

PIMCO UPDATE

Following the recent organizational and personnel changes at PIMCO, the firm remains on our Watch List. Galliard's External Manager Team continues to closely monitor and evaluate PIMCO's organizational structure, key personnel and investment strategies. With the January 12, 2015 announcement of Saumil Parikh's departure impacting our common client portfolios, PIMCO appointed Marc Seidner as the Primary Portfolio Manager with David Braun serving as the secondary portfolio manager. Mr. Seidner is an integral member of the PIMCO senior leadership team, serving as a co-CIO and member of the Investment Committee, and we believe Mr. Seidner to be an experienced and insightful stable value portfolio manager. We are comfortable with Mr. Seidner stepping in to replace Saumil in our common client accounts.

With respect to the organizational and portfolio manager changes, Galliard's team thoroughly reviewed the fixed income process and philosophy. Over multiple meetings and discussions with a variety of PIMCO team members we are comfortable with the continuity of the process and philosophy currently in place. While the Galliard team has gained comfort with the change in portfolio oversight, our team continues to be in discussions with PIMCO regarding fees. Galliard recognizes that PIMCO has a deep and talented investment team but we believe the historical fee schedules in place, relative to other top tier fixed income peers, are not justifiable going forward. While residing on Galliard's Watch List we have highlighted key factors for review in order for Galliard to maintain its current exposure to PIMCO including: retaining key investment personnel, particularly Marc Seidner; improvement in performance; and delivering a meaningful fee concession.

Galliard External Manager Team

The information contained herein reflects the views of Galliard Capital Management, Inc. and sources believed to be reliable by Galliard as of the date of publication. No representation or warranty is made concerning the accuracy of any data and there is no guarantee that any projection, opinion, or forecast herein will be realized. The views expressed may change at any time subsequent to the date of publication. This publication is for information purposes only; it is not investment advice or a recommendation for a particular security strategy or investment product.

FOR INSTITUTIONAL INVESTOR USE ONLY
