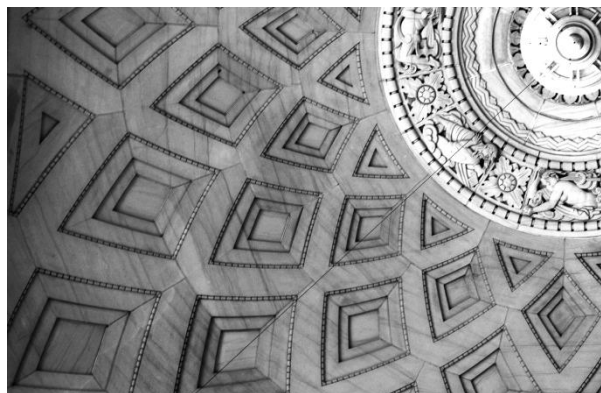




ARCHITECTS OF INVESTMENT SOLUTIONS



**Wisconsin Deferred  
Compensation Program Stable  
Value Fund Portfolio Review**

MARCH 22, 2018

**WISCONSIN DEFERRED COMPENSATION PROGRAM STABLE  
VALUE FUND PORTFOLIO REVIEW  
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**SECTION I**

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# GALLIARD CAPITAL MANAGEMENT

## WHO WE ARE

CLIENT ALIGNED STABLE VALUE & FIXED INCOME INVESTMENT SOLUTIONS FOR OVER 20 YEARS

**\$91.0 B**  
TOTAL AUM

**\$79.5 B**  
TOTAL STABLE VALUE AUM  
**115+** stable value separate accounts

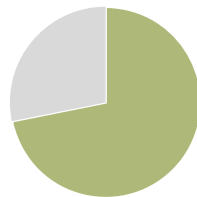
**111**  
EMPLOYEES  
ON STAFF

SENIOR PROFESSIONALS AVERAGE YEARS OF EXPERIENCE:  
Stable value portfolio management team – **24**  
Fixed income team – **20**  
Contract management & negotiation team – **23**

STABLE VALUE & FIXED INCOME PRODUCTS • SEPARATE ACCOUNTS • COLLECTIVE FUNDS

**240+**  
INSTITUTIONAL  
CLIENTS

CLIENT RELATIONSHIP TENURE



**~75%** of our clients have worked with Galliard for greater than **5 years**  
**28** of those relationships exceeded **15 years** with Galliard

2017 NEW  
BUSINESS

**10** new clients YTD

**25** Fortune 100 clients

**\$5.1 B** new assets YTD

**57** Fortune 500 clients

CLIENT TYPES CORPORATE • FOUNDATIONS/ ENDOWMENTS • HEALTHCARE • INSURANCE RESERVES • OPERATING FUNDS • PUBLIC ENTITIES • TAFT-HARTLEY

## HIGHLIGHTS

Galliard is now a signatory to the United Nations-supported **Principles for Responsible Investment**

Galliard ranked in the **top 10** in Pensions & Investments report of largest managers of assets held by **100 largest corporate DC** plans  
*(The Corporate DC 100: The Largest Money Managers, published March 7, 2016)*

Galliard **ranked #2** by total AUM in the Pensions & Investments rankings of stable value managers  
*(Largest Money Managers Report, published May 29, 2017, data as of December 31, 2016)*

Data as of 12/31/17

## SECTION II

---

# STABLE VALUE MARKET UPDATE

## STABLE VALUE MARKET VIEW

### MARKET VIEW

#### CONTRACT ISSUERS

- 18 providers in the market currently issuing contracts (3 banks, 15 insurance companies)
- Bank of Tokyo recently announced an orderly exit from the market
- Contract capacity remains greater than market demand
- Issuers showing flexibility with respect to the strategies they are willing to wrap and marginal changes to guidelines
- More favorable/balanced approach to contract provisions
- Contract fees are showing signs of consolidation

### GALLIARD POSITIONING

- Maintaining strong relationships with all major market participants
- Held no Bank of Tokyo contracts
- Continue to be a preferred manager among issuers
- Negotiated broader investment guidelines and are working to streamline
- Standardized more advantageous contract provisions
- Capitalizing on opportunities to reduce contract fees

#### PORTFOLIO

- Global growth remains strong, and continued fiscal policy normalization may eventually pressure long-term yields
- Volatility remains near multi-year lows and longer risk assets are fully valued – increased caution is warranted
- Participant outflows from stable value have persisted with strong equity market returns

- Continue to emphasize liquidity and diversification to protect against uncertainty
- Maintaining neutral-to-short duration positioning to balance earnings potential and rate responsiveness
- Opportunistically seeking yield in high quality spread assets but mindful of tight valuations

## STABLE VALUE MARKET UPDATE CONTRACT ISSUER SUMMARY

AS OF DECEMBER 31, 2017

NAME	MOODY'S CREDIT RATING	S&P CREDIT RATING	ASSET MANAGEMENT*	CONTRACT TYPE**
AMERICAN GENERAL LIFE	A2	A+	Galliard, Dodge & Cox, TCW, Payden & Rygel	SBIC
MASSMUTUAL LIFE INS. CO.	Aa2	AA+	Galliard, Barings, TCW	SAGIC
METROPOLITAN LIFE INS. CO.	Aa3	AA-	Galliard, Dodge & Cox, Loomis Sayles, Earnest Partners	SBIC & SAGIC
NATIONWIDE LIFE INS. CO.	A1	A+	Galliard, Dodge & Cox	SBIC
NEW YORK LIFE INS. CO.	Aaa	AA+	NYL Investors	SBIC & SAGIC
PACIFIC LIFE INS. CO.	A1	AA-	Galliard, Loomis Sayles, TCW, Jennison	SBIC
PRUDENTIAL LIFE INS. CO.	A1	AA-	Galliard, Jennison, Prudential, TCW	SBIC
RGA REINSURANCE CO.	A1	AA-	Galliard, Dodge & Cox	SBIC
ROYAL BANK OF CANADA	A1	AA-	Galliard	SBIC
STATE STREET BANK AND TRUST CO.	Aa3	AA-	Galliard, Loomis Sayles	SBIC
TIAA-CREF LIFE	Aa1	AA+	TIAA-CREF	SAGIC
TRANSAMERICA PREMIER LIFE INS. CO.	A1	AA-	Galliard, Dodge & Cox, TCW, Loomis Sayles	SBIC
VOYA RETIREMENT AND ANNUITY COMPANY	A2	A	Galliard, Dodge & Cox, Voya, TCW, IR+M, Loomis Sayles	SBIC

\*Managers typically utilized within Galliard Stable Value Solutions, (Galliard also utilizes other Asset Managers for select customized solutions).

\*\*Security Backed Investment Contract (SBIC) or Separate Account GIC (SAGIC)

## SECTION III

---



# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## ANNUALIZED INVESTMENT PERFORMANCE<sup>1</sup>

Period Ending December 31, 2017

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
<b>Portfolio (before inv. mgmt. fees)<sup>2</sup></b>	0.54	2.05	2.05	2.06	3.04
<b>Portfolio (net of inv. mgmt. fees)<sup>3</sup></b>	0.50	1.90	1.88	1.90	2.87
<b>Linked Benchmark<sup>4</sup></b>	0.45	1.58	1.35	1.37	1.60

## CALENDAR YEAR PERFORMANCE

	2017	2016	2015	2014	2013
<b>Portfolio (before inv. mgmt. fees)<sup>2</sup></b>	2.05	2.06	2.03	1.91	2.27
<b>Portfolio (net of inv. mgmt. fees)<sup>3</sup></b>	1.90	1.90	1.85	1.73	2.10
<b>Linked Benchmark<sup>4</sup></b>	1.58	1.01	1.45	1.64	1.17

## MARKET INDICES

<b>BofAML US 3-Mon T-Bill</b>	0.86	0.33	0.05	0.03	0.07
<b>Consumer Price Index</b>	2.17	2.07	0.73	0.76	1.51

1: Returns for periods of less than one year are not annualized.

2: Returns are net of book value contract fees only.

3: Returns are net of book value contract, Galliard investment management fees, and, if applicable, external manager fees and Wells Fargo collective fund administrative fees.

4: Linked benchmark: 5 Year Constant Maturity Treasury; Prior to 11/1/15 was the 3 Year Constant Maturity Treasury.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## PORTFOLIO CHARACTERISTICS

<b>Total Assets</b>	\$650,070,528	<b>Blended Yield (before fees)<sup>1</sup></b>	2.12%
<b>Average Holdings Quality<sup>2</sup></b>	A1/A+	<b>Effective Duration</b>	2.88 years
<b>Number of Contract Issuers</b>	5	<b>Market/Book Value Ratio</b>	99.98%

1: Blended yield is before investment management fees and after wrap fees.

2: The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the contracts and cash held by the portfolio as rated by S&P and Moody's.

