Callan

December 12, 2018

Callan Overview for Mendocino County Employees Retirement Association

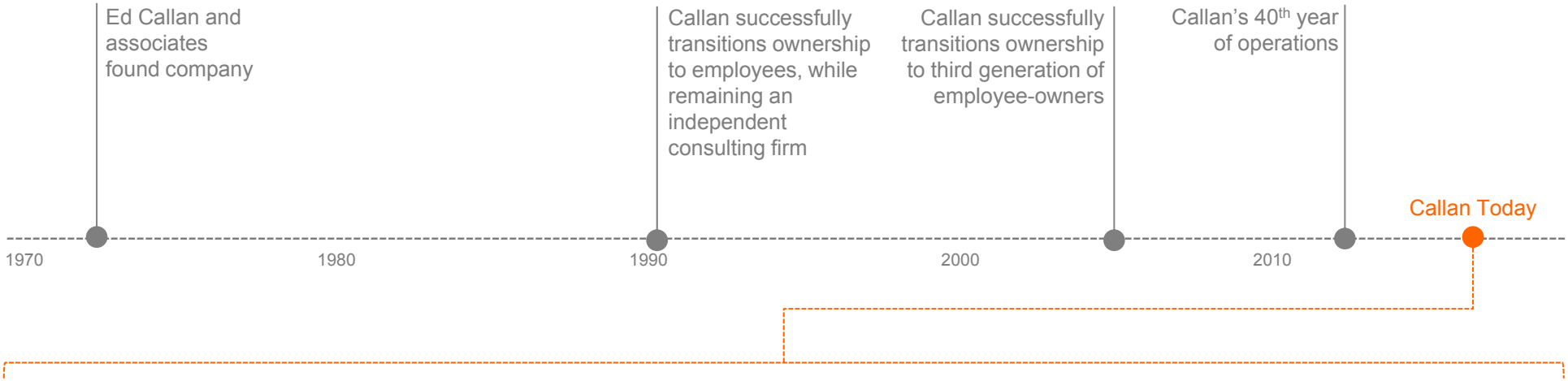
Greg DeForrest, CFA
Manager and Senior Vice President

Claire Telleen, CFA
Senior Vice President

Callan

Introduction and Overview

Client-Centric Consulting Heritage Developed Over 40+ Years



Independent & Focused

- Established in 1973
- Investment consulting remains our primary focus
- 100% employee owned, in Subchapter S Corporation

Experienced

- 401 Clients representing over $2.3 trillion in assets
- Client-focused consultants with 8-12 clients each
- Consultant tenure – Average 12 years Callan / 22 years Industry
- Client tenure – Average of nearly 10 years

Fully Resourced

- Over 180 employees
- 47 CFA/CAIA Charterholders and 16 CFA/CAIA candidates
- 65 advanced degrees
- 55 specialists in <u>every</u> area of need
- Proprietary systems and databases

About Callan

One of the largest independently owned investment consulting firms in the U.S.

Our Mission

Collaborating with each client to build tailored and lasting investment solutions

Our Philosophies

#1
Investment Philosophy

Combine a long-term perspective with proven investments

#2
Consulting Philosophy

Fuse historical and market context with innovation to create custom strategies

#3
Hiring Philosophy

Attract & retain passionate, high-caliber people

How are we different?

Unique culture of collaboration and peer oversight, and combined benefits of both large and small investment consulting firms

Large firm benefits

Experienced consultants
+
Depth & breadth of specialist resources
+
Extensive, proprietary data & research

