

August 21, 2024



**Mendocino County
Employees' Retirement
Association**

International Equity Manager
Structure Review

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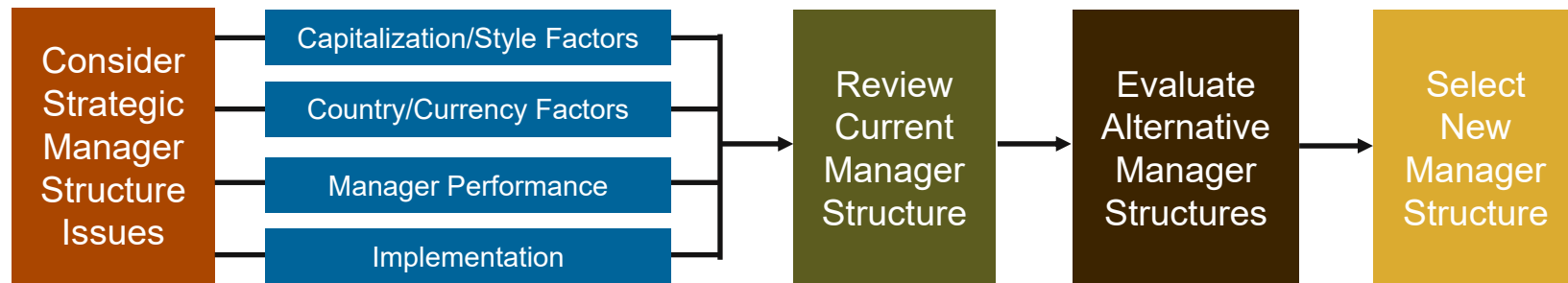
Topics for Discussion

International Equity Manager Structure Review

- Background
 - Manager Structure Process
 - Active/Passive Discussion
- International Equity Structure Review
 - Current Structure
 - Tracking Error Considerations
 - Structure Alternatives
 - Summary
- Manager Review
- Appendix

Callan's Manager Structure Process

Evaluation and Construction



- Consider strategic manager structure issues
 - Role of the overall asset class
 - Components of the asset class
 - Prospects for active management
 - Implementation issues
- Review the current manager structure
 - What manager structure issues are already addressed in the current structure?
 - What structure issues are not addressed?
- Evaluate alternative manager structures
 - Consider the pros and cons of different approaches to the structure
- Select the new manager structure

Callan's Manager Structure Process

Manager Structure Objectives

- Policy benchmark should reflect the entire market as represented
 - Full opportunity set
 - Liquid and investable
 - Transparent
 - Passive alternative
 - The **MSCI ACWI ex-U.S. meets these requirements** and is frequently used as the policy benchmark for Non-U.S. equity
- A diversified structure should generally reflect the characteristics of the market
 - Style and capitalization neutral
 - *Plans with a small cap overweight expect to capture the risk premium over time, while most institutional investors maintain balanced value / growth exposures*
 - Region neutral
 - *Current Developed / Emerging weights are consistent with the broad market*
- Active management should be employed when it is believed that the investor will be compensated for the added risk, net of fees
 - *Generally, Non-U.S. stock strategies have also shown opportunities for active management to outperform relative to U.S. strategies*

Active vs. Passive Management

- Definitions:
 - Active management: any investment strategy designed to systematically outperform (after expenses) a benchmark portfolio on a risk-adjusted basis
 - Passive management: investment strategies designed to match (before expenses) the performance of a specified benchmark portfolio
- Empirical evidence regarding the effectiveness of active management is difficult to interpret
 - Large amounts of “noise” in the data
 - Long-term impact of styles on performance
- We believe superior active managers do exist. At issue is:
 - Their number and ability to identify them
 - Level and consistency of their skill
 - Tolerance of extended periods of underperformance and patience to retain them
- Passive management is the base case
 - Active management should be employed only to the extent that expected value-added managers can be identified and appropriately structured
 - The passive/active allocation is a continuum, not an all-or-nothing choice
 - *This is true for the entire investment program as well as within an asset category*
 - *It is also true for individual manager styles - the degree of active management applied is controllable*
 - Active/passive allocation may shift over time
 - *New expected value-added managers are identified*
 - *Confidence is gained/lost in existing managers*

Active vs. Passive Management Historical Results

Equity Style	Benchmark	Avg. Gross Excess Return over Benchmark
Global ex-U.S.	MSCI ACWI ex US	1.23%
Developed ex-U.S.	MSCI EAFE	0.96%
Emerging	MSCI Emerging Markets	0.95%
Global ex-U.S. Small Cap	MSCI ACWI ex US Sm Cap	1.15%

Based on 20 years of rolling 3 year average annualized returns (Q1 2004 to Q1 2024)

- Active management should be considered when the investor believes there will be compensation on a net-of-fee basis. Historical data can help indicate attractive market segments
 - International strategies have had historical success in outperforming their benchmarks on a net of fee basis

Source: Callan Active vs. Passive Data. See Appendix for detailed return history by equity style

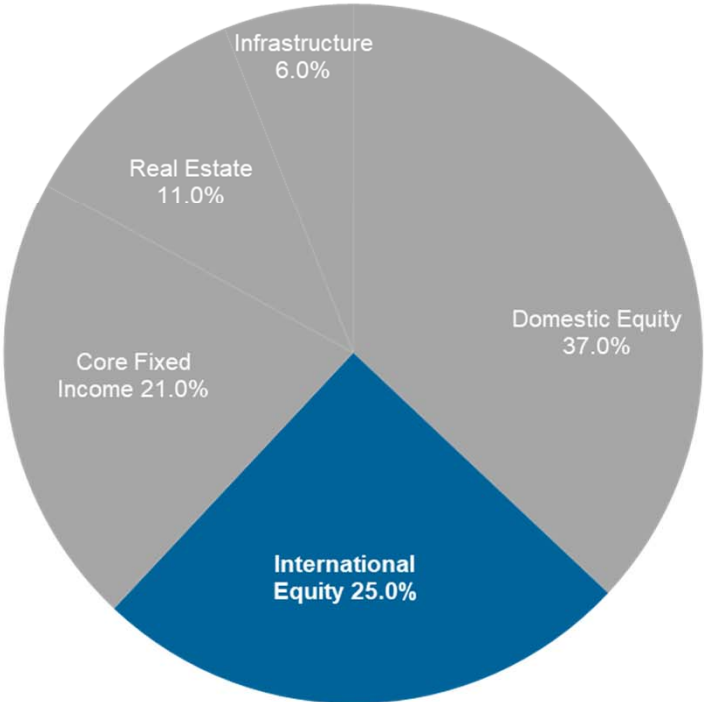
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Current Structure

