



Fulton County Schools Employees' Pension Plan

# Investment Portfolio Review - Public Session 4<sup>th</sup> Quarter 2020

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# Agenda

- Executive Summary Economic & Capital Markets Review
- Investment Governance & Performance Review
- Peer Group Analysis
- Appendix



# Executive Summary

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# Fulton County Schools Employees' Pension Plan Executive Summary – December 31, 2020

Plan Assets (12/31/2020)	4 <sup>th</sup> Quarter 2020 Return	YTD Return (12/31/2020)	Since Inception (12/31/15)
\$503,881,479	11.19%	15.52%	10.27%

## Portfolio Objectives

- The objective of the investment program is to improve the funded status of the Plan to ensure sufficient resources to meet or exceed benefit obligations by achieving the highest rate of return at the most appropriate level of risk with minimal annual pension expense volatility.

## Portfolio Highlights

- In Q4, the Pension Plan had both strong absolute and relative performance of 11.19% versus its Blended Benchmark of 10.87%. Assets increased by about \$50 million in the last 3 months and about \$67 million throughout 2020.
- The growth in assets can be primarily attributed to maintaining SEI's recommended long-term strategic asset allocation strategy and diversification across high-quality active managers, passive mandates, and asset classes.
- The continued rally in global equities were a significant driver of Plan performance in the 4<sup>th</sup> quarter, returning 16.7%. Bonds continued to rebound as investors "flight to safety" abated with the higher yielding bond strategies posting positive absolute returns.
- In 2020, there were two manager terminations and one manager hire within Fulton's public market investment strategies.

## Economic Outlook

- Our outlook for 2021 is cautiously optimistic given a continued accommodative fiscal and monetary policy by the Federal Government and US Treasury Federal Reserve Bank.
- Interest rates remain subdued, which we expect to continue at least into 2022, and the US dollar has weakened meaningfully this year which should provide support for equity markets.
- It is highly likely that the new administration coupled with single party control of the Congress will lead to a 3rd round of fiscal stimulus.

Please refer to the important disclosures accompanying your portfolio performance in this presentation for information on performance calculations.

# The outlook: The world gets a shot in the arm

## The good news

- COVID-19 vaccines are now being distributed, raising hopes that the pandemic will subside meaningfully in the second half of 2021.
- Monetary and fiscal support remains generally favorable for riskier assets, with interest rates likely to remain at very low levels for the next two or three years.
- The U.S. elections appear to be a victory for the moderates and the political center.
- A Brexit deal removes an important source of uncertainty for the U.K., allowing for tariff-free merchandise trade with the European Union.
- A major rotation into lagging market sectors should occur when investors become confident that consumers and businesses are reverting to pre-pandemic behaviors.

