

MEMORANDUM

Wednesday, March 22, 2023

From: ISAC Investment Staff
To: ISAC Investment Committee
Subject: Watch List

Investment Policy Watch List Procedure and Criteria

A number of factors may contribute to a manager's over- or under-performance at any given time - market dynamics, investment skill, and/or pure chance. Given this uncertainty, it is unwise to mandate termination purely for lagging performance at any specific point. A Watch List will be utilized to identify managers of concern, due to performance or other issues.

At each quarterly meeting of the Investment Committee, Investment Staff shall recommend managers to be included on or removed from the Watch List. A manager may be recommended for the Watch List based on the qualitative or quantitative criteria described above or in the applicable guidelines or statement of work (SOW). Watch List managers will be closely monitored and scrutinized. Watch List managers may not receive new contributions (including rebalancing) without the approval of the Investment Committee.

General Comments (for year ending 12/31/2022)

- Performance for the passive accounts (Rhumbleline All Cap and SSgA Bond) is close to the relevant benchmark for all periods, as expected.
- DFA (-14.01%) outperformed the MSCI ACWI ex US index (-15.57%) as the value premia outperformed for the period. DFA is outperforming the index for the past three years net of fees, and long-term performance is close to the benchmark for the past 5-years and since inception. Ativo (-19.69%) had a challenging year vs. the MSCI ACWI ex US index (-15.57%) as their quant model continues to struggle in this volatile markets. We have been monitoring Ativo very closely for a while now and the lack of improvement over time is concerning. At this point in time we are conducting an in-depth review of the international equity asset class and plan to present our recommendation at the upcoming May Investment Committee meeting.
- T.Rowe Price (TRP) underperformed (-1.05% excess return) for the past year as credit spread products underperformed treasuries given the rapid increase seen in interest rates during 2022, but the manager continues to outperform for longer-term trailing periods. Staff retains very strong conviction in the team and investment process.
- Garcia Hamilton strongly outperformed (+1.79% excess return) for the past year driven by their outstanding duration management and sector rotation. Garcia Hamilton is outperforming for all trailing periods and staff retains strong conviction in the team and process.
- DDJ (-7.34%) strongly outperformed the High Yield bond index (-11.22%) for the past year driven by strong security selection. We highlight that DDJ continues to outperform the index for all trailing periods, which the manager has accomplished with a lower volatility and drawdown profile. Staff continues to have strong conviction in the manager and investment process.
- The Security Capital Preferred Growth (PG) REIT fund (-21.75%) outperformed the MSCI US REIT index (-24.51%) for the past year driven by strong security selection as the REIT market experienced weakness due to the rapid increase seen in interest rates during 2022. We highlight that the strategy has outperformed the index for the trailing 3- and 5-years, and since inception returns are in line with expectations. Staff retains strong conviction in manager and investment

process and expects PG to provide REIT like returns over a market cycle with dampening volatility in periods of REIT distress.

- Neuberger Berman (-12.08%) had a negative year as both equity and fixed income markets have experienced significant stress, but the manager returned +1.33% net of fees (outperforming bonds which returned 0.02%) for the past 5 years. We noted in the prior meeting that Neuberger decided to fully liquidate the Diversified Arbitrage Fund II in which ISAC is invested. This coincidentally was favorable to ISAC given our growing need for liquidity as the College Illinois fund assets continue to diminish over time given our runoff scenario. This development will not impact the valuation of our investment. We have already received approximately 92% (\$23.4 million) of the NAV as of 08/12/22 and expect the remaining proceeds (approximately \$2 million) over the coming quarters.

Recommendation

No managers are recommended for addition to the Watch List.

See following page for the Watch List performance evaluation grid.

ISAC Watch List Evaluation for periods ending 12/31/22

Excess Return vs. Benchmark (Gross of Fees)

Domestic Equity	1 year	3 year	5 year	ISAC start
Rhumblin All Cap	0.32%	0.21%	0.13%	7/24/09

International Equity	1 year	3 year	5 year	ISAC start
Ativo ACWI ex US	-3.75%	-2.80%	-0.89%	1/31/17
DFA	1.83%	1.72%	0.07%	1/31/17

Fixed Income	1 year	3 year	5 year	ISAC start
Garcia Hamilton	1.99%	0.57%	0.34%	9/30/16
SSgA BC US Agg Bond Index	-0.14%	-0.03%	-0.02%	6/11/13
T.Rowe Price	-0.79%	0.36%	0.44%	8/31/13

Active Manager Rank vs. Peer Group

International Equity	1 year	3 year	5 year	ISAC start
Ativo ACWI ex US	69	96	83	1/31/17
DFA	36	34	65	1/31/17

Fixed Income	1 year	3 year	5 year	ISAC start
Garcia Hamilton	2	26	40	9/30/16
T.Rowe Price	73	84	77	8/31/13

Liquid LPs/LLCs (Absolute Return) - Net of Fees

	1 year	3 year	5 year	ISAC start
SCM Preferred Growth	-21.75%	3.42%	5.94%	12/1/09
MSCI US REIT**	-24.51%	-0.06%	3.69%	
NB Div. Arb.	-12.08%	0.66%	1.33%	1/31/10
HFRI FoF Conservative Index**	0.15%	4.69%	3.87%	
DDJ	-7.34%	2.44%	2.91%	6/30/10
MLHY**	-11.22%	-0.23%	2.12%	

*composite for periods before ISAC inception

**Reference index