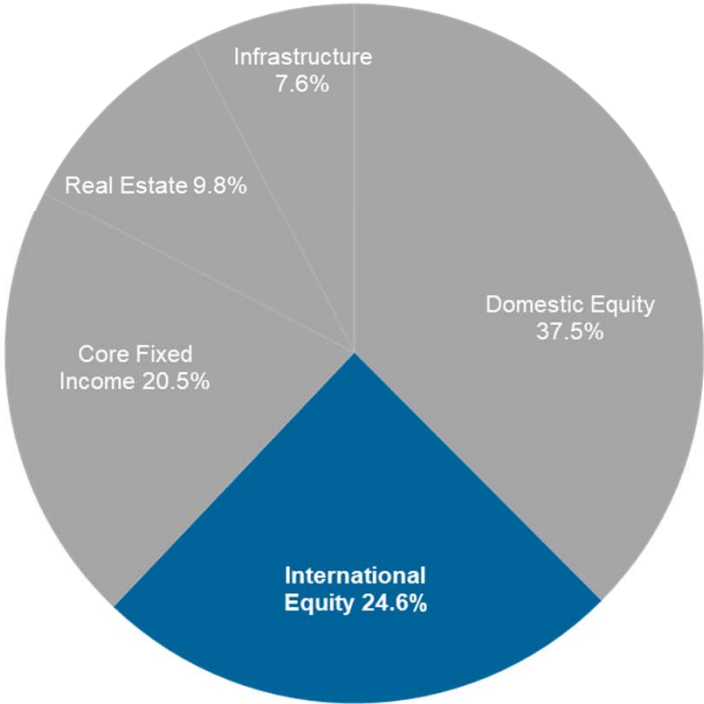
Asset Allocation

As of June 30, 2024

Target Asset Allocation



Actual Asset Allocation



International Equity Market Value: \$176M
Total Market Value: \$715M

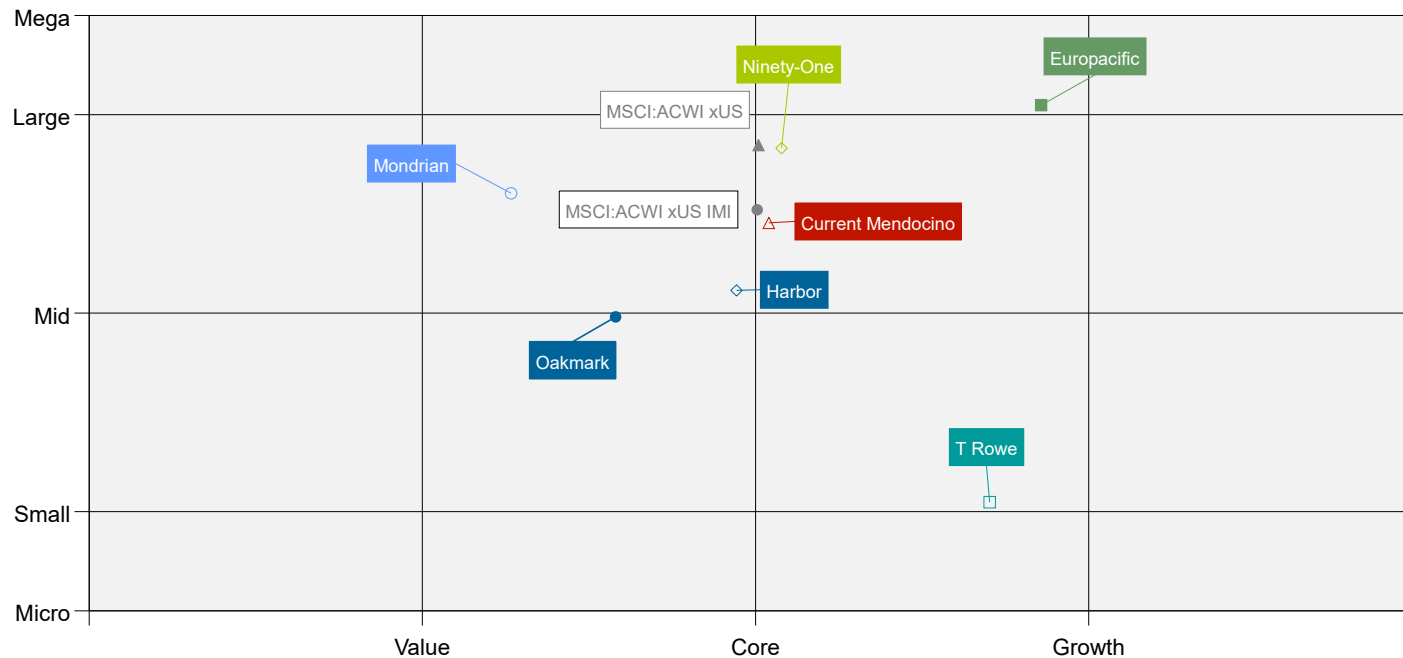
Current Structure

<i>Equity Manager</i>	<i>Stated Benchmark</i>	<i>Style</i>	<i>\$M</i>	<i>% of Int'l</i>
Developed Non-US			\$70	40.0%
Harbor International	MSCI EAFE	Core	\$35	20.0%
Oakmark International	MSCI World ex-US	Value	\$35	20.0%
All Country World ex-US			\$62	35.0%
Europacific	MSCI ACWI ex-US	Growth	\$31	17.5%
Mondrian International	MSCI ACWI ex-US	Value	\$31	17.5%
Emerging Markets			\$18	10.0%
Ninety One	MSCI Emerging Mkts	Core	\$18	10.0%
Non-US Small Cap			\$26	15.0%
T. Rowe Price Int'l SC	MSCI ACWI ex-US SC	Growth	\$26	15.0%
Total			\$176	100.0%

- Current structure in place since 2Q17
 - 6 active managers:
 - 2 Developed Non-US (Harbor and Oakmark)
 - 2 All Country World ex-US (EuroPacific and Mondrian)
 - 1 Emerging Markets (Ninety One)
 - 1 Non-US Small Cap (T. Rowe Price)
- Asset Class Benchmark: MSCI ACWI ex-US
- Current structure has two growth managers, two value managers, and two core managers

Current Structure – Style and Capitalization

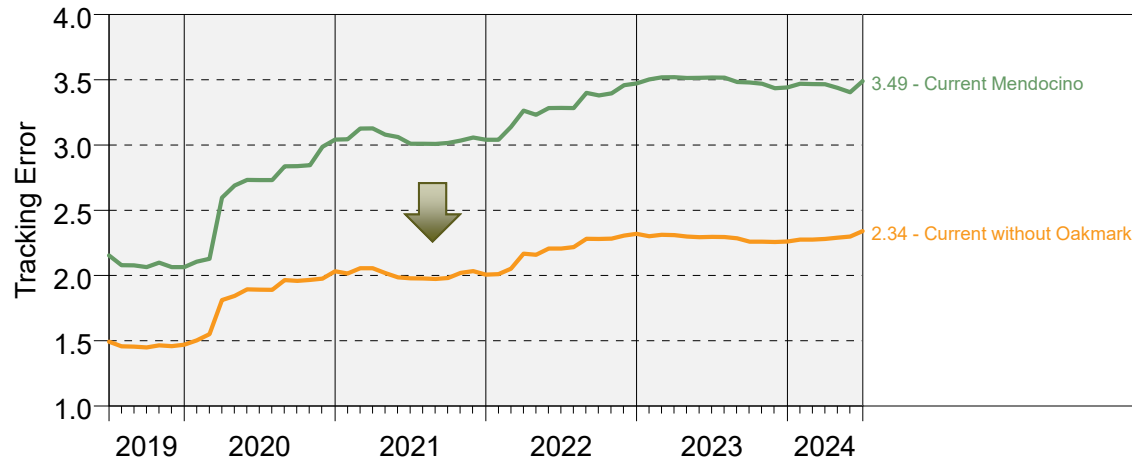
International Equity Style Map
for 5 Years Ended June 30, 2024



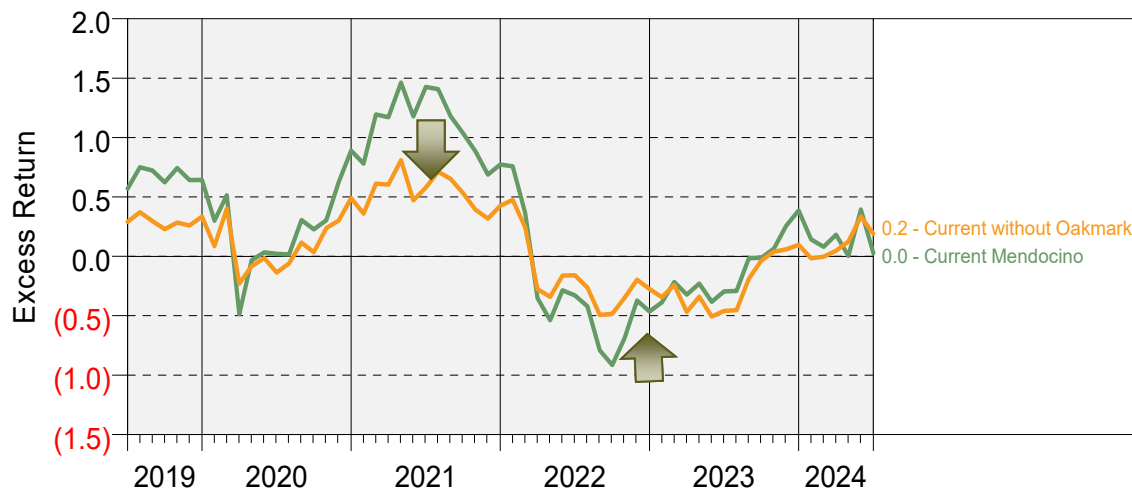
- The current Mendocino portfolio (red) is balanced between value and growth exposures in aggregate
- The current structure's capitalization is smaller than that of the broad benchmark (MSCI ACWI ex-US) due to dedicated small cap exposure

Current Structure – Tracking Error

Rolling 60 Month Tracking Error Relative To MSCI:ACWI xUS
for 5 Years Ended June 30, 2024



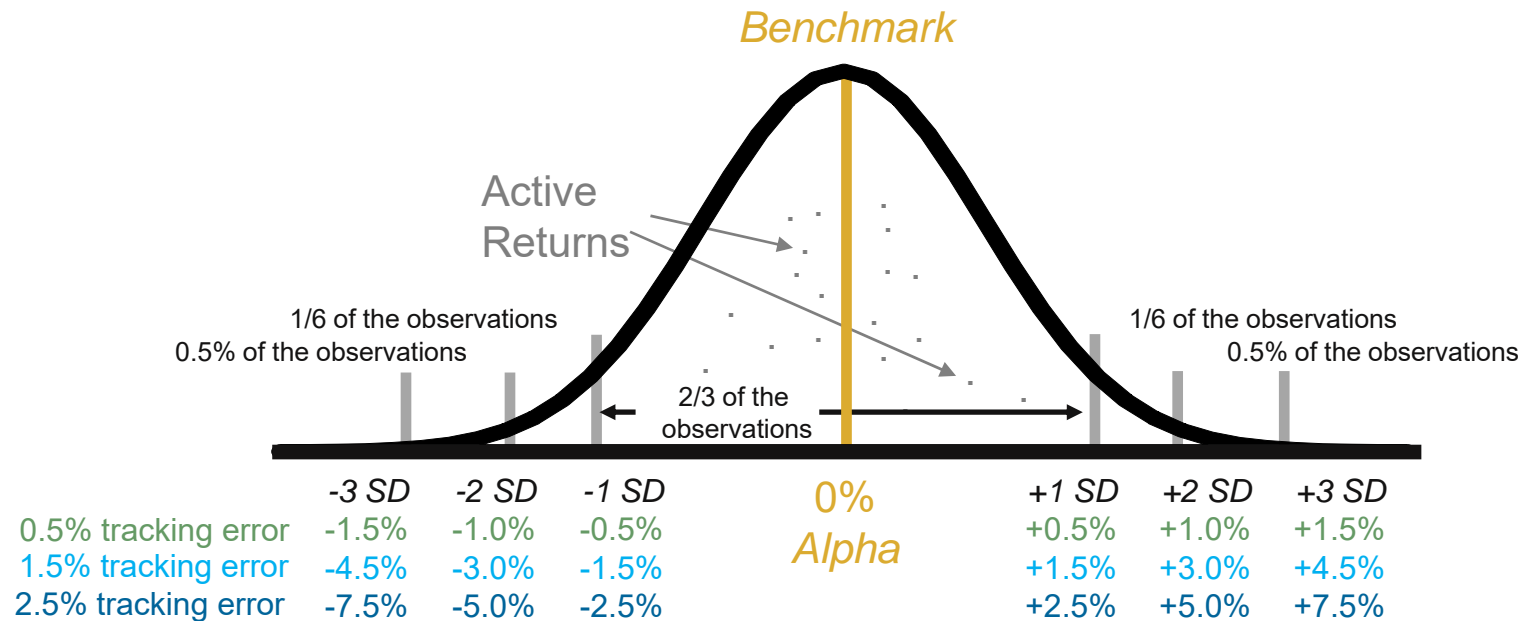
Rolling 60 Month Excess Return Relative To MSCI:ACWI xUS
for 5 Years Ended June 30, 2024



- Current structure exhibits a high tracking error of roughly 3.5% relative to the plan's ACWI ex-US benchmark
- Oakmark, as a concentrated, high tracking error manager, is a large driver of whether the structure out or underperforms its benchmark
- The greater the tracking error, the greater the variability of outcomes in terms of out- and underperformance relative to the benchmark

Thinking About the Appropriate Level of Tracking Error

Tracking Error Budgeting Example



- Higher tracking error budgets increase the potential for outperformance or underperformance of the structure relative to its benchmark as well as peers
- Aversion to underperformance is often a key driver when choosing the structure's tracking error
 - Aversion to individual manager underperformance may either remove highly concentrated active managers from the opportunity set, or alternatively, reduce their capital allocation
- More indexing results in lower fees and tracking error, but foregoes the opportunity for alpha

Key Questions for Mendocino

Alternative structures will explore these considerations

- **Active vs. Passive Split**

- What is the appropriate tradeoff between reducing fees and the potential for alpha?