## SECTOR DISTRIBUTION

PORTFOLIO DISTRIBUTION	CONTRACT VALUE (\$)	% OF PORTFOLIO 12/31/2017	% OF PORTFOLIO 09/30/2017
<b>Cash &amp; Equivalents<sup>1</sup></b>	<b>3,999,464</b>	<b>0.6</b>	<b>1.0</b>
<b>Stable Value Funds</b>	<b>35,954,322</b>	<b>5.5</b>	<b>6.0</b>
<b>Security Backed Investment Contracts</b>	<b>610,116,742</b>	<b>93.9</b>	<b>93.0</b>
Short Portfolio	294,302,790	45.3	46.9
Intermediate Portfolio	315,813,953	48.6	46.2
<b>Total</b>	<b>\$650,070,528</b>	<b>100.0%<sup>2</sup></b>	<b>100.0%<sup>2</sup></b>

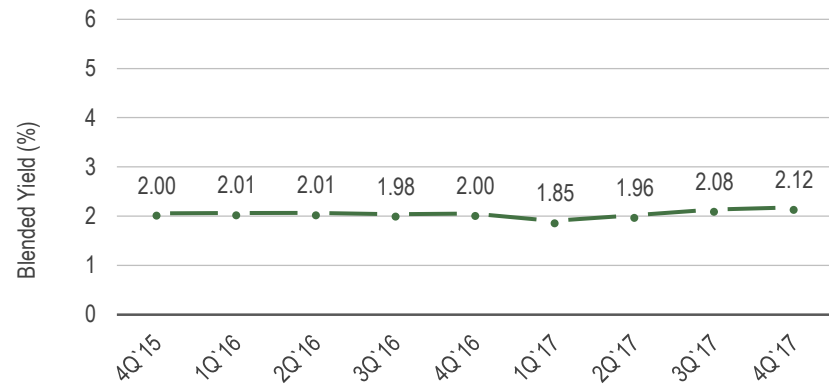
1: Includes Receivables and Payables.

2: Total % of portfolio may not add to 100% due to rounding.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

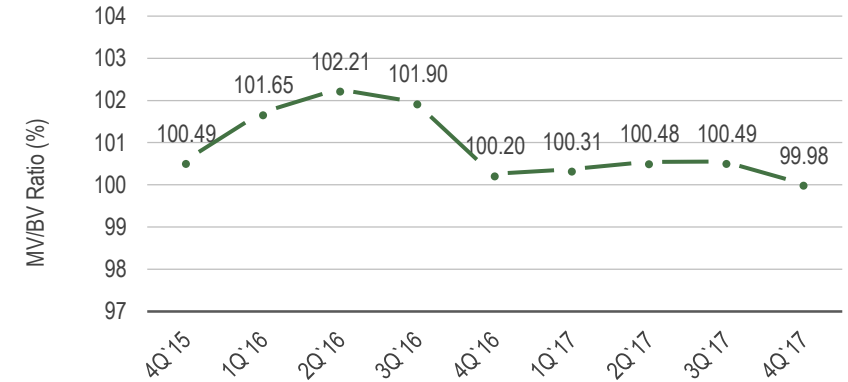
Fourth Quarter 2017

## HISTORICAL BLENDED YIELD<sup>1</sup>

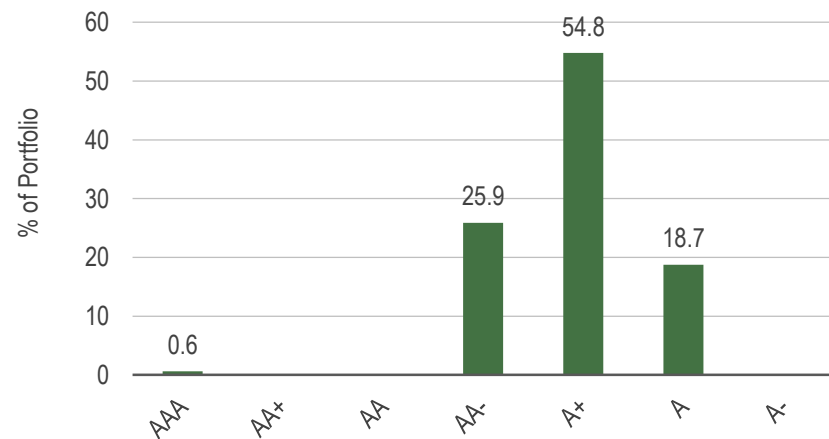


1: As of quarter end. Blended yield is before investment management fees and after wrap fees.

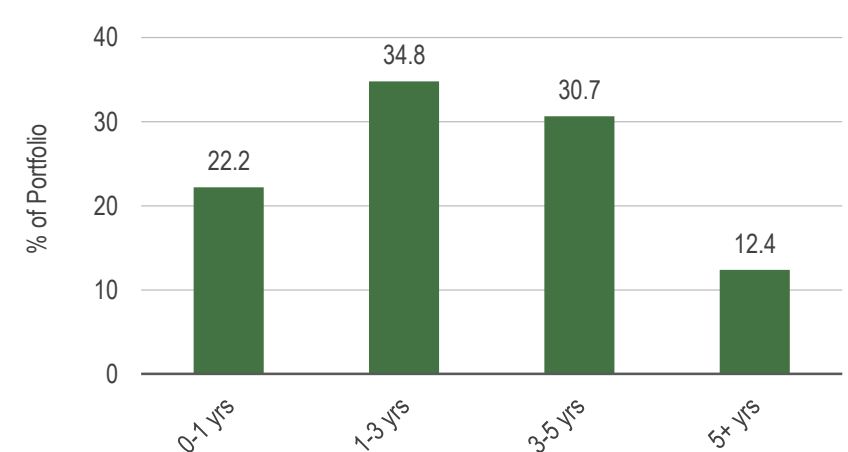
## HISTORICAL MARKET VALUE TO BOOK VALUE RATIO



## CONTRACT QUALITY DISTRIBUTION<sup>1</sup>



## UNDERLYING DURATION DISTRIBUTION<sup>2</sup>



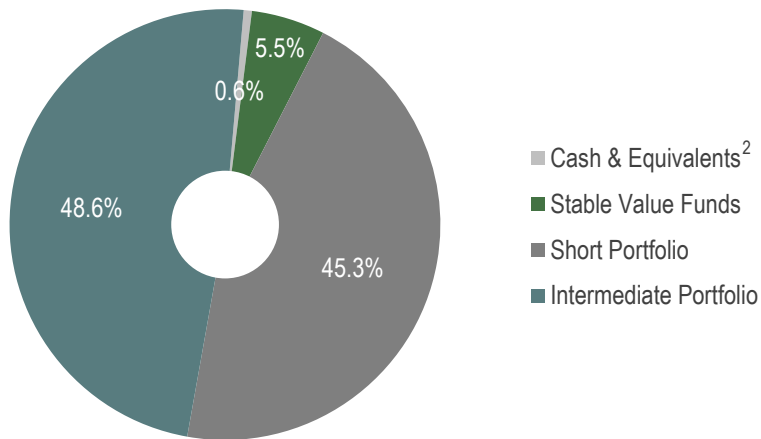
1: Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

2: Total % of portfolio may not add to 100% due to rounding. Duration distribution of the externally managed portfolios is provided by the external manager.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

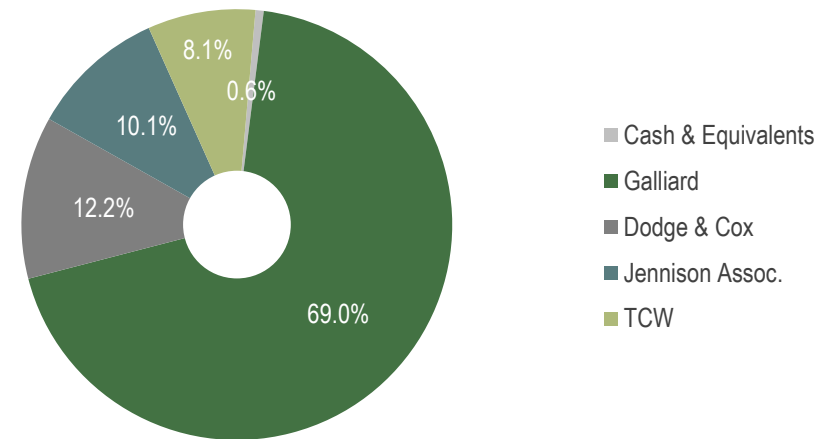
Fourth Quarter 2017

## PORTFOLIO DISTRIBUTION<sup>1</sup>

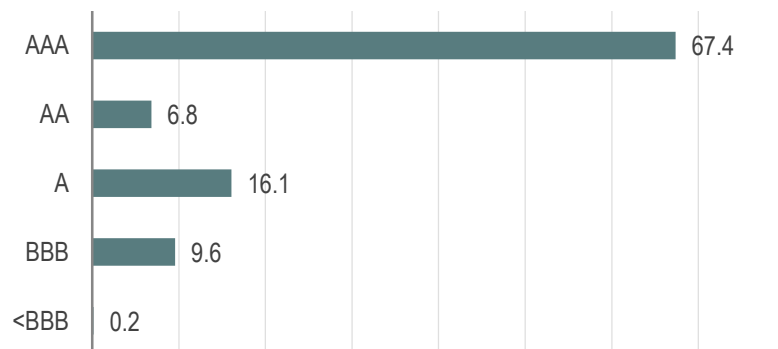


1: Book value. Total % of portfolio may not add to 100% due to rounding.  
2: Includes Receivables and Payables.

