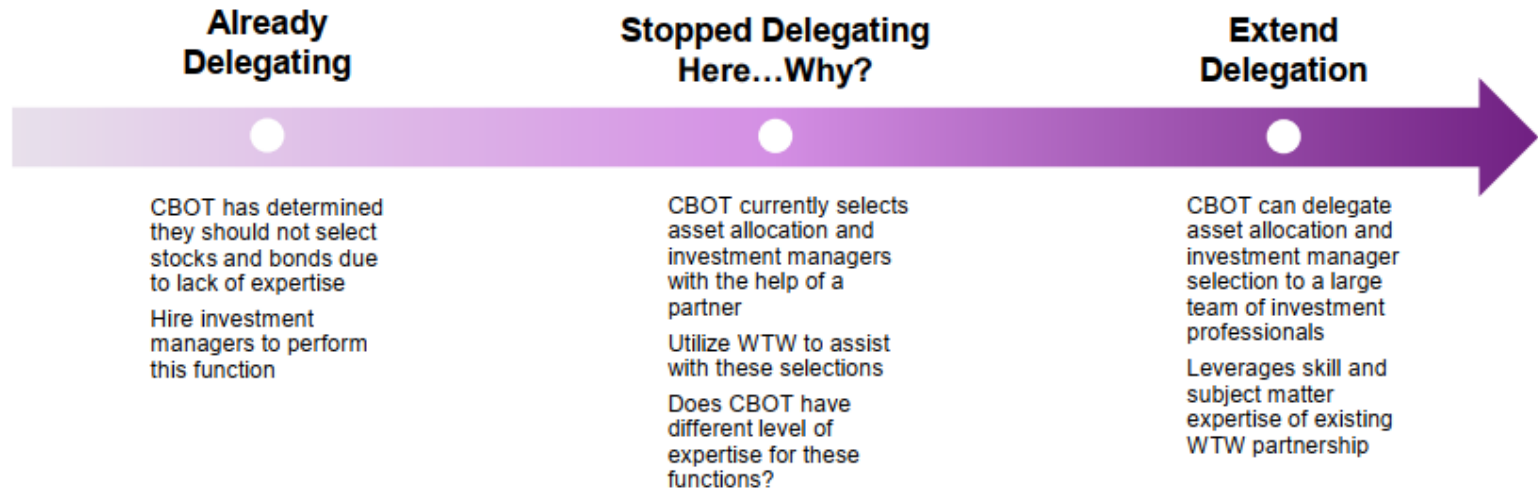
Assumed 2017 Portfolio - Non-Delegated			Current Portfolio Allocation							
			Fees With Delegated Program				Fees Without Delegated Program			
				Policy	Allocation	Fee		Policy	Allocation	Fee
			Equity	70.0%			Equity	70.0%		
Equity	70.0%		US Equity	50.0%			US Equity	50.0%		
US Equity	50.0%		Large Cap Equity	35.0%			Large Cap Equity	35.0%		
Intl Equity	18.0%		LSV Large Cap		11.5%	0.56%	LSV Large Cap		11.5%	0.56%
Real Assets	8.0%		Vanguard S&P Index		17.9%	0.04%	Vanguard S&P Index		17.9%	0.04%
Int Gov/Credit	8.0%		Sustainable Growth Adv		10.2%	0.37%	Sustainable Growth Adv		10.2%	0.37%
Hedge Funds	15.0%		Small Cap Equity	15.0%			Small Cap Equity	15.0%		
Cash/Equiv	1.0%		LSV Small Cap		9.7%	0.72%	LSV Small Cap		9.7%	0.72%
Investment Manager Fees	\$2,295,573	0.65%	DGI		9.4%	0.72%	DGI		9.4%	0.72%
WTW Delegated Fee	\$141,266	0.04%	Intl Equity	20.0%			Intl Equity	20.0%		
	\$2,436,839		Mawer Int Equity		19.3%	0.55%	Mawer Int Equity		19.3%	0.75%
			Income Segment	30.0%			Income Segment	30.0%		
Assumed 2018 Portfolio - Delegated Program			Alternative Credit				Alternative Credit			
	%	% Fee	Ares High Yield		2.6%	0.35%	Ares High Yield		2.6%	0.35%
Equity	68.0%		LibreMax Value		2.5%	0.35%	LibreMax Value		2.5%	0.35%
US Equity	43.0%		BNYM Mellon Fallen Angels		2.5%	0.11%	BNYM Mellon Fallen Angels		2.5%	0.11%
Intl Equity	15.0%		1Sharpe		4.8%	0.50%	1Sharpe		4.8%	0.50%
Private Markets	10.0%		Real Estate				Real Estate			
Credit Strategies	15.0%		Principal US Property		4.0%	0.95%	Principal US Property		4.0%	1.00%
Real Assets	10.0%		Harrison Street Core Property		4.1%	0.52%	Harrison Street Core Property		4.1%	1.15%
Cash/Equiv	7.0%		Cash/Equiv/Parametric		1.50%	1.34%	Cash/Equiv/Parametric		1.50%	1.34%
Investment Manager Fees	\$1,447,977	0.41%	Investment Manager Fees		\$1,684,562	0.48%	Investment Manager Fees		\$1,919,170	0.54%
WTW Delegated Fee	\$353,165	0.10%	WTW Delegated Fee		\$353,165	0.10%	WTW Delegated Fee		\$141,266	0.04%
	\$1,801,142				\$2,037,727				\$2,060,436	
Projected Savings	\$635,697						Projected Fee Increase		\$22,709	0.01%
							Projected Fee Increase to Current		\$22,709	0.01%