Depends on level of belief in active management

Depends on aversion to underperformance (tracking error considerations)

Depends on level of management fees willing to pay

- **Number of Managers**

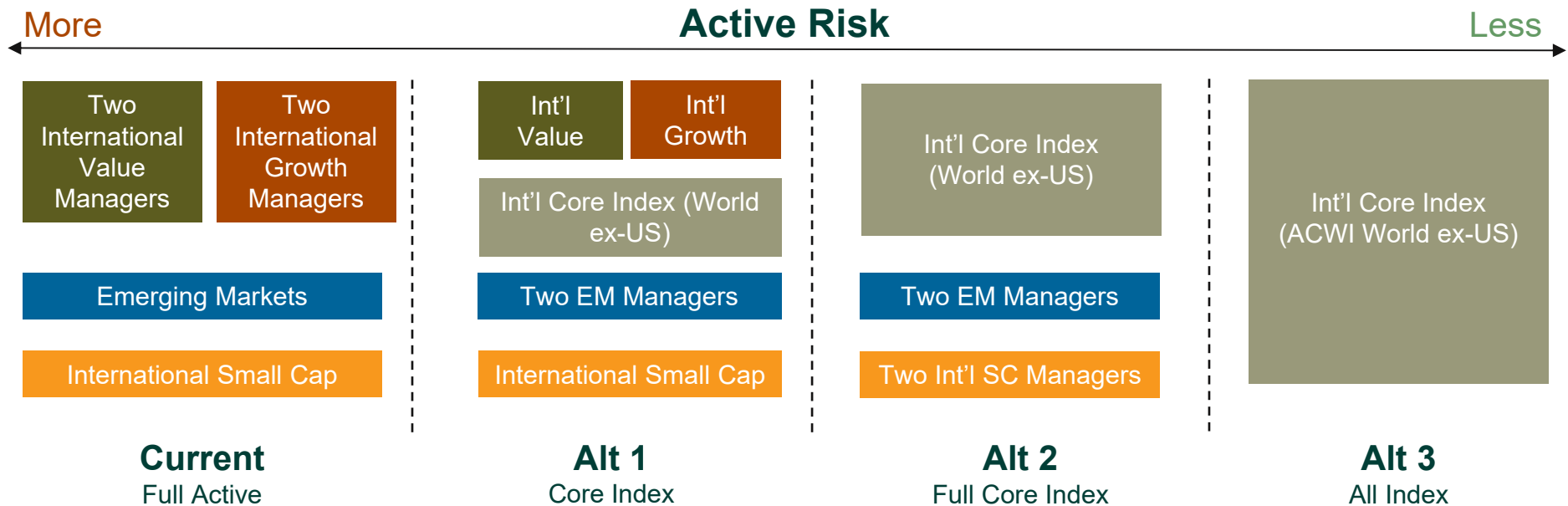
- Does Mendocino want to simplify the current structure?

- Is Mendocino happy with the current manager lineup?

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Alternative Structures

International Equity Structure Alternatives



Investment Philosophies Embedded in Structures			
<ul style="list-style-type: none"> Existing Structure is not broken Active Management pays off in Developed, Emerging, and Small Cap segments 	<ul style="list-style-type: none"> Active Management has limited payoff in Developed Markets Take some active risk off table by employing indexing in Developed Potential to reduce costs modestly 	<ul style="list-style-type: none"> Active Management does not pay in Developed Markets Reduce even more active risk Reduce costs significantly 	<ul style="list-style-type: none"> Active Management does not pay in Non-US Markets No active risk; no alpha potential Lowest cost way to get exposure to international equity

International Equity Structure Alternatives

Equity Manager	Benchmark	Style	Current		Alternative 1 Core Index		Alternative 2 Full Core Index		Alternative 3 All Index	
			\$M	% of Int'l	\$M	% of Int'l	\$M	% of Int'l	\$M	% of Int'l
Developed Non-US			\$70	40.0%	\$70	40.0%	\$111	63.0%	\$0	0.0%
Harbor International	MSCI EAFE	Core	\$35	20.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Oakmark International	MSCI World ex-US	Value	\$35	20.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
MSCI World ex US Index	MSCI World ex-US	Core	\$0	0.0%	\$70	40.0%	\$111	63.0%	\$0	0.0%
All Country World ex-US			\$62	35.0%	\$62	35.0%	\$0	0.0%	\$176	100.0%
Europacific	MSCI ACWI ex-US	Growth	\$31	17.5%	\$31	17.5%	\$0	0.0%	\$0	0.0%
Mondrian International	MSCI ACWI ex-US	Value	\$31	17.5%	\$0	0.0%	\$0	0.0%	\$0	0.0%
New Value Manager	MSCI ACWI ex-US	Value	\$0	0.0%	\$31	17.5%	\$0	0.0%	\$0	0.0%
MSCI ACWI ex US Index	MSCI ACWI ex-US	Core	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$176	100.0%
Emerging Markets			\$18	10.0%	\$26	15.0%	\$48	27.0%	\$0	0.0%
Ninety One	MSCI Emerging Mkts	Core	\$18	10.0%	\$13	7.5%	\$24	13.5%	\$0	0.0%
New EM Manager	MSCI Emerging Mkts	Core	\$0	0.0%	\$13	7.5%	\$24	13.5%	\$0	0.0%
Non-US Small Cap			\$26	15.0%	\$18	10.0%	\$18	10.0%	\$0	0.0%
T. Rowe Price Int'l SC	MSCI ACWI ex-US SC	Growth	\$26	15.0%	\$18	10.0%	\$9	5.0%	\$0	0.0%
New Small Cap Manager	MSCI ACWI ex-US SC	Value	\$0	0.0%	\$0	0.0%	\$9	5.0%	\$0	0.0%
Total			\$176	100%	\$176	100%	\$176	100%	\$176	100.0%

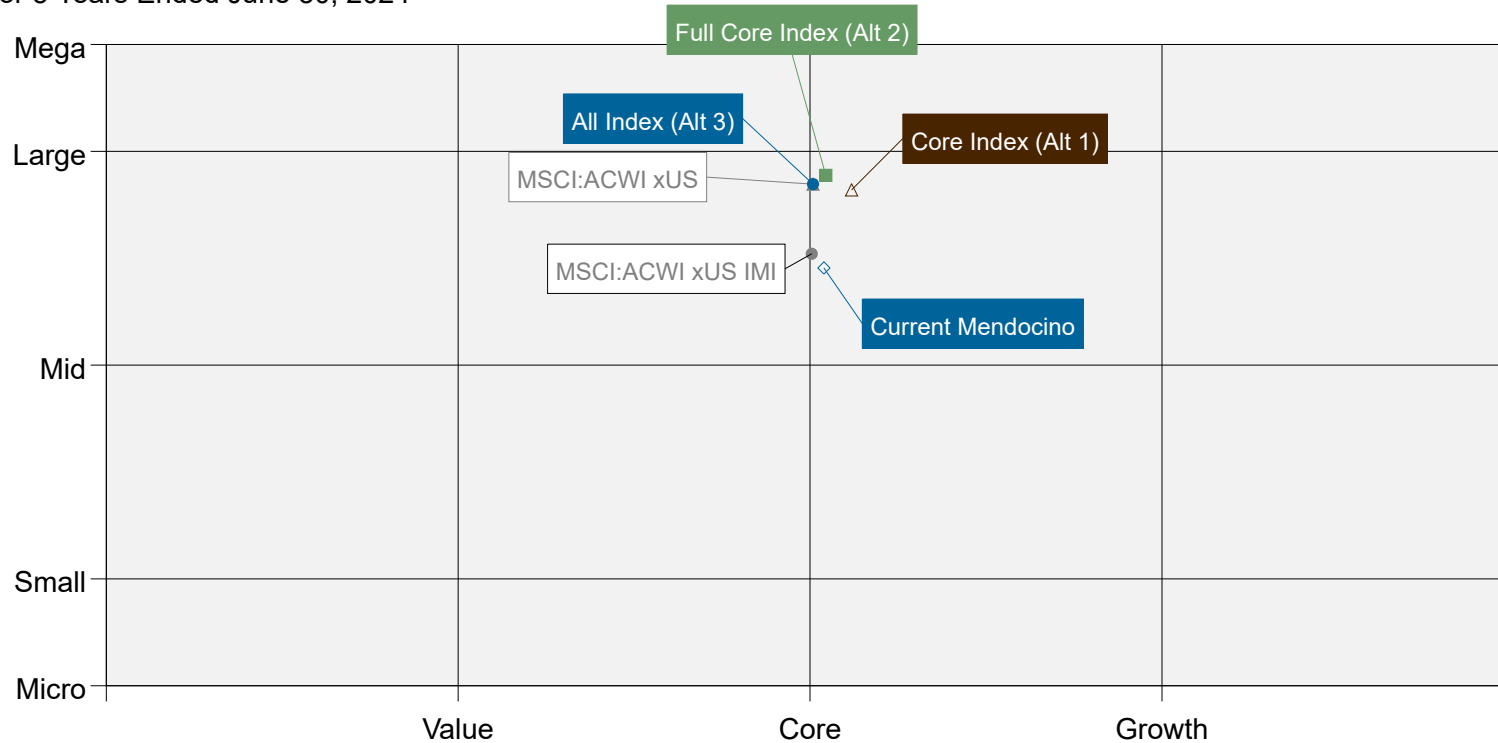
Statistic (5 years ended 6/30/2024)	Current	Alternative 1	Alternative 2	Alternative 3
Historical Excess Return (vs. MSCI ACWI ex US)	0.0	0.7	0.7	0.0
Tracking Error (vs. MSCI ACWI ex US)	3.5	1.8	1.2	Less than 0.1
% Passive	0.0%	40.0%	63.0%	100.0%
Fees (\$M)	\$1.3	\$0.8	\$0.6	\$0.1
Fees (% of Int'l Equity assets)	0.75%	0.47%	0.33%	0.08%
# of Active Managers	6	5	4	0
Total # of Managers	6	6	5	1

- Three alternative structures were examined in this study, in addition to the current structure
 - **Alternative 1 (Core Index):** Simplify to 5 active managers (Int'l Growth + Int'l Value + 2 EM + SC) and 40% in core index
 - **Alternative 2 (Full Core Index):** Use 4 active managers (2 EM + 2 SC) and 63% in core index
 - **Alternative 3: (All Index):** 100% in ACWI ex-US index (plan's benchmark)