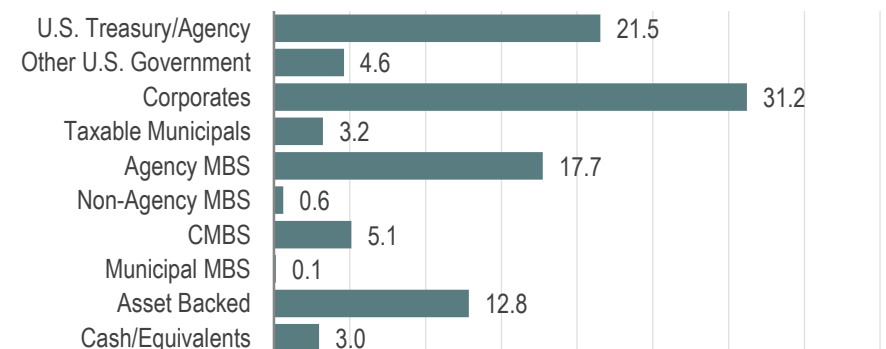
## MANAGER DISTRIBUTION<sup>1</sup>



## UNDERLYING FIXED INCOME CREDIT QUALITY<sup>1</sup>



## UNDERLYING FIXED INCOME ASSET ALLOCATION<sup>2</sup>



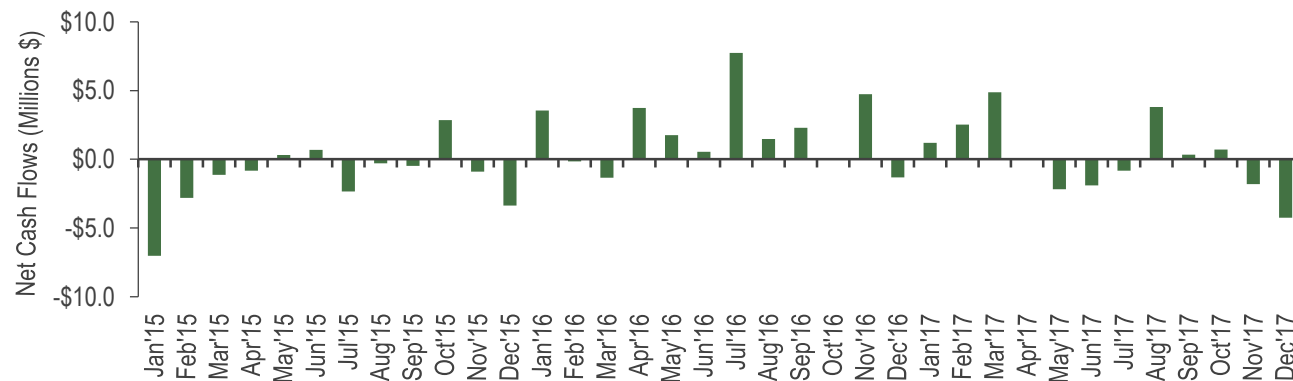
1: Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology

2: Market value. Total % of portfolio may not add to 100% due to rounding. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology for maximum comparability across managers.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## HISTORICAL CASHFLOWS



	2017	2016	2015	2014
<b>Beginning Assets</b>	\$635.4	\$600.7	\$605.0	\$611.7
<b>Net Cash Flow (\$)¹</b>	\$2.5	\$23.1	-\$15.3	-\$17.2
<b>Net Cash Flow (%)</b>	0.40%	3.84%	-2.53%	-2.82%
<b>Estimated Investment Earnings</b>	\$12.2	\$11.6	\$11.0	\$10.5
<b>Ending Assets²</b>	\$650.1	\$635.4	\$600.7	\$605.0

1: Contributions, Withdrawals and Investment Transfers

2: Cashflows may not net to final assets due to rounding.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## ISSUER RATING SUMMARY

	<u>S &amp; P RATING</u>		<u>MOODY'S RATING</u>	
	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>12/31/2017</u>	<u>9/30/2017</u>
American General Life Ins. Co.	A+	A+	A2	A2
Nationwide Life Ins. Co.	A+	A+	A1	A1
Prudential Ins. Co. of America	AA-	AA-	A1	A1
Transamerica Premier Life Ins. Co.	AA-	AA-	A1	A1
Voya Ret. Ins. and Annuity Co.	A	A	A2	A2

The information contained herein reflects the views of Galliard Capital Management, Inc. & sources believed to be reliable by Galliard as of the date of publication. The views expressed here may change at any time subsequent to the date of publication. This publication is for informational purposes only.

For institutional investors only.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## ISSUER RATING SUMMARY

### AMERICAN GENERAL LIFE INS. CO.

- Solid capital levels
- Leading positions in most Life and Annuity products
- Brian Duperreault was appointed the new CEO of AIG (AGL's parent). Formerly CEO of Hamilton Insurance Group, Bermuda, he's also held senior leadership positions at Marsh & McLennan, ACE, and AIG and its affiliates. AIG is committed to its' turnaround strategy and not splitting the company.
- AIG's designation as a systemically important financial institution (SIFI) was removed by U.S. regulators, relieving it of additional oversight and capital rules that were still being finalized

### NATIONWIDE LIFE INS. CO.

- Part of a leading mutual group that includes a leading Property & Casualty company
- Strong history of earnings

### PRUDENTIAL INS. CO. OF AMERICA

- A leading diversified U.S. life insurer
- Continue to maintain above average capital ratios versus lower ratios following 2015 captive reinsurance transaction
- Prudential, as the last non-bank institution designated as a systemically important financial institution (SIFI), is expected to pursue relief from the U.S. Financial Stability Oversight Council following the FSOC's recent removal of AIG's SIFI-designation

### TRANSAMERICA PREMIER LIFE INS. CO.

- Part of a large diverse insurance group which uses significant intercompany reinsurance, which results in the appearance of a higher operating leverage than is the case
- Fitch recently lowered Transamerica's Insurer Financial Strength ratings to A+ from AA-, citing margin compression due to the shift from capital intensive spread products to low capital intense fee-based businesses

### VOYA RET. INS. AND ANNUITY CO.

- Large-scale retirement, employee benefits and universal life presence
- Operating performance solid in core businesses with an improved outlook due to the sale of Voya's closed-block of variable annuity business to Venerable Holdings, Inc., an investment vehicle owned by a consortium of investors led by affiliates of Apollo Global Management, Crestview Partners and Reverence Capital Partners.

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# WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND PORTFOLIO HOLDINGS