Small firm benefits

Employee ownership
+
Responsive & nimble
+
Personalized service

Our Core Values

Keep client interests #1

Exercise independent thought

Demand quality & integrity

Honor every commitment

Pursue innovation that matters

Lead through research & education

Collaborate & show collegial respect

Encourage each associate's success

Building Successful Client Partnerships Since 1973

65 **Public Defined Benefit** clients

$1.5 T Total Assets

$740 M Median Plan Size Assets

Representative Clients

Alameda County Employees' Retirement Association
Alaska Retirement Management Board
Arkansas Judicial Retirement System
Arkansas Public Employees' Retirement System
Arkansas State Highway Employees'
California Public Employees' Retirement System
California State Teachers' Retirement System
Charlotte Firefighters' Retirement System
City of Atlanta General Employees' Pension Fund
City of Aurora General Employees' Retirement Plan
City of El Paso Employees Retirement Trust
City of Grosse Pointe Employees Retirement System
City of Norwalk Pension Board
City of Tulsa Municipal Employees' Retirement Plan
City of Wyoming Employees' Retirement System (MI)
Cook County
County Sanitation Districts of Orange County
DeKalb County Georgia
Denver Water
Sewerage & Water Board of New Orleans
Firemen's Annuity and Benefit Fund of Chicago
Florida State Board of Administration
Fort Pierce Retirement & Benefit System
Georgia Municipal Association
Illinois Municipal Retirement Fund
Lexington-Fayette Urban County Government
Marin County Employees' Retirement Association
MARTA (Metropolitan Atlanta Rapid Transit Authority)
Massachusetts PRIM
MEAG Power Retirement Plan
Mendocino County Employees' Retirement Association
Milwaukee Employees' Retirement System
Mississippi Public Employees' Retirement System
Nevada Public Employees' Retirement System
New York City Employees' Retirement System
North Dakota State Investment Board
Oregon Investment Council
Public Employee Retirement System of Idaho
Chicago Teachers
State of Wisconsin Investment Board
State Teachers Retirement System of Ohio
State Universities Retirement System of Illinois
The City and County of San Francisco
The North Carolina Department of State Treasurer
Town of Fairfield
Tucson Supplemental Retirement System
University of Puerto Rico Employees' Retirement
US Army
Utah Retirement Systems
Washington State Investment Board
Wichita Employees' Retirement Board
Wichita Police & Fire Retirement Board

Client Focused Consulting Model

Proactively provide our collective expertise and experience to clients

Mendocino County Employees Retirement Association

Greg DeForrest, CFA **Claire Telleen, CFA**

Client Policy Review Committee | Manager Search Committee | Alternatives Review Committee

Strategic Planning

Capital Markets Research

- Asset Allocation and Spending Analysis
- Asset Class and Manager Structure Review
- Investment Policy Development
- Risk Analysis
- Alternatives Planning

Plan Implementation

Global Manager Research

- Manager Review and Search
- Dedicated Alternatives Consulting
- Custody Review and Search
- Transition Management
- Fee/Cost Analysis

Monitoring & Evaluation

Client Report Services Proprietary Database

- Customized Reports
- Total Fund Analysis
- Asset Class and Manager Analysis
- Risk-Adjusted Returns
- Pure Style Groups
- Portfolio Characteristics
- Attribution

Education & Research

Callan Investments Institute and "Callan College"

- Callan Investments Institute
  - Conferences
  - Research Papers
  - Surveys
- "Callan College"
- Fiduciary Education
- Custom Education Sessions

Callan and MCERA – Working Together

Experience and Institutional Memory

1q 2019	Infrastructure Education - Jan Mende
3q 2018	Real Asset Structure - Jay Kloepfer
2q 2018	Manager Interviews -- Ho Hwang,
	Lauren Mathias, Nate Wong, Kevin Nagy
1q 2018	ESG Education - Mark Wood
3q 2017	Passive Equity Search - Mark Wood
2q2017	Intl Small Cap Search - Andy Iseri
2q 2017	EM Equity Search - Andy Iseri
1q 2017	Intl Equity Structure - Jim Van Heuit
4q 2016	Fixed Income Structure - Jim Van Heuit
3q 2016	Real Estate Structure - Jim Van Heuit
3q 2016	AL Study - John Pirone
2q 2016	MAC and PE Education - John Pirone
2q 2016	Intro to AL Study -John Pirone
1q 2016	Education Workshop - Greg DeForrest, Alina Vartanyan

Callan

Manager Search & Due Diligence

Global Manager Research

Differentiators

Manager Research by the Numbers

36	Specialty consultants
66%	Callan shareholders
25	CFA and/or CAIA charterholders
16	Masters degrees
880	Manager searches completed over the last 5 years
$114 bn	Assets represented by these searches
2,300+	Average number of manager meetings per year
1,500+	Organizations tracked in proprietary database
10,000+	Unique products tracked in proprietary database

Commitment to dedicated resources
- Sole focus is research
- Highly valued, high-profile, career positions
- Original research, in-depth due diligence

Proprietary database and analytics
- Full control over data collection and due diligence
- Clean, detailed, continuous data is key to the accuracy and timeliness of information for decision making
- We control how products are analyzed

Searches are client-driven, customized and disciplined
- Bottom up process – no buy-list
- Emphasis on qualitative research
- Existing manager structures are crucial components to the search process
- Thorough documentation of entire process

Oversight committee for manager searches
- Best thinking across the firm
- Leverages knowledge of specialists and generalists
- Ensures quality control and adherence to well-defined and robust process

As of December 31, 2017

Manager Search and Due Diligence

Search Process Overview

The Process:

- Every search starts from scratch, no pre-determined "Approved" or "Buy" lists
- Backed by extensive due diligence and accumulated knowledge of specialist and generalist consultants
- Disciplined and consistent
- Client driven, customized
- Utilizes peer review—Manager Search Committee to ensure quality control

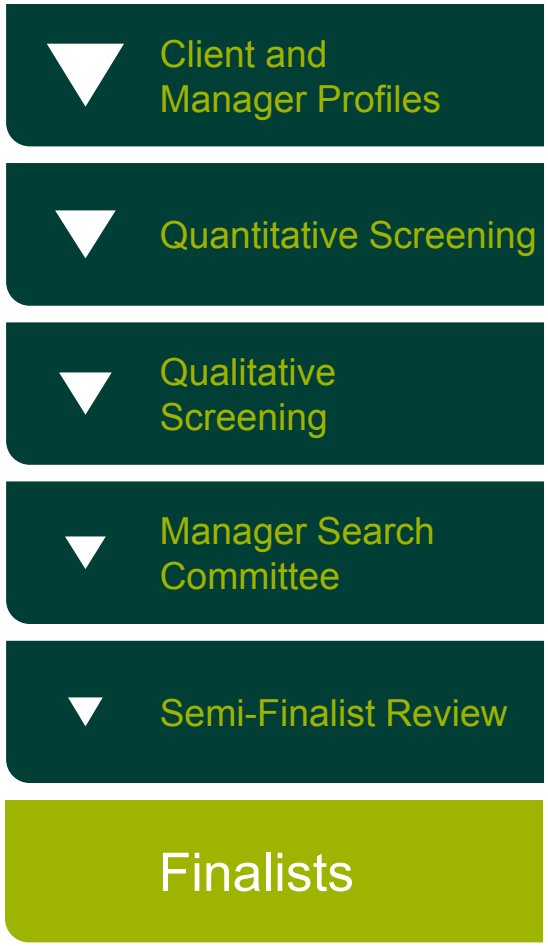
The Outcome:

The identification of the managers and products that are the best fit for the investment program and the specific mandate.

Client Cooperation:

All parts of this process are transparent and client involvement is encouraged. Any part of this process can be used to supplement a client's existing search process.

Manager Search Process



Dedicated Resources

Public Market Research

U.S. Equity

Amy Jones
Mark Stahl, CFA
Irina Sushch, CFA
David Wang
Mark Wood, CFA

Non-U.S. Equity

Ho Hwang
Andy Iseri, CFA
Lauren Mathias, CFA

Fixed Income (Public & Private)

Kristin Bradbury, CFA
Kevin Machiz, CFA, FRM
Nate Wong, CFA
David Zee, CFA

Analysts

Dario Buechi
Kyle Fekete
Rufash Lama
Marina van Steen

Dedicated Resources

Public Market Research

Diversified Real Return

Mark Andersen
Julia Moriarty, CFA
Lauren Sertich, CAIA
Nate Wong, CFA

Target Date Funds

Jason Ellement, FSA, CFA, MIAAA
Amy Jones
Julia Moriarty, CFA
Jimmy Veneruso, CFA, CAIA

Multi-Asset Class

Mark Andersen
Jason Ellement, FSA, CFA, MAAA
Jay Kloepfer, MA
Kevin Machiz, CFA
Lauren Mathias, CFA
John Pirone, CFA, FRM, CAIA

Dedicated Resources

Alternatives Research

Real Assets

Barbara Bernard
Jonathan Gould, CAIA
Sally Haskins
Jan Mende
Kevin Nagy, CAIA
Avery Robinson, CAI
Lauren Sertich, CAIA

Hedge Funds

Mark Andersen
Jay Kloepfer
Sean Lee, CFA
Kevin Machiz, CFA, FRM
Jim McKee
Mark Wood, CFA

Private Equity

Michael Bise
Ashley DeLuce, CAIA
Jay Nayak
Gary Robertson
Harshal Shah, CFA

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Capital Markets Team

Capital Markets Research Group

30 Full asset/liability or spending studies conducted each year

20 Asset allocation-only studies conducted each year

20 Investment structure studies conducted each year

50 Custom research projects conducted each year

- Provide capital market research – all asset classes, all strategies
- Develop proprietary capital market expectations
- Conduct asset allocation and scenario analysis
- Review investment manager structure
- Provide custom client research and education