Returns and characteristics of the current structure reflect current manager weights and manager composite data, and do not reflect MCERA's actual history

Structure Alternatives – Capitalization and Style

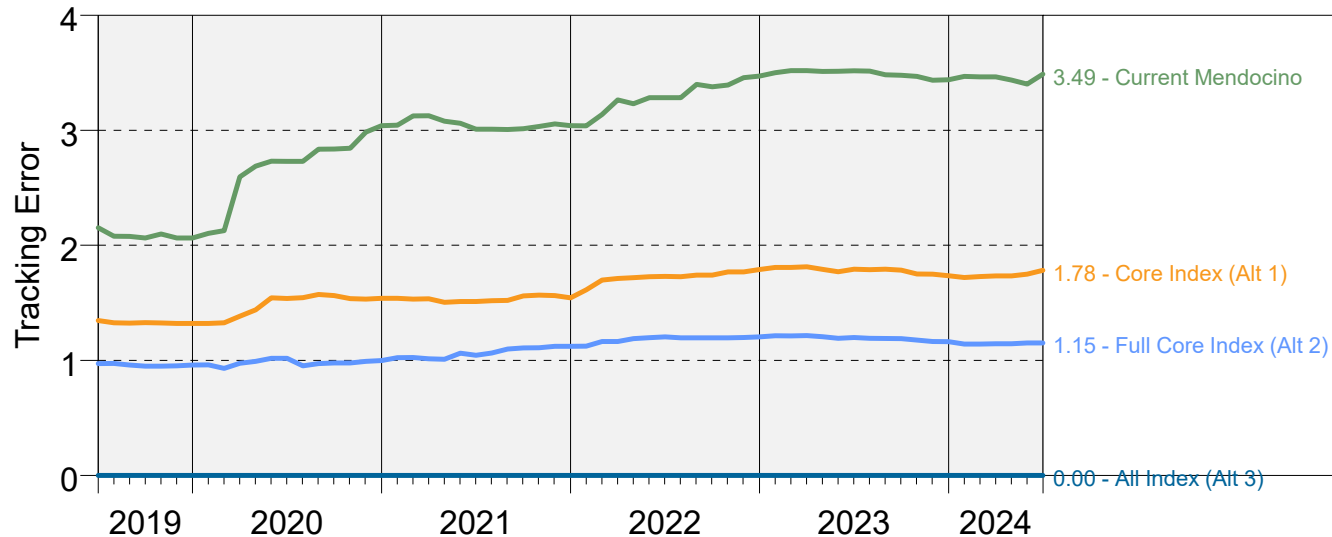
International Equity Style Map
for 5 Years Ended June 30, 2024



- All alternative structures closely mirror the style and capitalization exposures of the plan’s ACWI ex-US benchmark

Structure Alternatives – Tracking Error

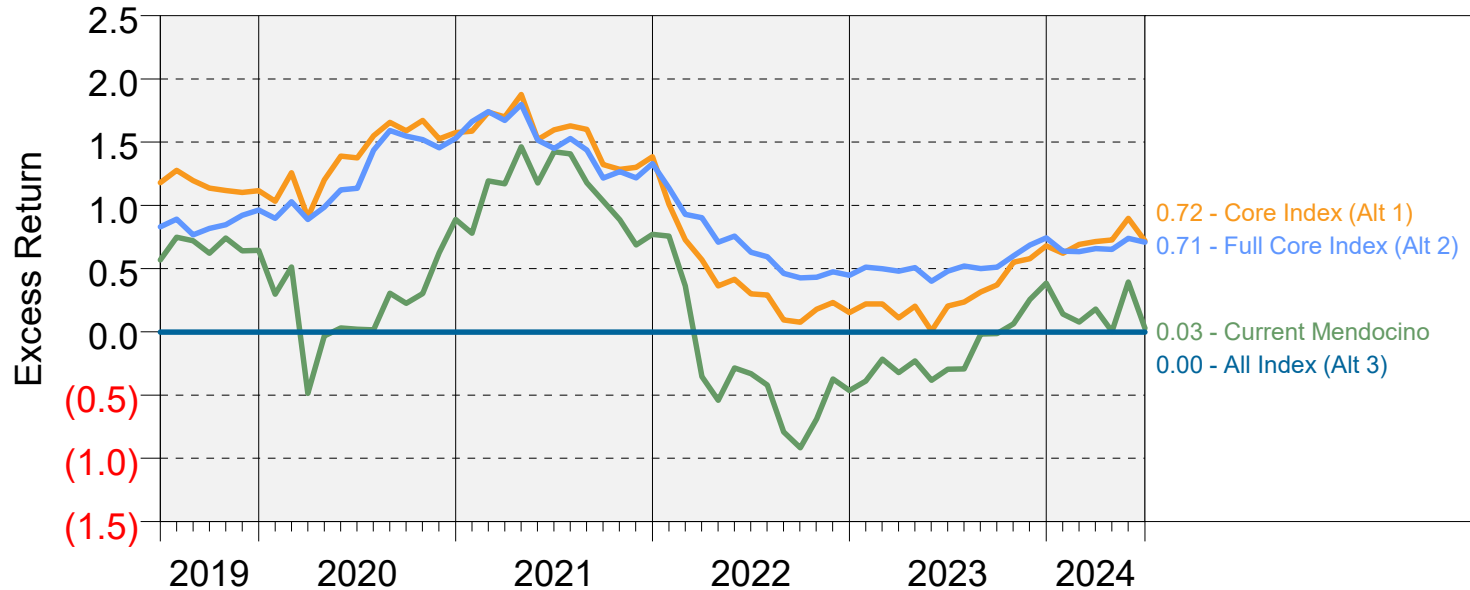
Rolling 60 Month Tracking Error Relative To MSCI:ACWI xUS
for 5 Years Ended June 30, 2024



- Alternative 1 lowers tracking error because 40% indexed and Oakmark is removed
- Alternative 2 further reduces tracking error as the portfolio is 62% indexed
- Alternative 3 is 100% indexed and tracks the plan's ACWI ex-US benchmark

Structure Alternatives – Historical Excess Return

Rolling 60 Month Excess Return Relative To MSCI:ACWI xUS
for 5 Years Ended June 30, 2024



- Alternatives 1 and 2 have outperformed the plan’s ACWI ex-US benchmark on a historical basis
- Alternative 3 is 100% indexed with performance in line with the plan’s ACWI ex-US benchmark

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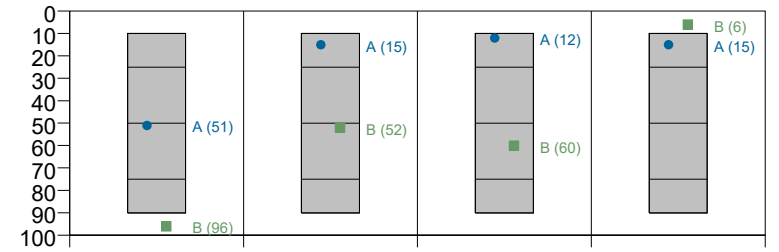
Active Manager Review

Capital Group

Manager Observations

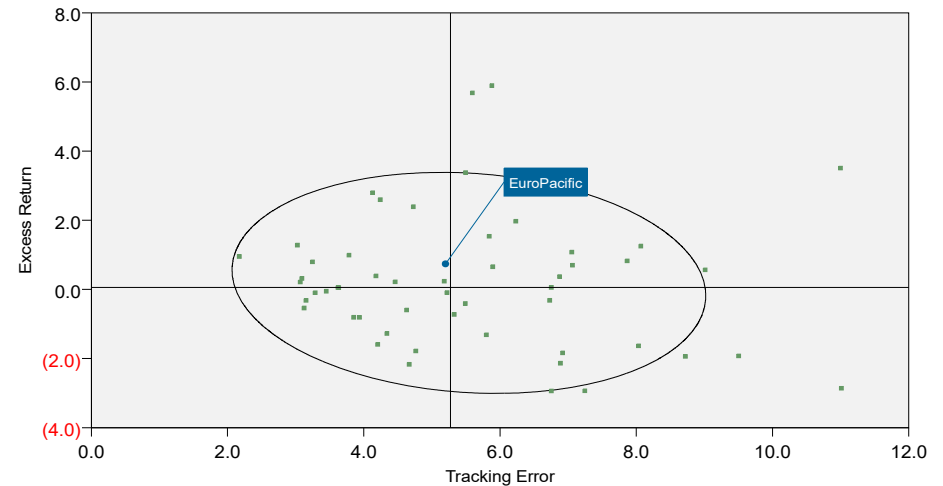
- Established in 1931 and it is a 100% employee-owned firm headquartered in Los Angeles with regional offices worldwide
- Firm managed \$2.7 trillion in total assets, including \$159 billion in the EuroPacific Growth Fund as of June 30, 2024
- Fund is constructed with 13 sleeves managed by 11 bottom-up, fundamental portfolio managers and 2 research portfolio, managed by senior research analysts
- While the sleeves range in style from value to growth, in aggregate the Fund has a significant growth bias.
- Over the last ten years, this bias has slowly become more pronounced but should not be considered a permanent attribute
- It may have significant deviations from the benchmark from both a country and sector perspective and will typically have a significant exposure to emerging markets.
- Strategy is diversified with ~322 names
- Portfolio has performed within expectations over multiple market cycles

Portfolio Statistics
for 7 Years Ended June 30, 2024
Group: Callan Non US Equity Mutual Funds



	Standard Deviation	Wtd. Median Market Cap.	Combined Z Score	Emerging Markets
10th Percentile	20.5	83.6	0.9	27.6
25th Percentile	18.7	63.2	0.5	17.2
Median	17.4	44.3	0.2	8.4
75th Percentile	16.7	31.5	(0.1)	3.7
90th Percentile	16.3	21.2	(0.5)	0.4
EuroPacific (A)	17.4	73.9	0.8	24.6
MSCI:ACWI xUS (B)	16.1	44.0	0.1	28.8

Risk Analysis 7 Years Ended June 30, 2024
Benchmark: MSCI:ACWI xUS
Group: Callan Non US Equity MFs