December 31, 2017

Asset ID	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Yield (%)	Maturity <sup>1</sup>	Effective Duration (yrs)	S&P Rating	Moody's Rating	Wrap Fees (bps)
<b>CASH &amp; EQUIVALENTS</b>												
FUNDAVAIL	Cash Receivable / (Payable)		-446,842	-446,842	100.0	-0.1	1.49		0.10	AAA	Aaa	
9983008\$P	WF/BlackRock Short Term Investment Fund S		4,446,306	4,446,306	100.0	0.7	1.49		0.10	AAA	Aaa	
<b>TOTAL CASH &amp; EQUIVALENTS</b>			<b>3,999,464</b>	<b>3,999,464</b>	<b>100.0</b>	<b>0.6</b>	<b>1.49</b>		<b>0.10</b>	<b>AAA</b>	<b>Aaa</b>	
<b>STABLE VALUE FUNDS</b>												
94988K104	Wells Fargo Stable Value Fund W	Galliard	35,954,322	35,954,322	100.0	5.5	2.11		2.64	AA-	Aa3	
<b>TOTAL STABLE VALUE FUNDS</b>			<b>35,954,322</b>	<b>35,954,322</b>	<b>100.0</b>	<b>5.5</b>	<b>2.11</b>		<b>2.64</b>	<b>AA-</b>	<b>Aa3</b>	
<b>SECURITY BACKED INVESTMENT CONTRACTS</b>												
<b>Short Portfolio</b>												
946996EP6	American General Life Ins. Co.	Galliard	66,475,354	66,389,339	99.9	10.2	2.15	N.S.M.	1.86	A+	A2	20.0
896994DP2	Nationwide Life Ins. Co.	Galliard	36,171,014	36,073,330	99.7	5.6	2.09	N.S.M.	1.86	A+	A1	21.0
744999ZU0	Prudential Ins. Co. of America	Galliard	66,336,784	66,394,517	100.1	10.2	2.03	N.S.M.	1.86	AA-	A1	20.0
600996CC4	Transamerica Premier Life Ins. Co.	Galliard	56,010,228	56,301,219	100.5	8.6	2.44	N.S.M.	1.86	AA-	A1	20.0
75999UNG9	Voya Ret. Ins. and Annuity Co.	Galliard	69,309,409	68,911,122	99.4	10.7	1.84	N.S.M.	1.86	A	A2	20.0
<b>Total Short Portfolio</b>			<b>294,302,790</b>	<b>294,069,528</b>	<b>99.9</b>	<b>45.3</b>	<b>2.10</b>		<b>1.86</b>	<b>A+</b>	<b>A1</b>	
<b>Intermediate Portfolio</b>												
946996EP6	American General Life Ins. Co.	Galliard	64,406,593	64,323,255	99.9	9.9	2.15	N.S.M.	3.92	A+	A2	20.0
896994DP2	Nationwide Life Ins. Co.	Galliard	36,164,675	36,067,007	99.7	5.6	2.09	N.S.M.	3.92	A+	A1	21.0
744999ZU0	Prudential Ins. Co. of America	Jennison Assoc.	65,973,019	66,030,435	100.1	10.1	2.03	N.S.M.	4.16	AA-	A1	20.0
600996CC4	Transamerica Premier Life Ins. Co.	Galliard	17,395,322	17,485,696	100.5	2.7	2.44	N.S.M.	3.92	AA-	A1	20.0
600996CC4	Transamerica Premier Life Ins. Co.	Dodge & Cox	79,298,534	79,710,515	100.5	12.2	2.44	N.S.M.	3.70	AA-	A1	20.0
75999UNG9	Voya Ret. Ins. and Annuity Co.	TCW	52,575,810	52,273,683	99.4	8.1	1.84	N.S.M.	3.76	A	A2	20.0
<b>Total Intermediate Portfolio</b>			<b>315,813,953</b>	<b>315,890,593</b>	<b>100.0</b>	<b>48.6</b>	<b>2.16</b>		<b>3.89</b>	<b>A+</b>	<b>A1</b>	
<b>TOTAL SECURITY BACKED INVESTMENT CONTRACTS</b>			<b>610,116,742</b>	<b>609,960,121</b>	<b>100.0</b>	<b>93.9</b>	<b>2.13</b>		<b>2.91</b>	<b>A+</b>	<b>A1</b>	
<b>TOTAL PORTFOLIO</b>			<b>650,070,528</b>	<b>649,913,907</b>	<b>100.0</b>	<b>100.0</b>	<b>2.12</b>		<b>2.88</b>	<b>A+</b>	<b>A1</b>	

1: N.S.M. = No Stated Maturity



# WISCONSIN DEFERRED COMPENSATION PROGRAM STABLE VALUE FUND

## LOOKING FORWARD INTO 2018

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### LOOKING FORWARD INTO 2018

- Working to transition allocation out of Wells Fargo Stable Return Fund
  - Late 2018
  - Adds flexibility and portability to the overall portfolio
  - Current rate environment beneficial to transition to reallocation at neutral to slightly positive yield plus slight fee savings
- Recommendation is to update investment guidelines – currently have a 95% maximum security backed investment contracts guideline
  - Will send guideline recommendations to ETF staff for your review later this spring

## APPENDIX - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

### TOTAL ANNUAL FUND OPERATING EXPENSES

Total Annual Operating Expenses are deducted directly from the Fund's net asset value and reduce the investment option's rate of return.

Expense	Expense Ratio 12/31/17	Per \$1000
Investment Management Fees paid to Galliard	0.088%	\$0.88
Investment Management fees paid to Non-Affiliated Investment Advisors	None	None
Investment Contract Fees* <sup>1</sup>	0.189%	\$1.89
Acquired Fund Fees <sup>2</sup>	0.071%	\$0.71
-Investment Contract Fees	0.010%	\$0.10
-Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non-Affiliated Investment Advisors <sup>3</sup>	0.061%	\$0.61
12b-1 Distribution Fee	None	None
Other Expenses	None	None
<b>Total Annual Fund Operating Expenses<sup>4</sup></b>	<b>0.349%</b>	<b>\$3.49</b>

\*Changes have occurred to the fee schedule structure since the prior period. Please contact your Galliard representative if you have additional questions.

- 1: These are fees paid to create and maintain the investments used by a stable value fund.
- 2: These are fees borne indirectly by the Fund when it acquires an interest in another fund which pays its own separate fees.
- 3: Includes audit fees for the cost of producing a report by a qualified auditor.
- 4: Total Annual Fund Operating Expenses are reflected daily in the Fund's net asset value (NAV).

## APPENDIX I

---

# GALLIARD CAPITAL MANAGEMENT – FUND F

## INVESTMENT STRATEGY AS OF 12/31/17

### INVESTMENT STYLE

Galliard's fixed income process uses a disciplined security selection approach, broad portfolio diversification and rigorous risk controls. Security selection and risk management are primary drivers of relative performance.



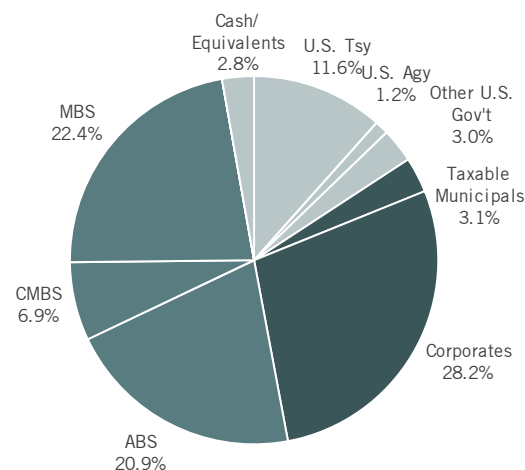
### FUND CHARACTERISTICS

Characteristic	Galliard - Fund F	Bloomberg Barclays U.S. 1-3 Year Government Bond Index**
Weighted Average Quality	AA+	AAA
Yield to Maturity	2.25%	1.89%
Effective Duration	1.86 Yrs	1.86 Yrs

### ANNUALIZED INVESTMENT PERFORMANCE (%) \*

	4Q'17	1 Yr	3 Yr	5 Yr	10 Yr
Galliard - Fund F (Net of Fund Expenses)	0.02	1.52	1.41	1.16	2.15
Bloomberg Barclays U.S. 1-3 Year Gov't Bond Index**	(0.27)	0.45	0.63	0.58	1.53
<b>Excess Return (before inv. mgmt. fees)</b>	<b>0.29</b>	<b>1.07</b>	<b>0.78</b>	<b>0.58</b>	<b>0.62</b>

### SECTOR DISTRIBUTION



### CURRENT STRATEGY

- Continue to favor spread assets over Treasuries
- Selectively adding to AAA-rated consumer ABS.
- Continue to opportunistically add MBS, Hybrid ARMs, and best-of-breed corporate issues
- Durations will remain close to 2-year target, with a modest bias for a flatter curve

\*Returns for periods less than one year are not annualized. Returns designated as being "Net of Fund Expenses" include all income, realized and unrealized capital gains and losses, all annual fund operating expenses which include the trustee fee of 0.015%, all non-Wells Fargo subadvisor fees including Galliard, and audit and valuation fees of 0.010%. Past performance is not an indication of how the investment will perform in the future.

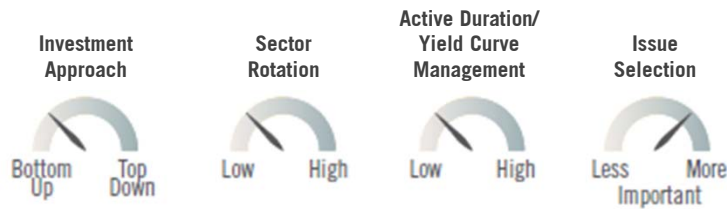
\*\*Benchmark shown for supplemental comparative purposes only. The Fund is managed to a target duration of 2 years.

# GALLIARD CAPITAL MANAGEMENT – FUND A

## INVESTMENT STRATEGY AS OF 12/31/17

### INVESTMENT STYLE

Galliard's fixed income process uses a disciplined security selection approach, broad portfolio diversification and rigorous risk controls. Security selection and risk management are primary drivers of relative performance.