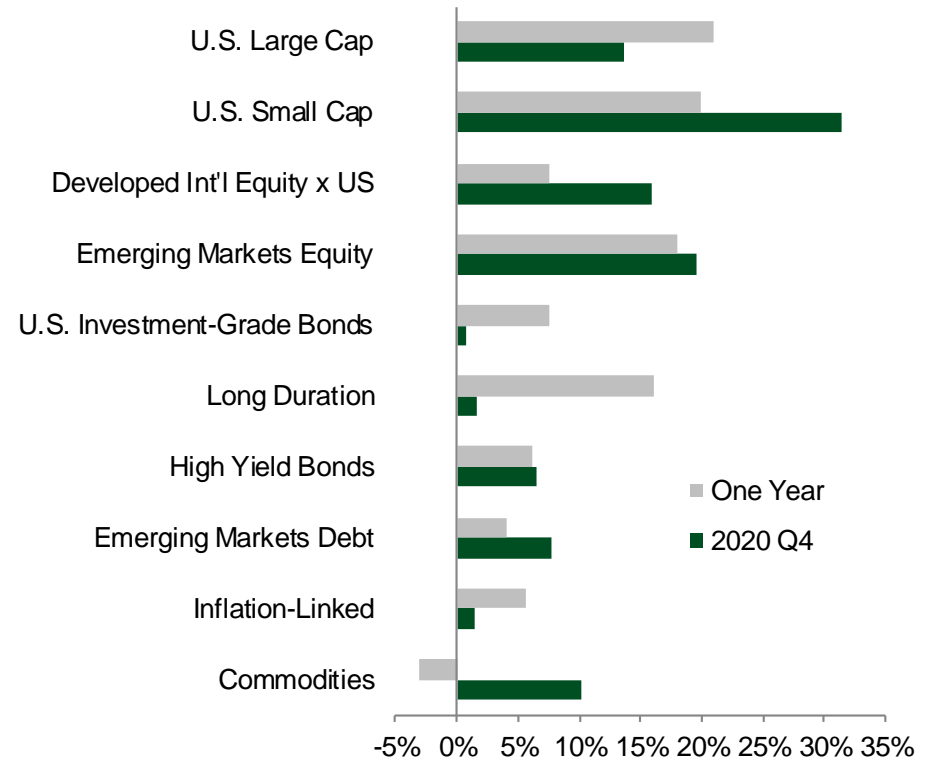
## The bad news

- The virus continues to spread, forcing more economically disruptive lockdowns and travel restrictions in the U.S., Canada and Europe.
- The Fed risks some loss of independence if it works too closely with the Biden Administration as it tries to support indebted corporate and government borrowers.
- A Biden Administration may pursue policies and engage in executive actions that will add to the cost of doing business, hurting profit margins.
- The Brexit deal does not address the U.K.'s future ease of access to the common market for its financial sector or other service industries.
- A weak dollar could add to inflation pressures, causing bond yields to rise and clouding the outlook for "long duration" growth stocks, which typically benefit from a low-yield environment.

# Market performance overview

- Despite a second COVID19 wave taking hold in the northern hemisphere, risk assets enjoyed a very solid quarter thanks to encouraging news on the vaccine-development front.
- Equity gains were broadly positive. Large-cap U.S. value stocks managed to gain some ground on growth stocks in the fourth quarter, while a “junk rally” among the most speculative stocks helped U.S. small caps set monthly (November) and quarterly return records. The risk-on move also pushed U.S. small caps, emerging market and international developed equities into positive territory for the full year.
- Bond returns were modest with the exception of emerging markets debt, which was also able to reverse its full-year fortunes. Investment-grade corporates, which had recovered more quickly from the COVID19 shock, lagged riskier areas of fixed income in the fourth quarter.
- Commodities performed well for the second straight quarter, thanks to strong gains in industrial metals and agricultural commodities. Precious metals and the energy complex were up slightly for the quarter, but the former produced double-digit gains for the full year (driven by forceful fiscal and monetary responses to COVID19), while the latter produced double-digit losses given the negative impact the pandemic has had on travel and overall economic activity.

## Financial Markets Review



Commodities= Bloomberg Commodity Total Return Index (USD), Inflation-Linked = Bloomberg Barclays 1-5 Year US TIPS Index (USD), Emerging Markets Debt = 50/50 JPM EMBI Global Div & JPM GBI EM Global Div, High Yield Bonds= ICE BofAML US High Yield Constrained Index (USD), Long Duration = Bloomberg Barclays Long US Government/Credit Index (USD), U.S. Investment-Grade Bonds= Bloomberg Barclays US Aggregate Bond Index (USD), Emerging Markets Equity = MSCI EFM (Emerging+Frontier Markets) Index (Net) (USD), Developed Int'l Equity x US = MSCI World ex-USA Index (Net) (USD), U.S. Small Cap = Russell 2000 Index (USD), U.S. Large Cap = Russell 1000 Index (USD). Sources: SEI, index providers. Past performance is no guarantee of future results. As of 12/31/2020.

# Investment Governance & Performance Review

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# Important information: Asset valuation and portfolio returns

Inception date 12/31/2015 Historical Total Index can be provided upon request.

The Portfolio Return and fund performance numbers are calculated using Gross Fund Performance, using a true time-weighted performance method (prior to 6/30/2012, the Modified Dietz method of calculation was used). Gross Fund Performance reflects the effective performance of the underlying mutual funds that are selected or recommended by SIMC to implement an institutional client's investment strategy. Gross Fund Performance does not reflect the impact of fund level management fees, fund administration or shareholder servicing fees, all of which, if applicable, are used to offset the account level investment management fees the client pays to SIMC. Gross Fund Performance does reflect certain operational expenses charged by the funds and the reinvestment of dividends and other earnings. The inclusion of the fund level expenses that the client incurs but that are offset against the client's account level investment management fees would reduce the Gross Fund Performance of the mutual funds. For additional information about how performance is calculated, please see your monthly performance report.

If applicable, alternative, property and private assets performance and valuations may be reported on a monthly or quarterly lag. Alternative, property and private assets performance is calculated gross of investment management fees and net of administrative expenses and underlying fund expenses. However: Structured Credit Fund performance is calculated gross of investment management fees and net of administrative expenses; SEI Offshore Opportunity Fund II Ltd. Class A performance is calculated net of investment management and administrative expenses; and Energy Debt Fund performance is calculated net of management fees, performance fees, as applicable, and operating expenses.