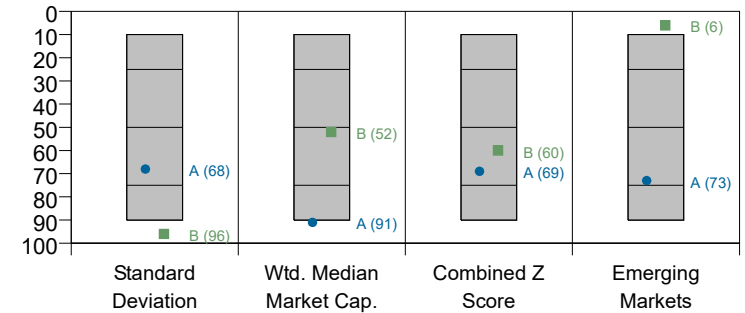


Harbor Capital (Marathon)

Manager Observations

- Founded in 1983 and it is a wholly-owned subsidiary of ORIX Corporation Europe N.V., a Netherlands-based financial services company
- Firm managed \$59 bn in total assets, including \$3.4 bn in the Harbor International Fund as of June 30, 2024
- Marathon Asset Management, an independent firm based in the U.K., has served as the sub-advisor for the Fund since August 2018
- Marathon employs a multi-manager structure with eight portfolio managers and four analysts who are divided into regional teams
- Strategy employs a bottom-up, fundamental process and leverage capital cycle philosophy to construct a diversified (i.e., 300-400 names), all cap portfolio with low annual turnover (10%-30%)
- Although recent performance has been underwhelming, it is within expectations

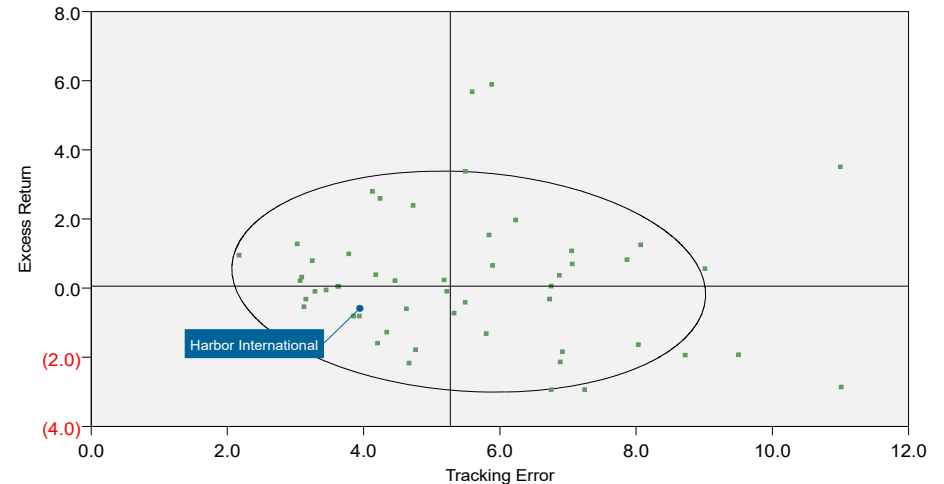
Portfolio Statistics
for 7 Years Ended June 30, 2024
Group: Callan Non US Equity Mutual Funds



	Standard Deviation	Wtd. Median Market Cap.	Combined Z Score	Emerging Markets
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Harbor International	● A	17.0	17.9	(0.1)	4.3
MSCI:ACWI xUS	■ B	16.1	44.0	0.1	28.8

Risk Analysis 7 Years Ended June 30, 2024
Benchmark: MSCI:ACWI xUS
Group: Callan Non US Equity MFs

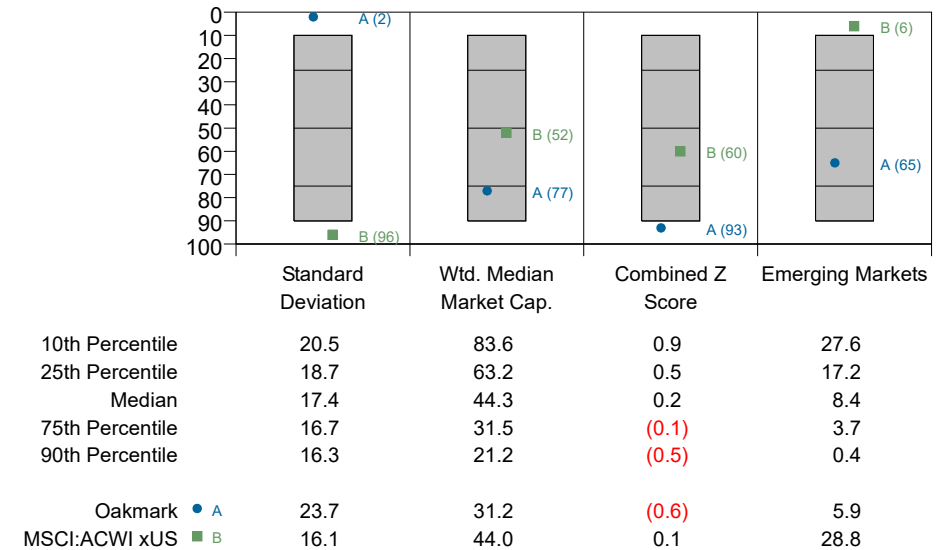


Harris Associates (Oakmark)

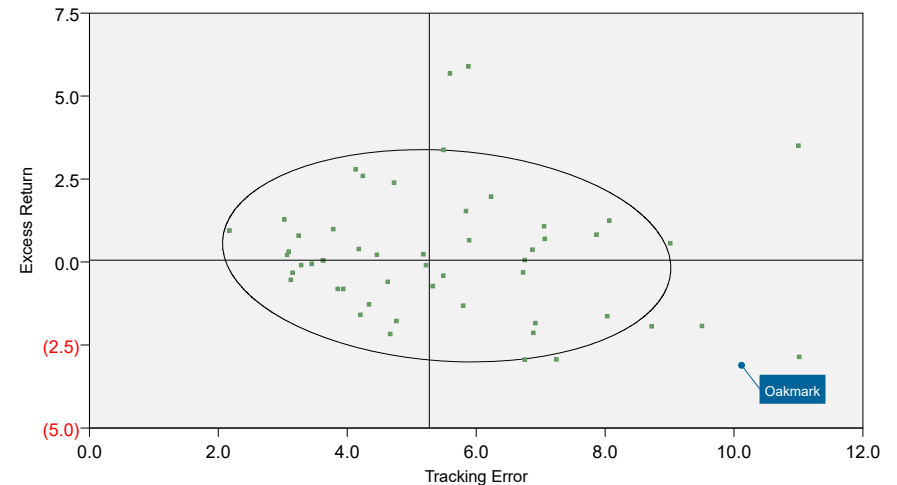
Manager Observations

- Founded in 1976 and it is a wholly-owned subsidiary of Natixis Investment Managers, which is principally owned by a France financial services company Groupe BPCE
- Firm managed \$98 bn in total assets, including \$24 bn in the International Equity strategy as of June 30, 2024
- Fund has been managed by David Herro since inception in 1992, and Herro is supported by two co-portfolio manager, Michael Manelli and Eric Liu (added in Aug 2023) and seven analysts
- Strategy employs a bottom-up, fundamental value process to construct a focused (50-60 names) portfolio with an opportunistic exposure to emerging markets (~10%; limited to 20%)
- The portfolio is highly benchmark agnostic and the portfolio's risk guidelines are broad. Turnover has typically averaged less than 20% a year, reflecting the investment team's 3–5-year outlook on its holdings.
- Magnitude of underperformance in recent years is notable; however, it is not out of character for an aggressive, opportunistic and value-oriented strategy

Portfolio Statistics
for 7 Years Ended June 30, 2024
Group: Callan Non US Equity Mutual Funds



Risk Analysis 7 Years Ended June 30, 2024
Benchmark: MSCI:ACWI xUS
Group: Callan Non US Equity MFs

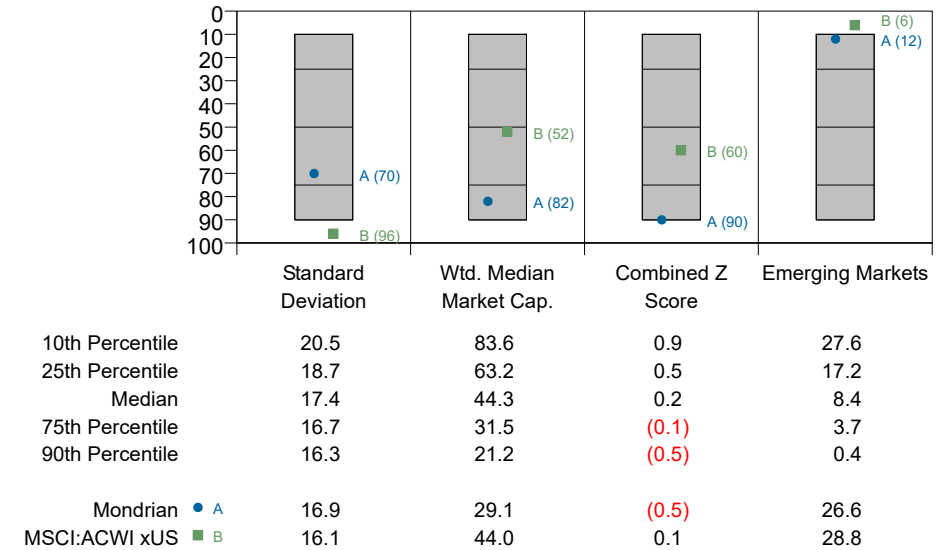


Mondrian

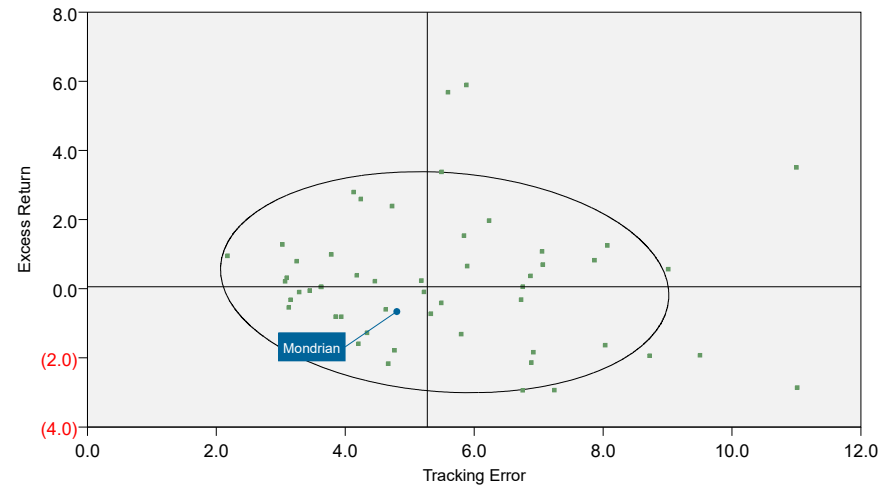
Manager Observations

- Established in 1990 and it is a 100% employee-owned firm based in London; approximately half of employees are partners
- Firm managed \$45 bn in total assets, including \$3.7 bn in the International (ACWI ex-U.S.) Equity strategy as of June 30, 2024
- Strategy is team-managed, CIO of International Equity Elizabeth Desmond heads the nine-member team
- Strategy employs a combination of top-down and bottom-up, fundamental processes to construct a diversified, defensive, value-oriented portfolio
- Portfolio contains 35-55 developed market equity securities and 40-60 emerging market equity securities
- Annual turnover is generally 10-25%
- Portfolio has performed well in commodity-driven and/or deeper value, cyclical regimes but struggles to keep up in aggressive growth market environments