Fee reduction at time of delegation

Breakeven fees currently for like-to-like portfolio



# Delegation and the Spectrum of Decisions



# Summary of Investment Strategies

## Approved by CBOT – Income Strategies

Asset / Manager	Asset Class	Description	Role in Portfolio	Estimated Fees
High yield bonds <b>Ares</b>	Credit Strategies- Alternative Credit	US market high yield corporate credit; unsecured creditor in companies, fixed coupons	Diversification with high income profile; expanded opportunity set which allows skilled manager to potentially add value	0.35%
U.S. Residential Bridge Loans <b>1Sharpe</b>	Credit Strategies- Alternative Credit- Opportunistic Structured Credit	Strategy is focused on US single family residential bridge loans. These are business purpose loans made to borrowers seeking to acquire, renovate and sell the property for a profit.	Highly fragmented market with operational complexity and small balance lending provides barriers to entry; creating opportunities for specialized lenders to generate strong risk adjusted returns.	0.60%
Opportunistic Structured Credit <b>LibreMax</b>	Private Markets- Less Liquid Credit	High conviction, fundamental long-bias structured credit fund. The Fund seeks to achieve a high performance target through a concentrated portfolio of investments and active trading in sub-investment grade structured credit opportunities.	Opportunistic investment approach on more inefficient and complex segments of securitized credit and as early movers, capturing added illiquidity and complexity premia. Strategy seeks to earn returns in excess of public equity markets; providing an overall increase to the Plan's expected return profile.	0.55%
High Yield Bonds <b>Mellon Investments</b>	Credit Strategies- Alternative Credit	Smart beta strategy that uses a multi-factor model to invest in the US fallen angels universe, which are high yield bonds which were previously rated investment grade and have been downgraded to non-investment grade.	Higher quality than the broader HY universe with similar beta. Can offer better risk-adjusted returns vs. broad HY by capturing positive price momentum around credit rating downgrades and upgrades ('the fallen angels effect').	0.13%

The allocation is intended to provide diversity relative to public equity markets targeting and equity beta of less than 0.6, while producing strong risk adjusted returns.

# Summary of Investment Strategies

## Approved by CBOT – Income Strategies

Asset / Manager	Asset Class	Description	Role in Portfolio	Estimated Fees
Direct Real Estate <b>Harrison Street</b>	Real Assets	Direct investment in property types typically left out of core real estate portfolios: Education, Healthcare and Storage real estate	Diversifies traditional core real estate exposure given greater income profile (as component of total return) & distribution yield	0.91%
Social Infrastructure <b>Harrison Street</b>	Real Assets	Fund invests in small- to mid-market opportunities focused on the Education, Healthcare, Government, and Utility (“EHGU”) real asset segment in North America (primarily U.S.)	Diversifies traditional core real estate exposures to “needs-based” institutions and assets that are non-cyclical	IM: 0.82% Perf: 15% over 7% hard hurdle
Industrial Real Estate <b>Nuveen</b>	Real Assets	Fund acquires and manages well-located, income generating institutional quality industrial properties in the U.S.	Diversifies traditional core real estate exposures with investment in structural trends in industries that benefit from urbanization and supply chain modernization	0.75%

# Benchmark Definitions

## ■ Growth and Income Segments

- The Growth Segment is a beginning of period weighted average of the Domestic Equity and International Equity Segments.
- The Income Segment is a beginning of period weighted average of the Fixed Income, Alternative Credit, and Real Estate segments.