### FUND CHARACTERISTICS

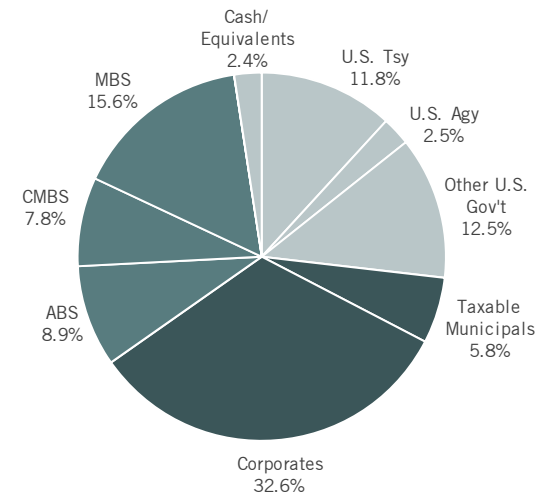
Characteristic	Galliard - Fund A	Bloomberg Barclays U.S. Intermediate Gov't/Credit Bond Index
Weighted Average Quality	AA	AA
Yield to Maturity	2.63%	2.37%
Effective Duration	3.92 Yrs	3.94 Yrs

### ANNUALIZED INVESTMENT PERFORMANCE (%) \*

	4Q'17	1 Yr	3 Yr	5 Yr	10 Yr
Galliard - Fund A (Net of Fund Expenses)	0.11	2.74	2.29	2.00	3.79
Bloomberg Barclays U.S. Int. Gov't/Credit Bond Index	(0.20)	2.14	1.76	1.50	3.32
<b>Excess Return (before inv. mgmt. fees)</b>	<b>0.31</b>	<b>0.60</b>	<b>0.53</b>	<b>0.50</b>	<b>0.47</b>

\*Returns for periods less than one year are not annualized. Returns designated as being "Net of Fund Expenses" include all income, realized and unrealized capital gains and losses, all annual fund operating expenses which include the trustee fee of 0.015%, all non-Wells Fargo subadvisor fees including Galliard, and audit and valuation fees of 0.012%. Past performance is not an indication of how the investment will perform in the future.

### SECTOR DISTRIBUTION



### CURRENT STRATEGY

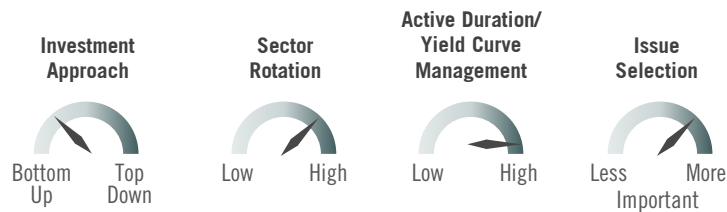
- Selectively adding to credit – emphasizing best-of-breed corporate names predominantly in 5-7 year maturities
- Opportunistically add to MBS passthroughs, including Agency streamlined modifications MBS, with a focus on issues with stable cashflow profiles
- Maintain generally neutral durations, positioned modestly for a flatter curve

# JENNISON

## INVESTMENT STRATEGY AS OF 12/31/17

### INVESTMENT STYLE – GALLIARD’S SUMMARY

Jennison’s investment process uses a bottom-up approach that focuses on fundamental research and individual security selection. Jennison monitors the market environment and expresses duration and yield curve views when significant yield curve dislocations are identified. Security selection and yield curve management are primary drivers of relative performance.



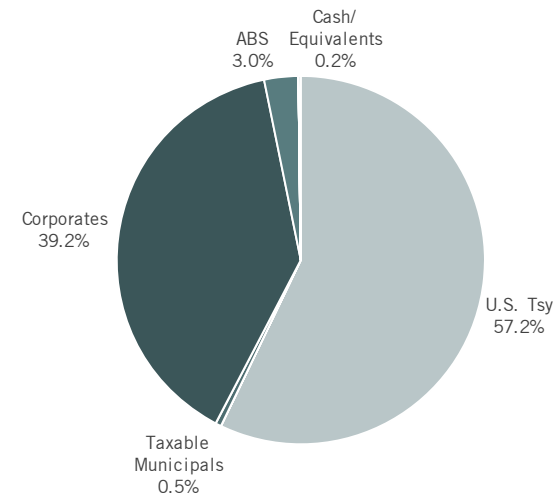
### FUND CHARACTERISTICS

Characteristic	Jennison	Bloomberg Barclays U.S. Intermediate Gov't/Credit Bond Index
Weighted Average Quality	AA	AA
Yield to Maturity	2.34%	2.37%
Effective Duration	4.16 Yrs	3.94 Yrs

### ANNUALIZED INVESTMENT PERFORMANCE (%)

	4Q'17	1 Yr	3 Yr	5 Yr
Jennison	0.02	2.56	2.01	1.69
Bloomberg Barclays U.S. Int. Gov't/Credit Bond Index	(0.20)	2.14	1.76	1.50
<b>Excess Return</b>	<b>0.22</b>	<b>0.42</b>	<b>0.25</b>	<b>0.19</b>

### SECTOR DISTRIBUTION



### CURRENT STRATEGY

- Maintaining a yield curve flattening bias and slightly longer duration
- Actively adjusting yield curve positioning
- Higher quality bias in corporate credit
- Continuing to avoid non-corporate credit
- Maintaining an allocation to asset-backed securities

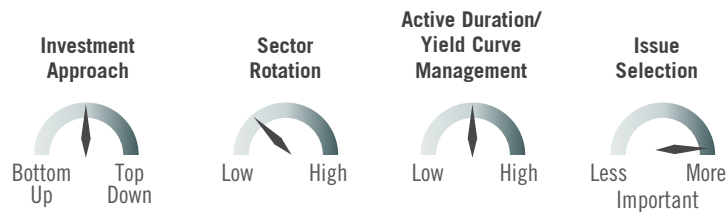
**Important Disclosure:** Information shown is for Wells Fargo Intermediate Core Fixed Income Collective Fund N which is subadvised by Jennison. The external manager provides portfolio holdings and securities are classified using Galliard’s analytics and methodology. Returns for periods less than one year are not annualized. Returns are gross of fees and do not reflect the additional collective trust or external management fees as applicable to each client account. As of 12/31/17, Jennison annualized investment management fee is equal to 0.095% of subadvised assets.

# DODGE & COX

## INVESTMENT STRATEGY AS OF 12/31/17

### INVESTMENT STYLE – GALLIARD’S SUMMARY

Dodge & Cox’s investment process is based on fundamental security analysis. This bottom-up analysis is coupled with economic information to produce target sector weights. Dodge & Cox portfolios tend to be overweight the Corporate sector. Security selection is a primary driver of relative performance.



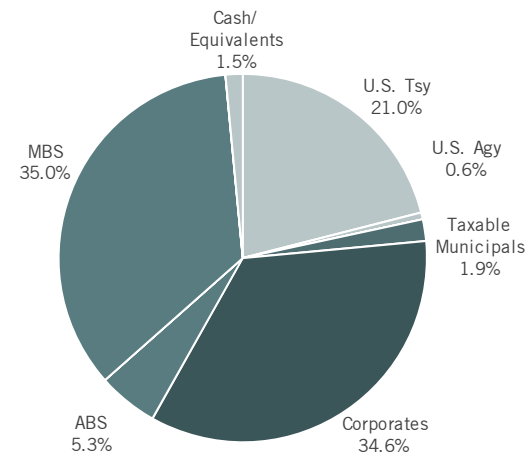
### FUND CHARACTERISTICS

Characteristic	Dodge & Cox	Bloomberg Barclays U.S. Intermediate Aggregate Bond Index
Weighted Average Quality	AA	AA+
Yield to Maturity	2.67%	2.56%
Effective Duration	3.70 Yrs	4.10 Yrs

### ANNUALIZED INVESTMENT PERFORMANCE (%)

	4Q'17	1 Yr	3 Yr	5 Yr
Dodge & Cox	0.12	2.57	2.22	2.21
Bloomberg Barclays U.S. Int. Agg. Bond Index	(0.07)	2.27	1.82	1.70
<b>Excess Return</b>	<b>0.19</b>	<b>0.30</b>	<b>0.40</b>	<b>0.51</b>

### SECTOR DISTRIBUTION



### CURRENT STRATEGY

- Continuing short duration bias
- Focusing on security selection in corporate credit
- Slightly overweight Agency MBS, particularly 20 and 30 year pass-through securities
- Maintaining overweight in asset-backed securities
- Added small TIPs position

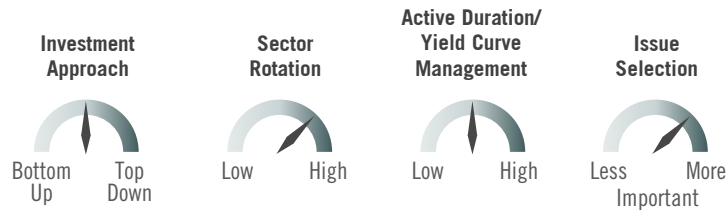
**Important Disclosure:** Information shown is for Wells Fargo Intermediate Core Fixed Income Collective Fund J which is subadvised by Dodge & Cox. The external manager provides portfolio holdings and securities are classified using Galliard’s analytics and methodology. Returns for periods less than one year are not annualized. Returns are gross of fees and do not reflect the additional collective trust or external management fees as applicable to each client account. As of 12/31/17, Dodge & Cox annualized investment management fee is equal to 0.103% of subadvised assets.