Portfolio Statistics
for 7 Years Ended June 30, 2024
Group: Callan Non US Equity Mutual Funds



Risk Analysis 7 Years Ended June 30, 2024
Benchmark: MSCI:ACWI xUS
Group: Callan Non US Equity MFs

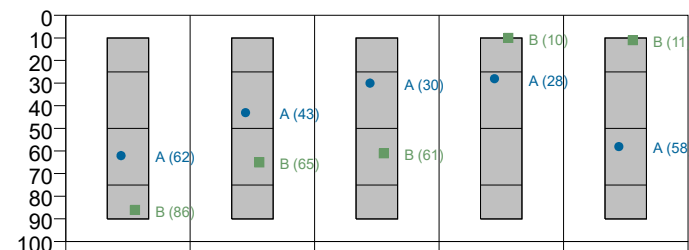


T. Rowe Price

Manager Observations

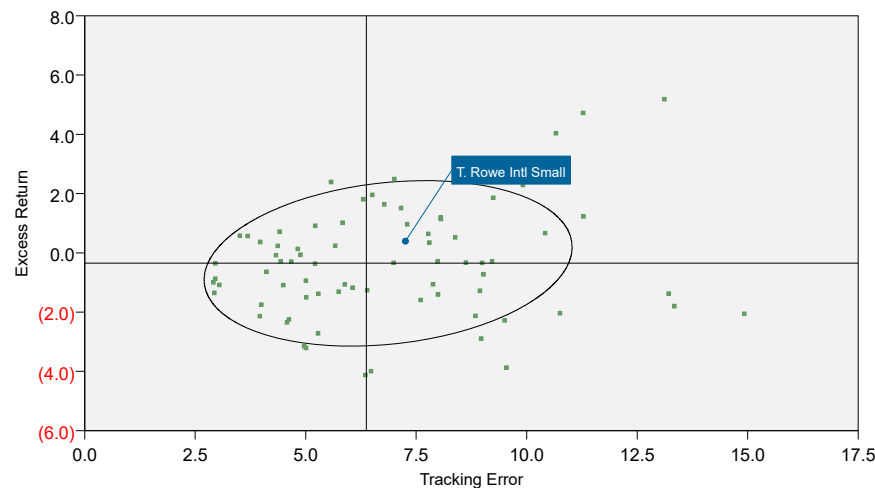
- Founded by Thomas Rowe Price, Jr. in 1937 and it is listed on the NASDAQ under the ticker symbol “TROW”
- As of June 30, 2024, firm managed \$1.5 tn in total assets, including \$7.4 bn in the International Small Cap Equity strategy
- After closing in April 2018, the strategy reopened effective September 1, 2023, as AUM and market factors have eased capacity risks.
- The PM transition that occurred in 2020 with Ben Griffiths taking over as lead PM progressed smoothly and was aided by the multi-PM structure that was already in place.
- Portfolio construction managed by regional portfolio managers, each responsible for stock selection within their respective region
- Supporting the portfolio managers is a dedicated group of seven International Small Cap analysts with regional responsibilities.
- Strategy employs a bottom-up, fundamental growth process to construct a diversified (200-250 names) portfolio with turnover less than 30%
- The portfolio's investments in compounding growth companies have delivered strong performance over multiple market cycles

Portfolio Statistics
for 7 Years Ended June 30, 2024
Group: Callan International Small Cap Mut Funds



	Standard Deviation	Wtd. Median Market Cap.	Combined Z Score	Emerging Markets	Small Exposure
10th Percentile	21.7	6.5	1.1	30.5	65.9
25th Percentile	19.7	4.3	0.6	23.2	59.9
Median	18.7	3.1	0.2	9.5	53.3
75th Percentile	18.3	2.0	(0.2)	0.9	40.3
90th Percentile	17.5	1.5	(0.7)	0.0	26.6
T.Rowe Intl Small (A)	18.6	3.3	0.5	22.2	48.8
MSCI:ACWI xUS Small (B)	18.0	2.2	0.0	30.9	65.7

Risk Analysis 7 Years Ended June 30, 2024
Benchmark: MSCI:ACWI xUS Small
Group: Callan Intl Small Cap MFs

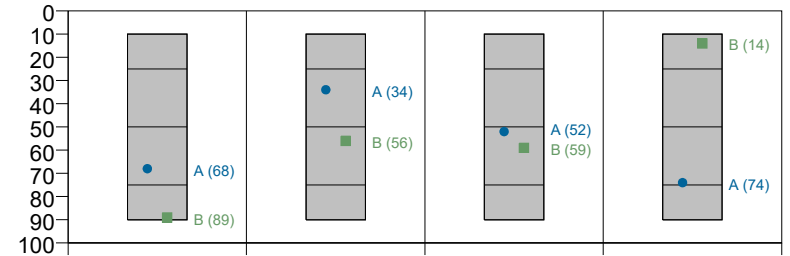


Ninety One

Manager Observations

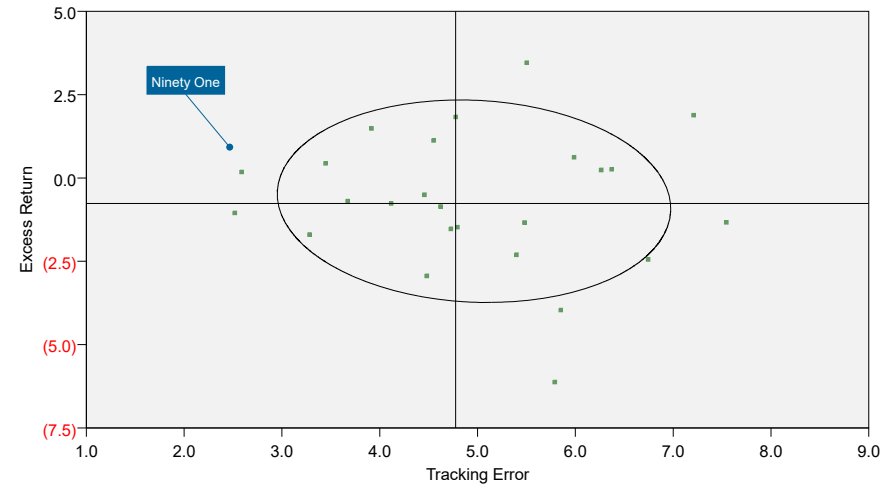
- Established in 1991 and rebranded from Investec Asset Management to Ninety One when it dual-listed on the London Stock Exchange and the Johannesburg Stock Exchange
- Firm managed \$162 bn in total assets, including \$10.7 bn in the Global Emerging Markets Equity strategy as of June 30, 2024
- Strategy has been headed by Archie Hart since inception in 2010, and Hart is supported by one assistant portfolio manager, Varun Lajawalla, and 35 global and regional investment professionals based in London
- Strategy employs a bottom-up, fundamental process to construct a relatively diversified (70-110 names with 50-80% turnover) core portfolio that leverages four-factor screening to manage idea generation
- Screening consists of four equally weighted factors: quality, value, growth, and sentiment.
- Strategy is expected to struggle during inflection points given the four-factor screening process.
- Viable for a standalone or multi-manager structure given the core portfolio characteristics and risk/return profile.
- Performance has been in line with expectations

Portfolio Statistics
for 7 Years Ended June 30, 2024
Group: Callan Emerging Markets Equity Mut Funds



	Standard Deviation	Wtd. Median Market Cap.	Combined Z Score	Emerging Markets
10th Percentile	19.7	79.6	0.6	99.5
25th Percentile	18.9	57.3	0.4	98.0
Median	18.4	32.9	0.2	95.8
75th Percentile	18.2	23.5	(0.1)	92.7
90th Percentile	17.4	12.5	(0.5)	85.1
NinetyOne	18.3	39.8	0.2	93.1
MSCI:EM	17.7	31.4	0.1	99.3

Risk Analysis 7 Years Ended June 30, 2024
Benchmark: MSCI:EM
Group: Callan Emerging Equity MF



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Appendix

Global ex-U.S. Equity Broad Style vs. MSCI ACWI ex USA

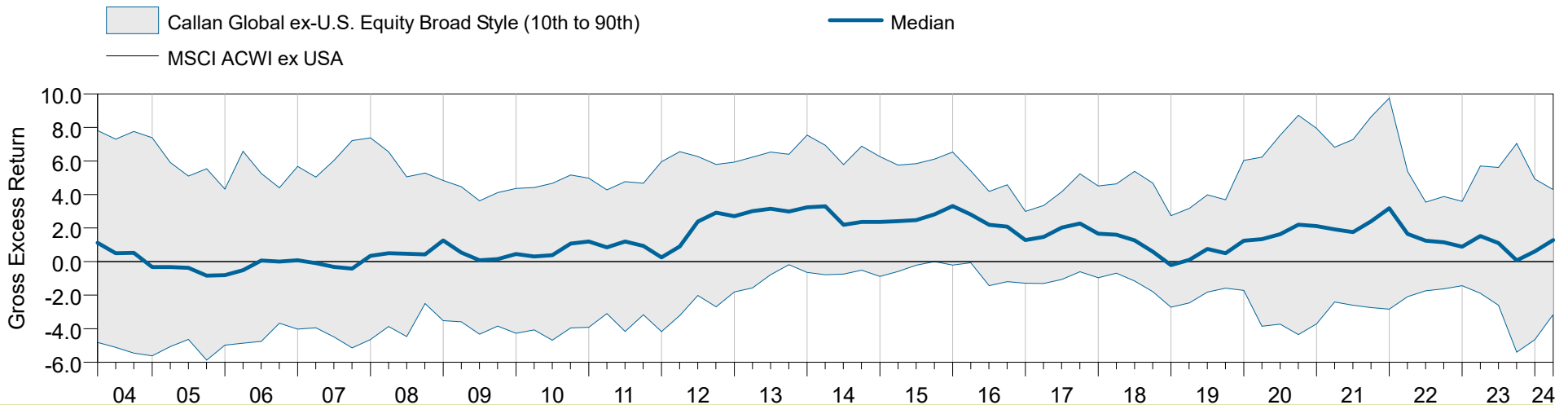
How often Manager Beat Benchmark by more than Fee Hurdle in Rolling 3-Year Periods over last 20 Years