Net Portfolio Returns since 6/30/12 reflect the deduction of SIMC's investment management fee and the impact that fee had on the client's portfolio performance. Prior to 6/30/12, Net Portfolio Returns deduct a proxy annual fee for all periods to demonstrate the impact that SIMC's investment management fee had on the portfolio performance. However, this is a hypothetical calculation, as it does not reflect the actual fees paid by the client during the period. Please see your client invoice for actual fees paid.

The current composition of the "Total Portfolio Index" is as follows. This composition went into effect at the close of business on 7/31/2019.

24.6 %	MSCI All Country World ex US Index (Net)
23.6 %	Bloomberg Barclays US Agg Bond Index
18.5 %	S&P 500 Index
8.2 %	Russell Small Cap Completeness Index
7.1 %	Hist Blind: Dynamic Asset Allocation Index
5.1 %	Hist Blind: High Yield Bond Index
4.1 %	Hist Blind: Emerging Markets Debt Index
3.1 %	ICE BofA ML 3 Mth Cons Mat LIBOR Index
3.1 %	MSCI Emerging + Frontier Mkts Index (Net)
2.6 %	Hist Blind: Core Property Index

The Alternatives allocation listed on the following Investment Returns slide is a non SEI investment asset that is a legacy holding from the previous portfolio implementation. The Invesco Partnership Fund VI, LP, is a private equity fund. Future allocations, if any, to the Alternative asset class will be determined by the Board.



# Fulton County Schools Employees' Pension Plan

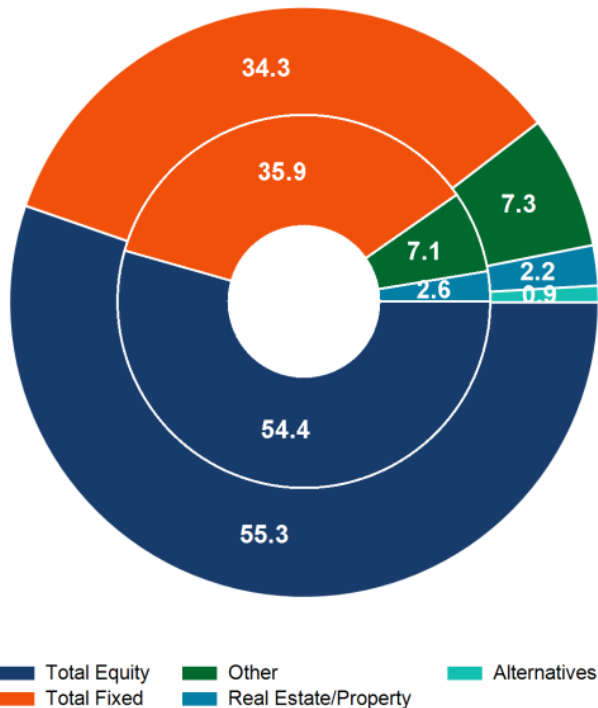
## IPS compliance: allocation vs. permitted ranges

Strategy	Market Value	Allocation	IPS Permitted Ranges	Compliance Verification
<b>Return Enhancement</b>				
S&P 500 INDEX FUND	\$93,189,690	18.5%		
EXTENDED MARKETS INDEX FUND	\$43,468,104	8.6%		
DYNAMIC ASSET ALLOCATION FUND	\$36,541,837	7.3%		
WORLD EQUITY EX-US FUND	\$126,347,286	25.1%		
EMERGING MARKETS EQUITY FUND	\$15,874,232	3.2%		
HIGH YIELD BOND FUND	\$25,329,271	5.0%		
OPPORTUNISTIC INCOME FUND	\$14,726,538	2.9%		
EMERGING MARKETS DEBT FUND	\$20,230,130	4.0%		
<b>Subtotal</b>	<b>\$375,707,088</b>	<b>74.6%</b>	<b>50% - 90%</b>	<input checked="" type="checkbox"/>
<b>Risk Management</b>				
CORE FIXED INCOME FUND	\$112,671,200	22.4%		
<b>Subtotal</b>	<b>\$112,671,200</b>	<b>22.4%</b>	<b>10% - 50%</b>	<input checked="" type="checkbox"/>
<b>Alternatives</b>				
CORE PROPERTY FUND	\$11,026,027	2.2%		
PRIVATE EQUITY - Invesco, GPA V (new vintage)	\$4,477,164	0.9%		
<b>Subtotal</b>	<b>\$15,503,191</b>	<b>3.1%</b>	<b>0% - 5%</b>	<input checked="" type="checkbox"/>
<b>Cash</b>				
CASH	\$0	0.0%		
<b>Grand Total</b>	<b>\$503,881,479</b>	<b>100.0%</b>		