# TCW

## INVESTMENT STRATEGY AS OF 12/31/17

### INVESTMENT STYLE – GALLIARD’S SUMMARY

TCW’s investment process integrates their long-term economic outlook and bottom-up security selection. TCW’s process focuses on identifying inefficiencies and the mean reverting nature of fixed income markets. Security selection is a key driver of performance. Active sector rotation also contributes strongly to performance.



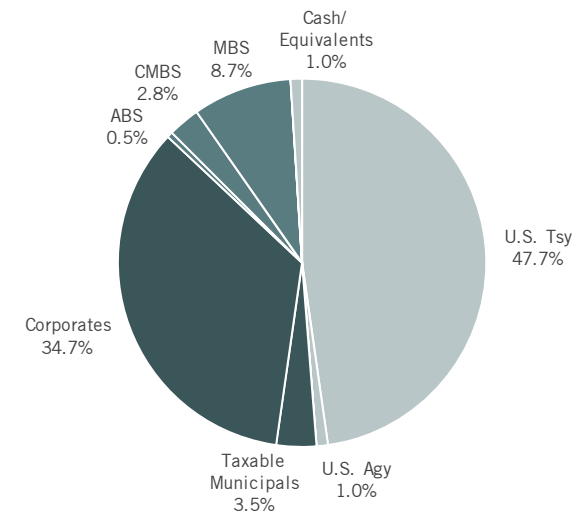
### FUND CHARACTERISTICS

Characteristic	TCW	Bloomberg Barclays U.S. Intermediate Gov't/Credit Bond Index
Weighted Average Quality	AA	AA
Yield to Maturity	2.46%	2.37%
Effective Duration	3.76 Yrs	3.94 Yrs

### ANNUALIZED INVESTMENT PERFORMANCE (%)

	4Q'17	1 Yr	3 Yr	5Yr
TCW	(0.14)	1.87	1.62	1.14
Bloomberg Barclays U.S. Int. Gov't/Credit Bond Index	(0.20)	2.14	1.75	1.66
<b>Excess Return</b>	<b>0.06</b>	<b>(0.27)</b>	<b>(0.13)</b>	<b>(0.52)</b>

### SECTOR DISTRIBUTION



### CURRENT STRATEGY

- Remain short duration
- Neutral Corporates; prefer large U.S. banks and defensive sectors
- Maintaining diversified out-of-benchmark allocation to securitized sectors

**Important Disclosure:** Information shown is for Wells Fargo Intermediate Core Fixed Income Collective Fund C which has been subadvised by TCW since 5/2/2016. The external manager provides portfolio holdings and securities are classified using Galliard's analytics and methodology. Returns for periods less than one year are not annualized. Performance for periods prior to 5/2/2016 is of a representative TCW-managed portfolio, provided by the subadvisor. Returns are gross of fees and do not reflect the additional collective trust or external management fees as applicable to each client account. As of 12/31/17, TCW annualized investment management fee is equal to 0.102% of subadvised assets.



## APPENDIX II

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# INTRODUCTION TO STABLE VALUE OBJECTIVES

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Stable value funds are designed to preserve capital while providing steady, positive returns

## OBJECTIVES OF STABLE VALUE

- **PRINCIPAL PRESERVATION** option with ability to earn a **REAL RETURN**
- Designed to provide:
  - Day-to-day principal protection (i.e. no loss)
  - Returns comparable to short/intermediate bonds with significantly less volatility
- Low correlation (especially downside) with other asset classes
- Stable value is exclusively accessed through qualified defined contribution plans i.e. 401(k), 403(b), and 457
- Stable value is considered to be one of the lowest risk investment options available in retirement plans

# INTRODUCTION TO STABLE VALUE

## COMPONENTS OF SEPARATE ACCOUNT GICS & SYNTHETIC GICS

### BENEFIT RESPONSIVE STABLE VALUE CONTRACTS

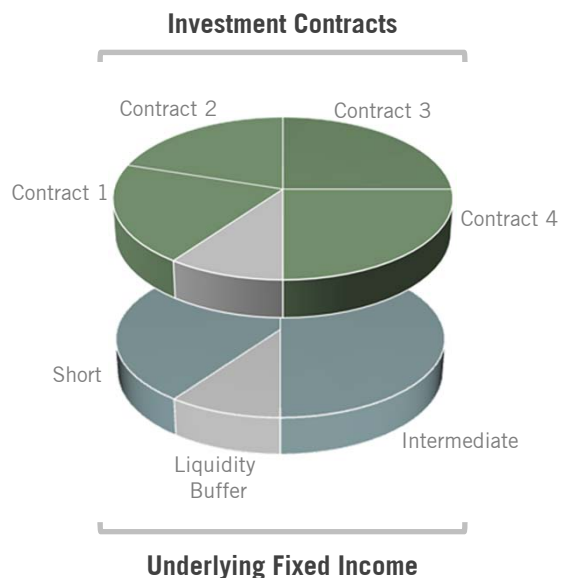
#### Provide principal preservation, low volatility of returns

- Each stable value contract accounted for at contract value – typically, principal + accrued interest
- Interest rate credited by each contract (i.e. crediting rate) resets periodically based on the characteristics of the underlying assets
- Contract issuer guarantees:
  - Participants can transact at contract value regardless of underlying bond portfolio performance (under normal operations of the plan and stable value fund)
  - Crediting rate  $\geq 0\%$

### UNDERLYING BOND PORTFOLIO

#### Source of return

- Underlying bond portfolio provides source of long-term total return
- Stable value contract smoothes return over time (amortizes gains/losses)
- Contract crediting rate typically set based on the market value, yield, and duration of the bond portfolio
- Underlying portfolio typically consists of short to intermediate duration bonds characterized by:
  - Investment grade quality
  - Diversified across sector and issuer

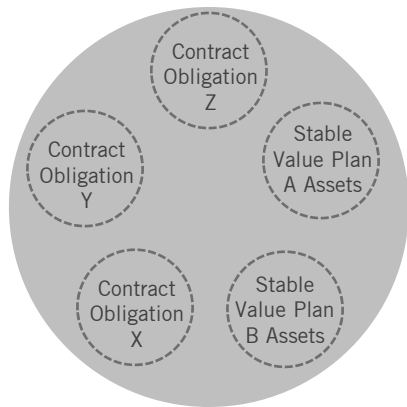


# INTRODUCTION TO STABLE VALUE

## STABLE VALUE INVESTMENT CONTRACT TYPES

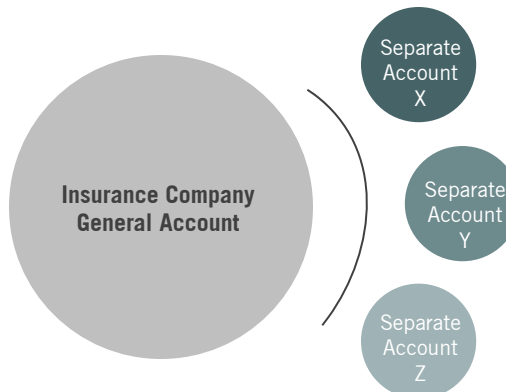
### CONTRACT OPTIONS FOR STABLE VALUE/BOOK VALUE PROTECTION

#### TRADITIONAL GUARANTEED INVESTMENT CONTRACT (GIC)



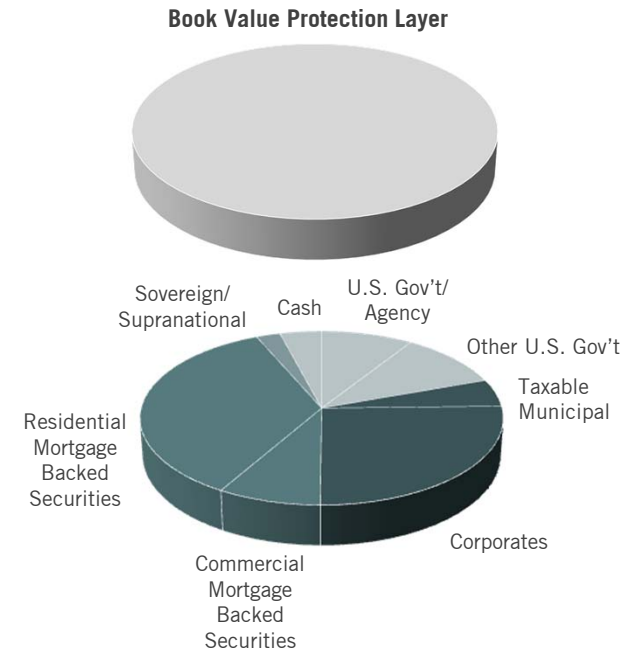
GICs are obligations of the issuing insurance company's general account backed by the creditworthiness of the Insurance Company.

