
Galliard Stable Value Fund E

<u>Title</u>	<u>Stable Value Update</u>
<u>Date</u>	<u>31 March 2025</u>

Overview

NWCM recommends that clients retain Galliard as its stable value manager. Galliard continues to offer a diverse and competitively priced Stable Value strategy with strong performance over both the short and long term. Though the portfolio is positioned more conservatively than some peers, performance has been strongly consistent through changing market environments and interest rate cycles. The recent internal changes with the trusts and statements are not concerning as the strategy and team have remained stable throughout the acquisition of Galliard by GTCR LLC and Reverence LLP over the past three years.

Portfolio

Stable value is the most conservative option in most defined contribution plans and Galliard leans slightly more conservatively than its stable value peer group. The strategy uses a disciplined investing process and strict risk controls to build a high-quality portfolio with broad diversification across the bond market. This approach has led the strategy to hold higher quality credit and shorter duration relative to peers to reduce the variance in yield across quarters. You can see this in action with the portfolio's market-to-book ratio regularly being closer to par than the category average. This has been management's long-term strategy and despite volatility in 2022 and 2023, management remains dedicated to this approach.

Recent Administrative Changes

In 2021, GTCR and Reverence Capital acquired Wells Fargo Asset Management including Galliard Capital Management. Since then, very little change has occurred in the day-to-day management of the fund. Additionally, the management team has remained stable since the sale, with only one analyst leaving since 2019. The most recent change occurred in the second half of 2023, coinciding with the investment notices released on 11/1/23. Our investment team had no concerns with the changes as announced at the time, and continue to feel comfortable with the portfolio

The strategy had seen above-average portfolio outflows from the end of 2022 to the middle of 2023, which caused the portfolio to take on shorter duration positions further affecting the crediting rate. By the end of 2023, interest rates and the put-queue normalized. Fewer outflows, as we noted above, have allowed the team to reinvest capital that would have otherwise been used to fund liquidity at higher rates. This has also contributed to the crediting rate keeping better pace with peers through 2024 and into 2025.

Performance

Galliard tends to be cautious in its approach to managing interest rate and credit risk and its investment performance remains solid. The strategy's E share class ranks in the 10th, 13th, 11th, and 18th percentiles over the past 1-, 3-, 5-, and 10- year time frames, respectively. With interest rates stabilizing at higher levels and fewer outflows affecting the portfolio, its crediting rate and consequently its trailing near-term performance has continued to improve, as more capital has been reinvested at higher rates. Additionally, the strategy's Market/Book value ratio has improved over the past 2 years and is now 96.5%, which is above that of the peer average of 95.2%. This highlights the relative strength in the underlying assets for Galliard relative to peers who may adopt a more risk-on approach in their portfolios to generate yield.

Fees

Fees continue to be competitive with the strategy's E share class net expense ratio of 0.32%, which ranks in the least expensive quartile of the peer group.

Summary

Galliard remains a solid stable value manager that manages assets conservatively relative to its peers. Administrative concerns from the past few years have been alleviated as Galliard has shown consistency with the management and administration of the strategy. Additionally, the crediting rate, market-to-book ratio, and fees remain competitive with peers. **NWCM believes that Galliard Stable Value remains a prudent option in the plan and does not recommend placing the fund on watch or activating the twelve-month put at this time.**

Investment Performance 3/31/2025	1 Year	3 Year	5 Year	10 Year
Galliard Stable Value Fund E (net)	3.08	2.67	2.37	2.13
Peer Median (net)	2.51	2.23	1.95	1.81
FTSE Treasury Bill 3 Mo	5.16	4.42	2.68	1.90

Fund Characteristics 3/31.2025	
Crediting Rate	3.16%
Effective Duration	3.02 Yrs
Market to Book Ratio	96.5%
Total Fee	0.32%