As of 12/31/2020

# Fulton County: Portfolio summary – December 31, 2020

**Asset Allocation (%)**  
Actual (Outer Ring) vs. Target (Inner Ring)



**Summary for periods ending 12/31/2020**

	One Month	Three Month	Year To Date	1 Year
Beginning Portfolio Value	\$485,721,196	\$456,434,016	\$447,226,625	\$447,226,625
Net Cash Flows	(\$763,592)	(\$3,181,827)	(\$10,397,808)	(\$10,397,808)
Gain / Loss	\$18,923,875	\$50,629,290	\$67,052,663	\$67,052,663
Ending Portfolio Value	\$503,881,479	\$503,881,479	\$503,881,479	\$503,881,479

Alternative, Property and Private Assets valuations and performance may be reported on a monthly or quarterly lag.

# Fulton County: Investment returns – December 31, 2020

Returns for periods ending 12/31/2020

	Total Assets (\$)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception 12/31/2015
			1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
<b>Total Portfolio Return</b>	503,881,479	100	3.91	11.19	15.52	15.52	9.17	10.27	-	10.27
<i>Standard Deviation Portfolio</i>							12.95	10.64		
<b>Total Portfolio Index</b>			3.39	10.87	13.57	13.57	8.81	10.02	-	10.02
<i>Standard Deviation Index</i>							12.54	10.39		
<b>60% MSCI World/ 40% Bloomberg Barclays Agg</b>			2.60	8.63	13.31	13.31	8.88	9.34	-	9.34

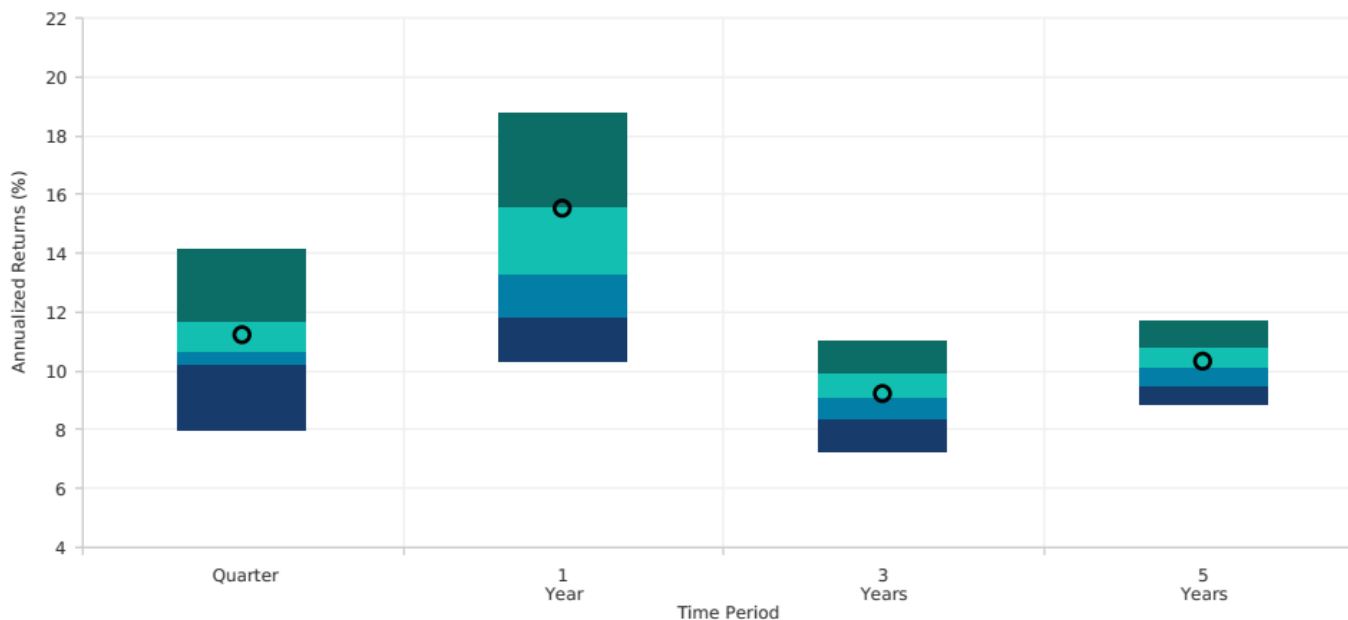
	Total Assets (\$)	Actual Alloc (%)	ITD (%)	Calendar Years (%)						
				2019	2018	2017	2016	2015	2014	2013
<b>Total Portfolio Return</b>	503,881,479	100	10.27	20.03	-6.18	16.58	7.51	-	-	-
<b>Total Portfolio Index</b>			10.02	19.64	-5.18	15.84	7.99	-	-	-
<b>60% MSCI World/ 40% Bloomberg Barclays Agg</b>			9.34	20.01	-5.07	14.52	5.71	-	-	-