#### SEPARATE ACCOUNT GIC



Assets backing separate account GICs are owned by the issuing insurance company but segregated from the insurance company's general account.

#### SYNTHETIC GIC

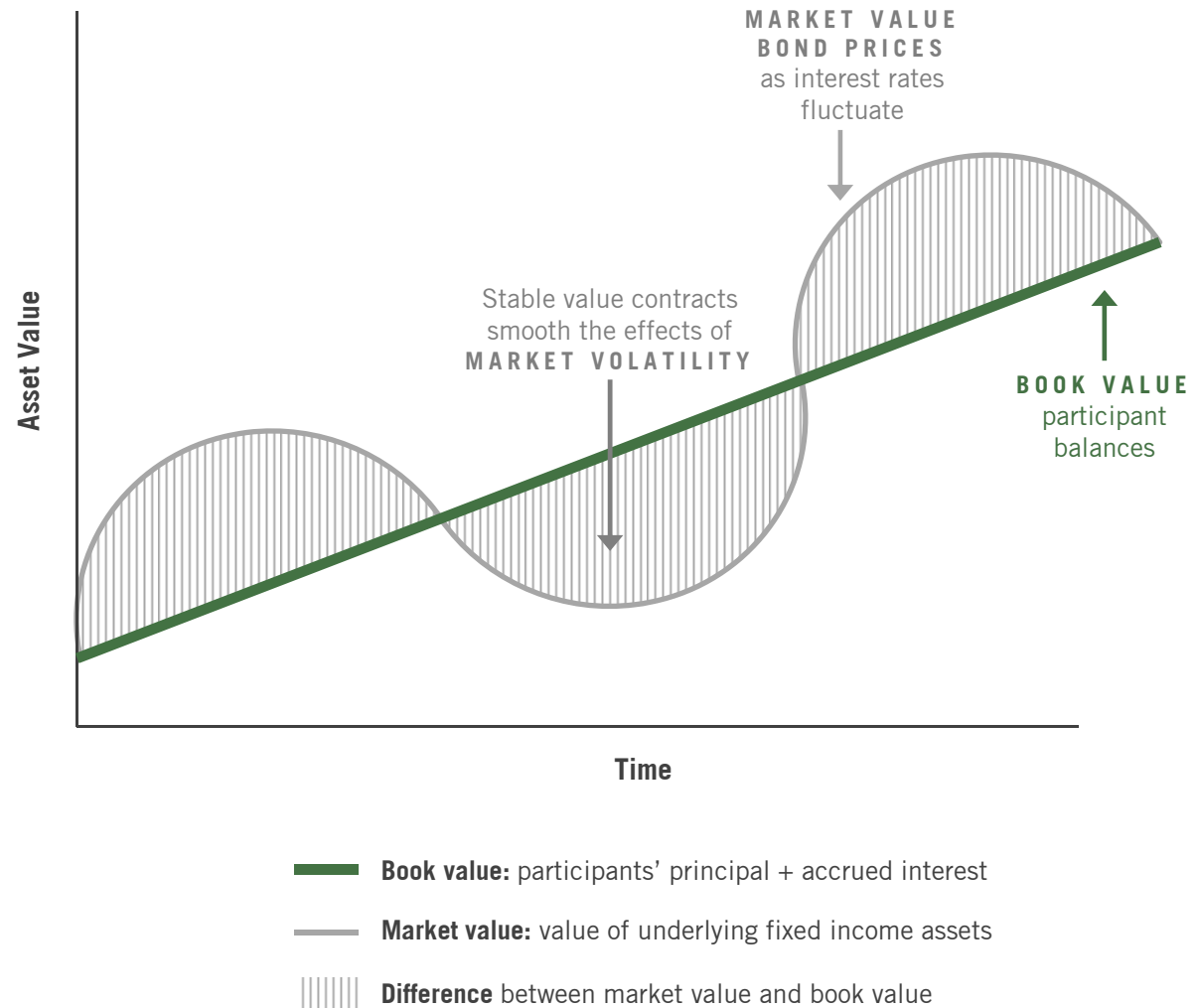


The synthetic GIC structure unbundles book value protection (wrap contract) from underlying investments. The contract is backed by bonds owned by the plan or trust.

## MECHANICS OF STABLE VALUE THE ROLE OF THE CREDITING RATE

Wrap contracts are designed to help preserve principal and provide a stable return pattern.

A wrap contract's crediting rate formula tends to smooth the impact of fluctuating interest rates and their effect on bond prices by amortizing the gains or losses over the duration of the portfolio.



**Crediting Rate Formula:**  $\text{Crediting Rate} = (\text{MV of portfolio} / \text{BV of portfolio})^{(1/\text{Duration})} * (1 + \text{YTM}) - 1$

## MECHANICS OF STABLE VALUE THE CREDITING RATE FORMULA

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The role of the crediting rate is to assign a book value yield to investors that reflects the market value yield, but also amortizes gains/losses on the underlying bond portfolios to par (when Market Value = Book Value) over the duration of the portfolio.

### Looked at as an equation:

$$(\text{BV of Portfolio}) \times (1 + \text{Crediting Rate})^{\text{Portfolio Duration}} = (\text{MV of Portfolio}) (1 + \text{Annualized YTM})^{\text{Portfolio Duration}}$$

### Solving for the crediting rate, the formula may be rewritten as:

$$\text{Crediting Rate} = (\text{MV of portfolio} / \text{BV of portfolio})^{(1/\text{Duration})} \times (1 + \text{YTM}) - 1$$

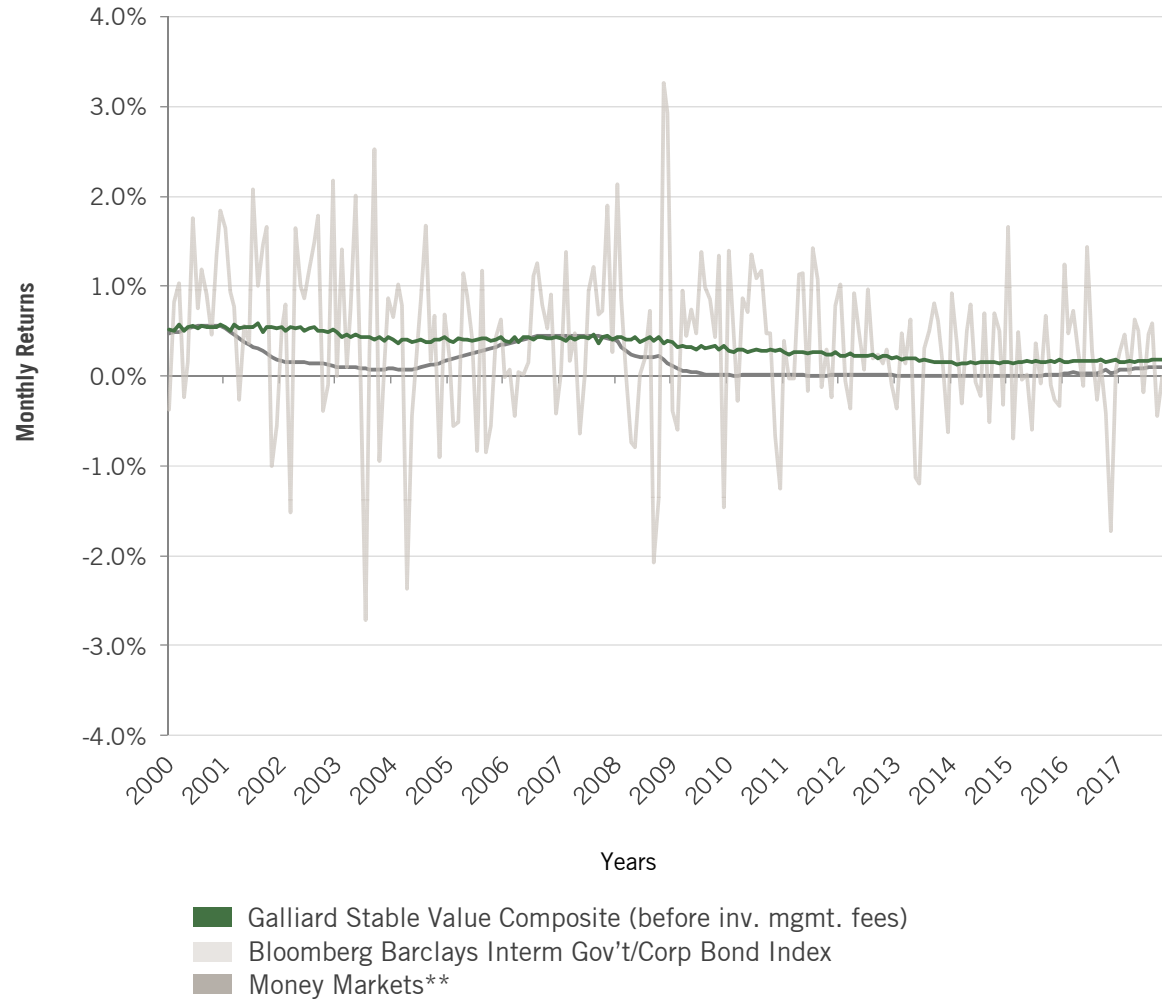
As the formula suggests, a variety of factors impact a stable value fund's crediting rate.