Total Plan		
5/1/2021	Present	70% Growth Segment Benchmark / 30% Income segment benchmark
2/1/2021	4/30/2021	50% Russell 3000 / 20% MSCI ACWI ex USA / 20% Alternative Credit Benchmark / 10% NCREIF ODCE (Equal-weighted) Net
9/1/2019	1/31/2021	50% Russell 3000 / 20% MSCI ACWI ex USA / 17.5% Alternative Credit Benchmark / 2.5% Bloomberg US Govt Int TR / 10% NCREIF ODCE (Equal-weighted) Net
4/1/2019	8/31/2019	50% Russell 3000 / 20% MSCI ACWI ex USA / 15% Alternative Credit Benchmark / 2.5% Bloomberg US Govt Int TR / 2.5% Bloomberg US TIPS TR / 10% NCREIF ODCE (Equal-weighted) Gross
2/1/2018	3/31/2019	50% Russell 3000 / 20% MSCI ACWI ex USA / 7.5% ICE BofAML US HY Master II Constrained / 7.5% S&P Leveraged Loan / 2.5% Bloomberg US Govt Int TR / 2.5% Bloomberg US TIPS TR / 10% NCREIF ODCE (Equal-weighted) Gross
7/1/2013	1/31/2018	50% Russell 3000 / 20% MSCI ACWI ex USA / 7.5% Bloomberg US Govt/Credit TR / 15% 3-Mo T-Bills + 4% / 7.5% NCREIF ODCE (Equal-weighted) Gross
1/1/2010	6/30/2013	50% Russell 3000 / 20% MSCI ACWI ex USA / 7.5% Bloomberg US Govt/Credit TR / 15% 3-Mo T-Bills + 4% / 7.5% NCREIF Property Index
4/1/1988	12/31/2009	100% Policy Benchmark (history)
Total Plan ex Overlay		
5/1/2021	Present	70% Growth Segment Benchmark / 30% Income segment benchmark
2/1/2021	4/30/2021	50% Russell 3000 / 20% MSCI ACWI ex USA / 20% Alternative Credit Benchmark / 10% NCREIF ODCE (Equal-weighted) Net
9/1/2019	1/31/2021	50% Russell 3000 / 20% MSCI ACWI ex USA / 17.5% Alternative Credit Benchmark / 2.5% Bloomberg US Govt Int TR / 10% NCREIF ODCE (Equal-weighted) Net
4/1/2019	8/31/2019	50% Russell 3000 / 20% MSCI ACWI ex USA / 15% Alternative Credit Benchmark / 2.5% Bloomberg US Govt Int TR / 2.5% Bloomberg US TIPS TR / 10% NCREIF ODCE (Equal-weighted) Gross
2/1/2018	3/31/2019	50% Russell 3000 / 20% MSCI ACWI ex USA / 7.5% ICE BofAML US HY Master II Constrained / 7.5% S&P Leveraged Loan / 2.5% Bloomberg US Govt Int TR / 2.5% Bloomberg US TIPS TR / 10% NCREIF ODCE (Equal-weighted) Gross
7/1/2013	1/31/2018	50% Russell 3000 / 20% MSCI ACWI ex USA / 7.5% Bloomberg US Govt/Credit TR / 15% 3-Mo T-Bills + 4% / 7.5% NCREIF ODCE (Equal-weighted) Gross
1/1/2010	6/30/2013	50% Russell 3000 / 20% MSCI ACWI ex USA / 7.5% Bloomberg US Govt/Credit TR / 15% 3-Mo T-Bills + 4% / 7.5% NCREIF Property Index
3/1/2009	12/31/2009	100% Policy Benchmark (history)
Growth Segment		
5/1/2021	Present	Weighted Average of Russell 1000 Value / S&P 500 / Russell 1000 Growth / Russell 2000 Value / Russell 2000 Growth / MSCI ACWI ex USA
Domestic Equity Segment		
4/1/1988	Present	Russell 3000
Large Cap Equity Segment		
4/1/2007	Present	Russell 1000
LSV Large Cap Equity		
9/1/2003	Present	Russell 1000 Value
Vanguard S&P 500 Index Fund		
10/1/2012	Present	S&P 500
Sustainable Growth Advisors		
9/1/2019	Present	Russell 1000 Growth