# Peer Group Review

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# Peer universe comparison – Returns

## Public DB Plans with \$250mm to \$1bn in assets



Name	Quarter	1 Year	3 Years	5 Years
5th Percentile	14.15	18.76	11.02	11.65
25th Percentile	11.64	15.56	9.90	10.78
50th Percentile	10.61	13.24	9.07	10.12
75th Percentile	10.16	11.83	8.35	9.44
95th Percentile	7.95	10.32	7.16	8.81
Observations	69	69	66	65
○ Fulton Portfolio	11.20 <span style="color: green;">36</span>	15.50 <span style="color: green;">26</span>	9.20 <span style="color: green;">43</span>	10.30 <span style="color: green;">40</span>

Source: SEI, Investment Metrics, LLC, 12/31/2020

If applicable, please see the portfolio performance page for specific information about the gross fund performance calculation. The Universe is a custom universe created by Investment Metrics, LLC. Investment Metrics, LLC Data is provided "AS-IS" without warranty or liability. No further distribution or dissemination is permitted. Investment Metrics, LLC does not make any representation regarding the advisability of any investment and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment (including any financial products based on, tracking or otherwise utilizing any Investment Metrics, LLC data, models, analytics or other materials or information. *The performance data quoted represents past performance. Past performance does not guarantee future results.*

# Appendix

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Through September 30, 2012, annual performance is calculated based on monthly return streams, geometrically linked. From September 30, 2012 onward, annual performance is based upon daily return streams, geometrically linked as of the specific month end.

*Performance results do not reflect the effect of certain account level advisory fees. The inclusion of such fees would reduce account level performance, particularly when compounded over a period of years. The following hypothetical illustration shows the compound effect fees have on investment return: For an account charged 1% with a stated annual return of 10%, the net total return before taxes would be reduced from 10% to 9%. A ten year investment of \$100,000 at 10% would grow to \$259,374, and at 9%, to \$236,736 before taxes. For a complete description of all fees and expenses, please refer to SIMC's Form ADV Part 2A, the investment management agreement between SIMC and each client, and quarterly client invoices.*

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Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs, or expenses, which would reduce returns. Indexes are unmanaged and one cannot invest directly in an index.

# Important information

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As identified in the presentation, certain funds are collective trust funds, not mutual funds. A collective trust fund is an investment fund that is maintained by a bank or trust company for the collective investment of qualified retirement plans and governmental plans, and that is exempt from SEC registration as an investment company under Section 3(c)(11) of the Investment Company Act of 1940. Collective trust funds eliminate many of the administrative costs associated with institutional and retail mutual funds.

For more information on the collective trust funds, including fees and expenses, please read the disclosure document for the trust.

There is no guarantee that the investment objective will be fulfilled. If the fund is a target date fund, the principal balance of the portfolio may be depleted prior to a portfolio's target end-date and, therefore, distributions may end earlier than expected. This risk increases if the distribution amount chosen is a significant portion of the starting principal. The target date represents the respective date when an investor intends to retire. Principal of any target date fund is not guaranteed at any time, including the target date. The projected time periods do not take into account the payment of fees to the advisor out of the portfolio or any other additional distribution from the account.

For those SEI collective trust funds that may be held in the account, the SEI collective trust fund is part of a Collective Investment Trust (the "Trust") operated by SEI Trust Company ("STC"). STC manages the Trust based on the advice of one or more third party managers, which may include SIMC. Additionally, STC serves as the trustee of the collective trust funds and maintains ultimate fiduciary authority over the management of, and the investments made, in the funds. STC is also a wholly owned subsidiary of SEI Investments Company.