Fee Hurdle	0.45%	0.50%	0.55%	0.60%	0.65%	0.70%	0.75%	0.80%	0.85%	0.90%
Median	73%	70%	64%	63%	61%	61%	61%	60%	59%	58%
45th Percentile	84%	83%	81%	81%	80%	79%	76%	75%	74%	68%
40th Percentile	95%	94%	93%	91%	90%	86%	86%	85%	85%	84%
35th Percentile	100%	99%	99%	99%	98%	98%	98%	96%	95%	94%
30th Percentile	100%	100%	100%	100%	100%	100%	100%	99%	99%	99%
25th Percentile	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Average Annualized 3-Year Excess Return (gross) – Median Manager:

1.23%

Rolling 3-Year Gross Excess Return relative to MSCI ACWI ex USA
for 20 Years ended March 31, 2024



Developed ex-U.S. Broad Equity Style vs. MSCI EAFE

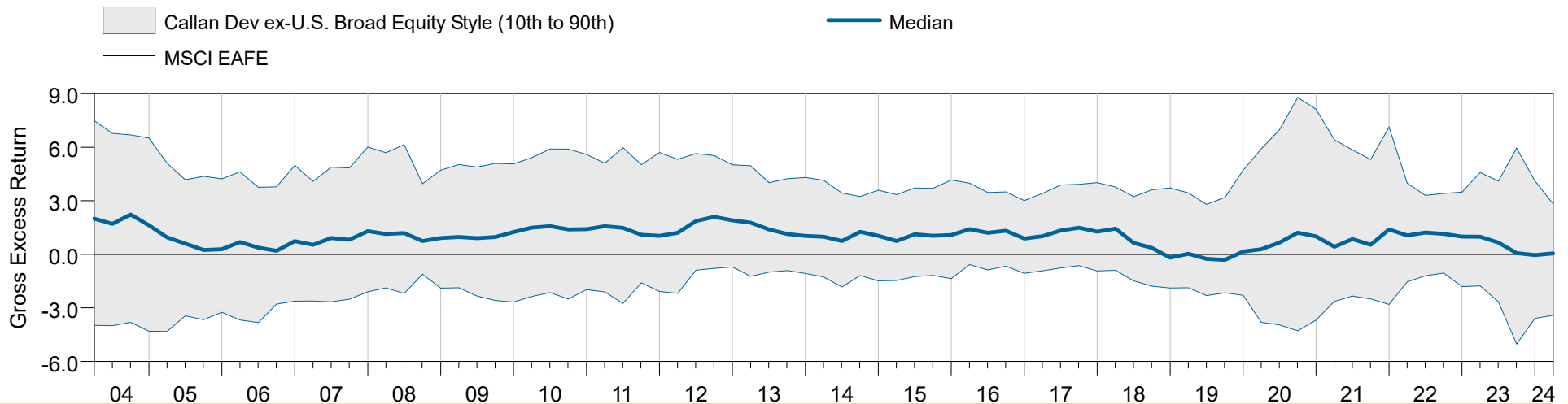
How often Manager Beat Benchmark by more than Fee Hurdle in Rolling 3-Year Periods over last 20 Years

Fee Hurdle	0.45%	0.50%	0.55%	0.60%	0.65%	0.70%	0.75%	0.80%	0.85%	0.90%
Median	81%	81%	79%	78%	76%	73%	69%	68%	65%	64%
45th Percentile	91%	91%	89%	86%	85%	84%	84%	83%	81%	78%
40th Percentile	96%	95%	95%	94%	94%	94%	91%	90%	90%	89%
35th Percentile	100%	99%	98%	98%	95%	94%	94%	94%	94%	94%
30th Percentile	100%	100%	100%	100%	100%	100%	99%	99%	98%	98%
25th Percentile	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%

Average Annualized 3-Year Excess Return (gross) – Median Manager:

0.96%

Rolling 3-Year Gross Excess Return relative to MSCI EAFE for 20 Years ended March 31, 2024



Emerging Market Broad Equity Style vs. MSCI Emerging Markets

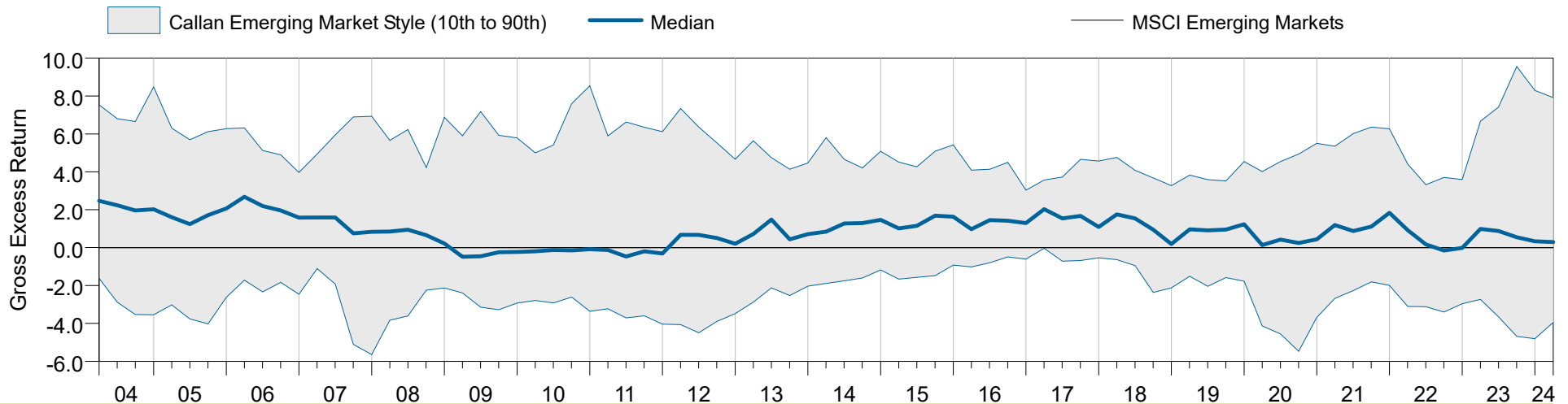
How often Manager Beat Benchmark by more than Fee Hurdle in Rolling 3-Year Periods over last 20 Years

Fee Hurdle	0.70%	0.75%	0.80%	0.85%	0.90%	0.95%	1.00%	1.05%	1.10%	1.15%
Median	63%	61%	59%	57%	53%	48%	43%	42%	41%	38%
45th Percentile	75%	73%	73%	71%	68%	68%	67%	61%	59%	57%
40th Percentile	84%	81%	78%	78%	78%	78%	77%	76%	75%	71%
35th Percentile	94%	92%	92%	91%	91%	90%	89%	89%	87%	85%
30th Percentile	100%	100%	100%	99%	99%	99%	96%	96%	94%	92%
25th Percentile	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Average Annualized 3-Year Excess Return (gross) – Median Manager:

0.95%

Rolling 3-Year Gross Excess Return relative to MSCI Emerging Markets for 20 Years ended March 31, 2024



Global ex-U.S. Equity Small Cap Style vs. MSCI ACWI ex USA Small Cap

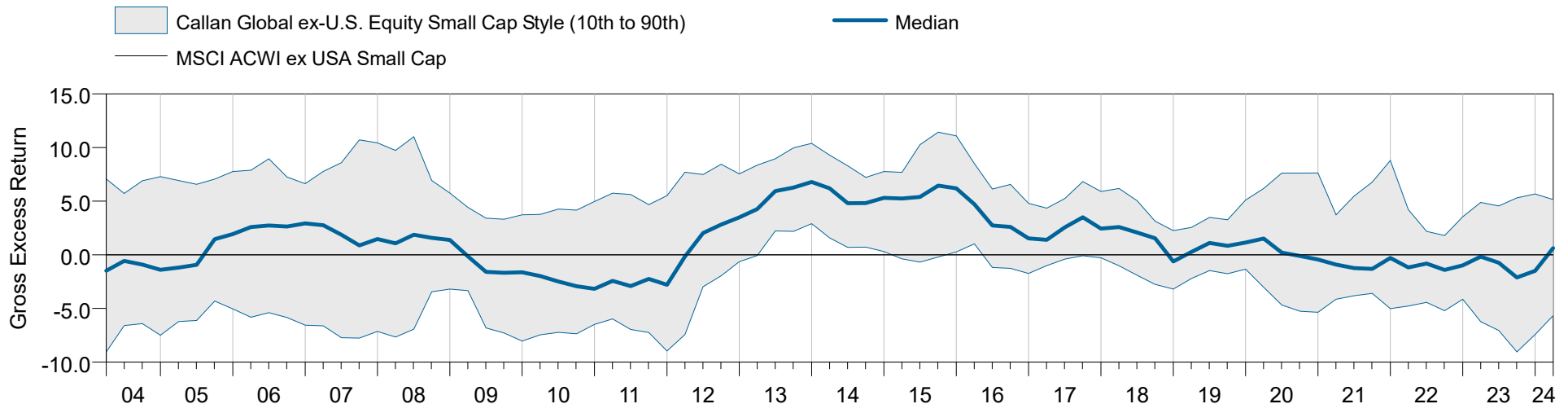
How often Manager Beat Benchmark by more than Fee Hurdle in Rolling 3-Year Periods over last 20 Years

Fee Hurdle	0.75%	0.80%	0.85%	0.90%	0.95%	1.00%	1.05%	1.10%	1.15%	1.20%
Median	55%	55%	54%	53%	53%	53%	53%	51%	49%	49%
45th Percentile	58%	58%	58%	58%	56%	56%	55%	54%	54%	54%
40th Percentile	63%	63%	63%	61%	61%	61%	60%	59%	58%	58%
35th Percentile	71%	71%	71%	70%	70%	70%	69%	69%	69%	69%
30th Percentile	80%	79%	79%	79%	79%	78%	76%	76%	76%	76%
25th Percentile	85%	84%	84%	83%	83%	83%	83%	83%	83%	83%