## STABLE VALUE RESULTS

### VOLATILITY VERSUS COMPETING OPTIONS

**VOLATILITY OF RETURN COMPARISON AS OF 12/31/17\***

Stable value portfolios have not experienced the monthly return volatility typical of like-duration fixed income products



\*Source: Morningstar EnCorr

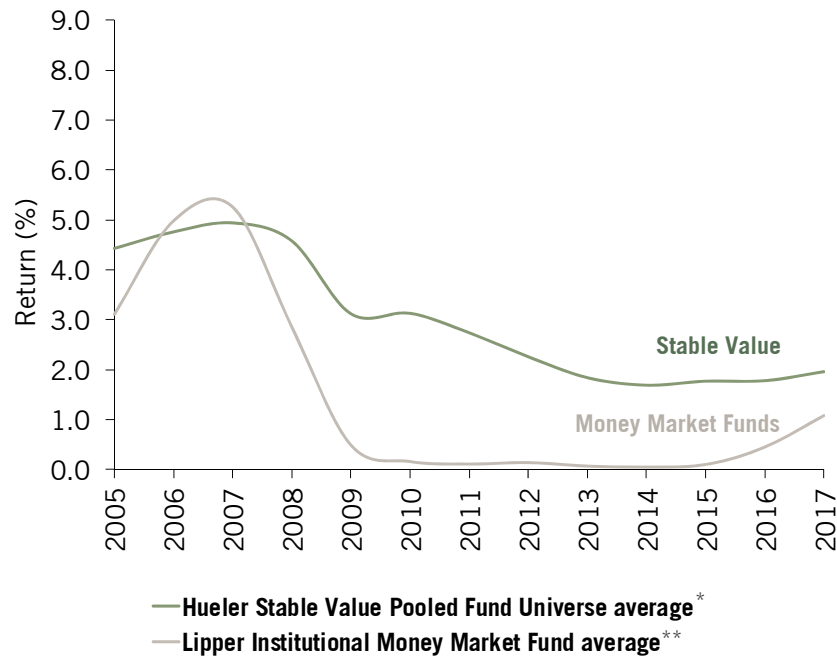
\*\* The Lipper US Index – Inst Money Market Funds is the average of the 30 largest funds in the Lipper Money Market Funds Category. These funds invest in high quality financial instruments rated in top two grades with dollar-weighted average maturities of less than 90 days. You cannot invest directly in a Lipper Average.

# STABLE VALUE RESULTS

## RETURNS VERSUS COMPETING OPTIONS

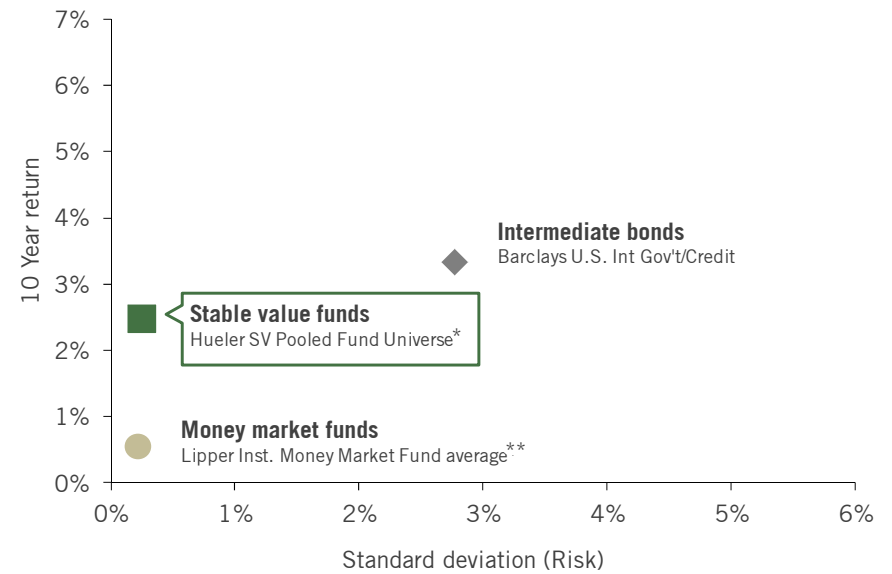
### INVESTMENT PERFORMANCE COMPARISON

**Annual Returns** as of 12/31/17



Stable value funds have historically delivered a very attractive return pattern versus money market funds.

**Risk/Return Comparison** as of 12/31/17



Stable Value funds offer bond-like returns with less volatility than money market funds.

\*As of December 31, 2017 The Hueler Analytics Stable Value Pooled Fund Universe represented \$106.38 billion in stable value assets across 16 pooled funds. Data from Hueler Analytics, Inc. © 2017. All Rights Reserved.

\*\*The Lipper US Index – Inst Money Market Funds is the average of the 30 largest funds in the Lipper Money Market Funds Category. These funds invest in high quality financial instruments rated in top two grades with dollar-weighted average maturities of less than 90 days. You cannot invest directly in a Lipper Average.

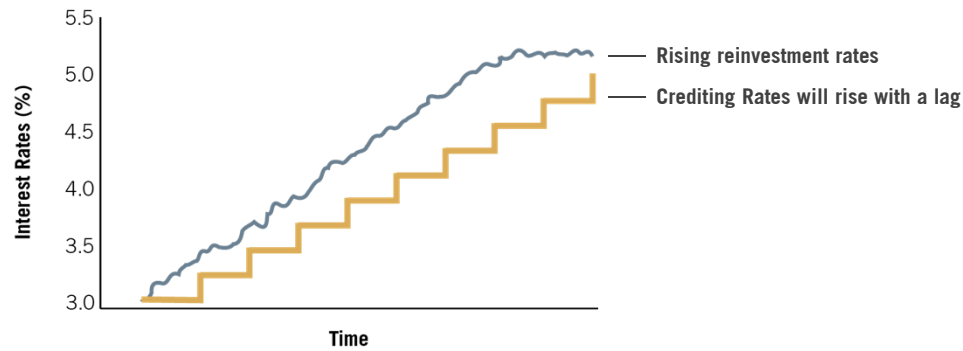


# MECHANICS OF STABLE VALUE

## IMPACT OF MARKET RATES ON STABLE VALUE YIELDS

### STABLE VALUE YIELDS IN A RISING INTEREST RATE ENVIRONMENT

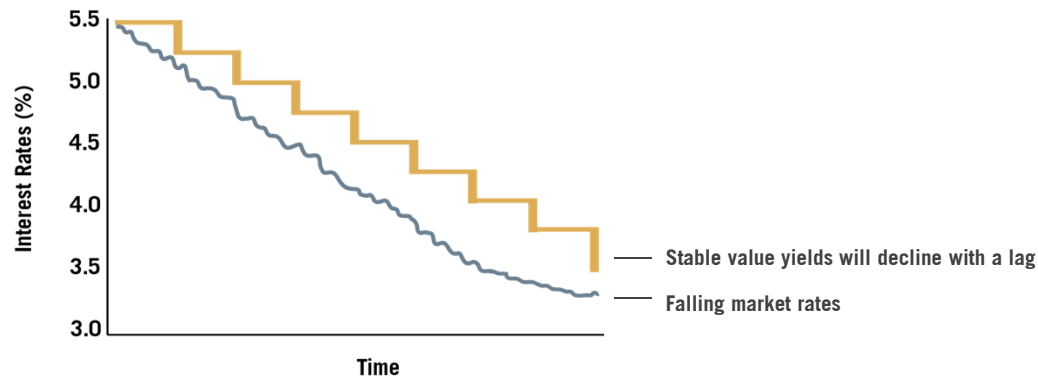
- If reinvestment rates are higher when cash flows are reinvested, the fund's yield will increase (with a lag)...



- In a rapidly rising interest rate environment, stable value yields will likely lag market-valued benchmarks and money market funds

### STABLE VALUE YIELDS IN A FALLING INTEREST RATE ENVIRONMENT

- If reinvestment rates are lower when cash flows are reinvested, the fund's yield will decrease (with a lag)...



- In a stable or rapidly decreasing interest rate environment, stable value yields will typically outperform market rates and money market funds