# Benchmark Definitions

Small Cap Equity Segment		
4/1/2007	Present	Russell 2000
LSV Small Cap Equity		
7/1/2001	Present	Russell 2000 Value
Disciplined Growth Investors		
6/1/1997	Present	Russell 2000 Growth
International Equity Segment		
5/1/2007	Present	MSCI ACWI ex USA
Mawer International Equity Fund		
12/1/2015	Present	MSCI ACWI ex USA
Income Segment		
7/1/2021	Present	Weighted Average of FTSE T-Bill 3 Months TR / BBgBarc US HY 2% Issuer Cap Index / ICE BofAML US HY Master II Constrained / 3-Mo T-Bills + 1% / 3 Month LIBOR + 4% / BBgBarc US HY 2% Issuer Cap Index / NCREIF ODCE (Equal-weighted) Net
5/1/2021	6/30/2021	Weighted Average of FTSE T-Bill 3 Months TR / BBgBarc US Treasury Bills 1 Month / ICE BofAML US HY Master II Constrained / 3-Mo T-Bills + 1% / 3 Month LIBOR + 4% / BBgBarc US HY 2% Issuer Cap Index / NCREIF ODCE (Equal-weighted) Net
Fixed Income Segment		
2/1/2021	Present	FTSE T-Bill 3 Months TR
9/1/2019	1/31/2021	Bloomberg US Govt Int TR
2/1/2018	8/31/2019	50% Bloomberg US Govt Int TR / 50% Bloomberg US TIPS TR
4/1/1998	1/31/2018	Bloomberg US Govt/Credit TR
Commingled Cash		
4/1/2009	Present	FTSE T-Bill 3 Months TR
Alternative Credit		
7/1/2021	Present	25% BBgBarc US HY 2% Issuer Cap Index / 25% ICE BofAML US HY Master II Constrained / 25% 3-Mo T-Bills + 1% / 25% 3 Month LIBOR + 4%
4/1/2021	6/30/2021	20% BBgBarc US Treasury Bills 1 Month / 20% ICE BofAML US HY Master II Constrained / 20% 3-Mo T-Bills + 1% / 20% 3 Month LIBOR + 4% / 20% Bloomberg US High Yield 2% Issuer Cap TR
2/1/2021	3/31/2021	16.67% BBgBarc US Treasury Bills 1 Month / 16.67% ICE BofAML US HY Master II Constrained / 16.67% BBgBarc Global Sovereign Credit Index / 16.67% 3-Mo T-Bills + 1% / 16.66% 3 Month LIBOR + 4% / 16.66% Bloomberg US High Yield 2% Issuer Cap TR
4/1/2019	1/31/2021	20% BBgBarc US Treasury Bills 1 Month / 20% ICE BofAML US HY Master II Constrained / 20% BBgBarc Global Sovereign Credit Index / 20% 3-Mo T-Bills + 1% / 20% 3 Month LIBOR + 4%
2/1/2018	3/31/2019	50% ICE BofAML US HY Master II Constrained / 50% BBgBarc Global Sovereign Credit Index
Wellington Securitized Opportunities Fund		
2/1/2018	6/30/2021	BBgBarc US Treasury Bills 1 Month
Ares US High Yield Fund		
3/1/2018	Present	ICE BofAML US HY Master II Constrained
1Sharpe Opportunity Fund		
7/1/2018	Present	FTSE T-Bill 3 Months TR + 0.08
LibreMax Value Fund		
12/1/2018	Present	ICE 3 Month LIBOR + 0.33
BNYM Mellon NSL Efficient Beta Fallen Angels		
2/1/2021	Present	BBgBarc US HY 2% Issuer Cap Index
Real Estate Segment		
9/1/2019	Present	NCREIF ODCE (Equal-weighted) Net
7/1/2013	8/31/2019	NCREIF ODCE (Equal-weighted) Gross
2/1/2005	6/30/2013	NCREIF Property Index
Principal US Property		
2/1/2005	Present	NCREIF ODCE (Equal-weighted) Net
Harrison Street Core Property Fund		
8/1/2019	Present	NCREIF ODCE (Equal-weighted) Net



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