Average Annualized 3-Year Excess Return (gross) – Median Manager:

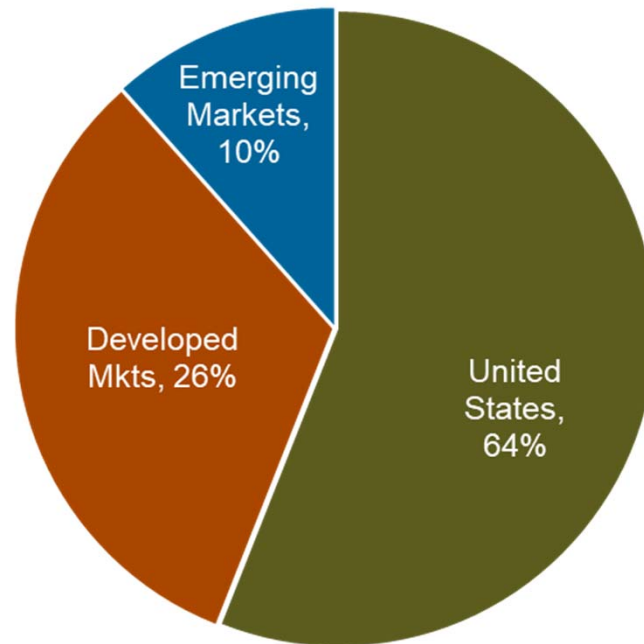
1.15%

Rolling 3-Year Gross Excess Return relative to MSCI ACWI ex USA Small Cap for 20 Years ended March 31, 2024



What Does the Global Market Look Like?

MSCI ACWI represents a broad global investment opportunity set



The opportunity set is global – diversified across geographies and capitalization ranges

US is currently 64% of global market capitalization

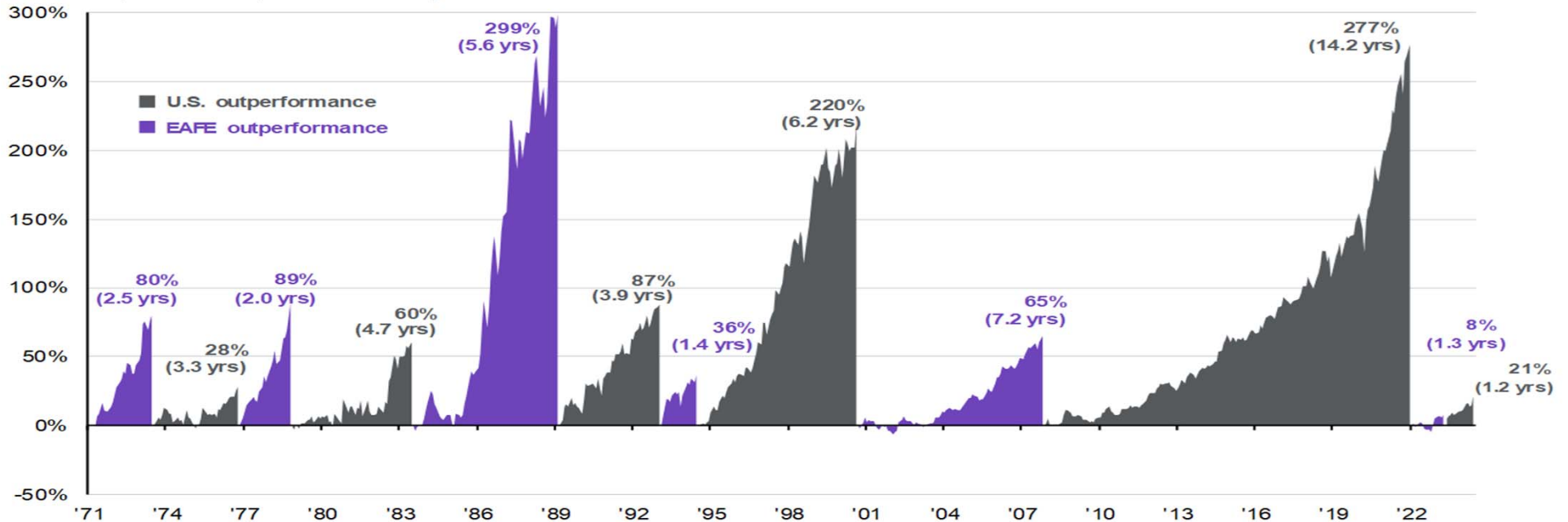
International equity is composed of roughly 70% developed markets and 30% emerging markets

* Weightings as of June 30, 2024.

U.S. vs International Equity Performance Is Historically Cyclical

MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance

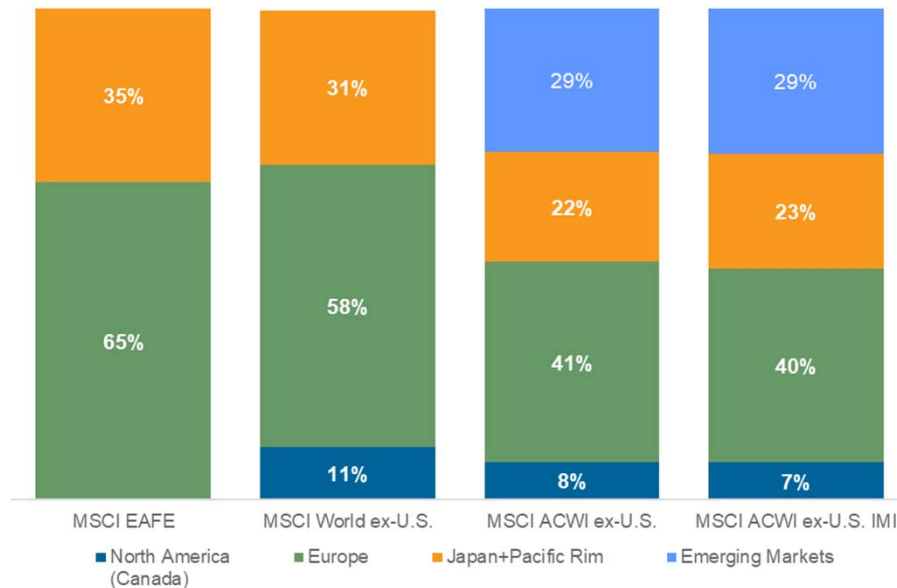


- Relative performance of US versus International Equity (EAFE) has been cyclical throughout history:
 - International Outperformance: 1971 to 1989 (Japan market crash)
 - United States Outperformance: 1989 to 2001 (Tech bubble bursts)
 - International Outperformance: 2001 to 2008 (Global Financial Crisis)
 - United States Outperformance: 2008 to ?

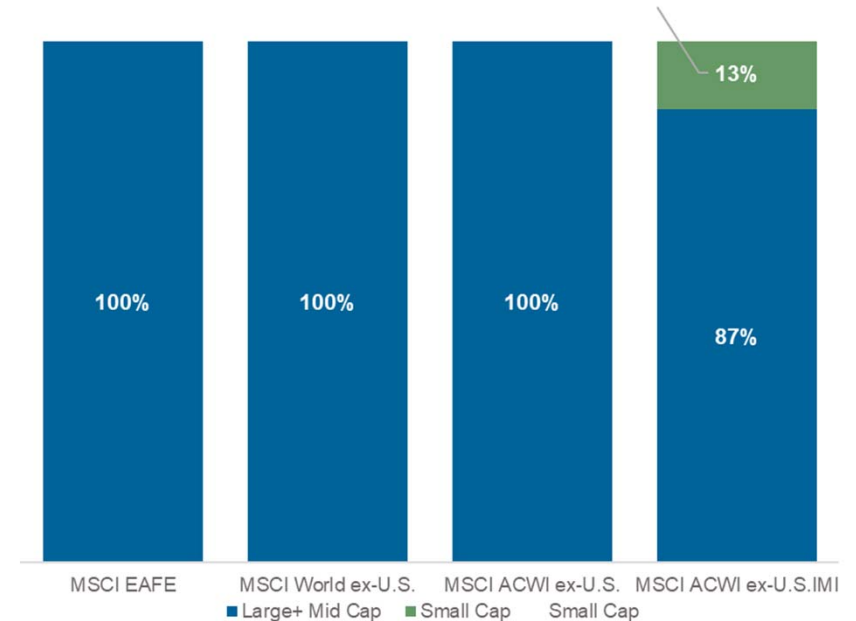
Source: JP Morgan.

International Equity Benchmark Descriptions

Regional Exposure as of June 30, 2024



Capitalization Weights as of June 30, 2024



- MSCI EAFE includes large and mid cap stocks from developed countries outside of the U.S., excluding Canada.
- MSCI World ex-US includes large and mid cap stocks from developed countries outside of the U.S., including Canada.
- MSCI ACWI (All Country World Index) ex-U.S., includes large and mid cap stocks across developed and emerging countries outside of the U.S.
- The MSCI ACWI ex-U.S. IMI (Investable Market Index) adds exposure to small cap stocks across developed and emerging countries outside of the U.S.

International Equity Benchmark Exposures Summary

	MSCI EAFE	MSCI World ex-U.S.	MSCI ACWI ex-U.S.	MSCI ACWI ex-U.S. IMI
Large and Mid Cap	✓	✓	✓	✓
Small Cap				✓
North America (Canada)		✓	✓	✓
Europe	✓	✓	✓	✓
Japan + Pacific Rim	✓	✓	✓	✓
Emerging Markets			✓	✓

– The table summarizes the style and region exposures detailed on the prior slide.

Fees

- Existing managers:
 - **Capital Group:** Mutual fund – 0.49%
 - **Harbor (Marathon):** Mutual fund – 0.69%
 - **Oakmark:** CIT – 0.75%
 - **Mondrian:** CIT – 0.80%
 - **T. Rowe Price:** CIT – 1.04%
 - **Ninety-One:** CIT – 0.80%
- Candidate managers (estimates based on Callan database):
 - **World ex-US Index:** 0.08% (est.)
 - **ACWI ex-US Index:** 0.08% (est.)
 - **New Value Manager:** 0.70% (est.)
 - **New EM Manager:** 0.85% (est.)
 - **New Small Cap Manager:** 0.80% (est.)

Disclaimers

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