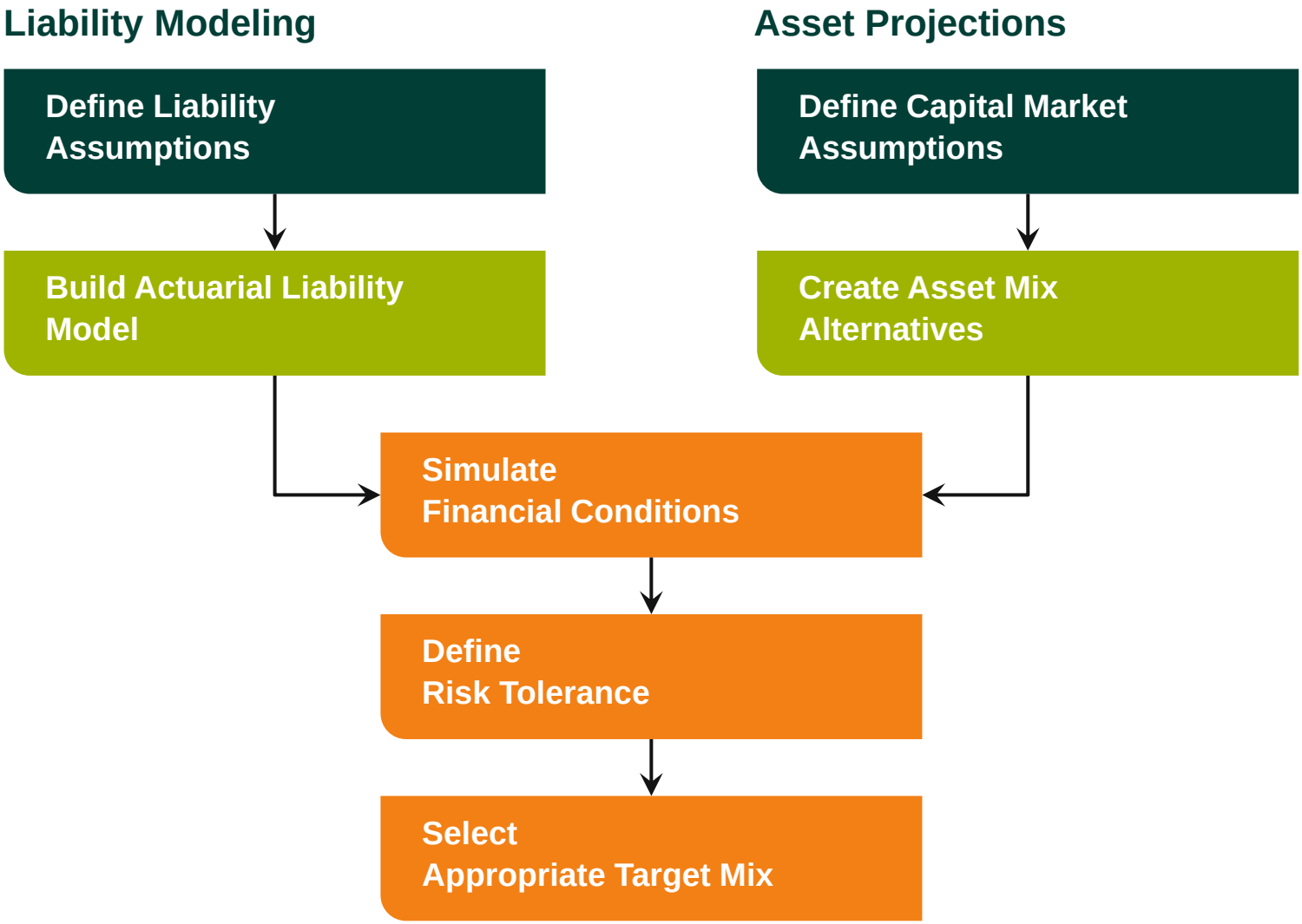
Gary Chang, CFA
Jason Ellement, FSA, MAAA, CFA
Karen Harris, ASA, CFA
Jay Kloepfer, MA
Julia Moriarty, MBA, CFA
John Pirone, MA, MSc, CFA, FRM, CAIA
James Van Heuit, MA

Capital Market Projects for 2019

- Document Investment Philosophy of MCERA
- Conduct Asset Liability Study
    - Examine Plan Diversification
    - Downside Risk
    - Return Expectations
- Simply portfolio where possible
- Expand diversification where possible
    - Real Assets
- Codify findings in Investment Policy Statement

Developing Your Long-Term Plan

Process Overview



2018 Capital Market Expectations—Return and Risk

Summary of Callan's Long-Term Capital Market Projections (2018 – 2027)

		PROJECTED RETURN			PROJECTED RISK		
Asset Class	Index	1-Year Arithmetic	10-Year Geometric*	Real	Standard Deviation	Sharpe Ratio	Projected Yield
Equities							
Broad Domestic Equity	Russell 3000	8.30%	6.85%	4.60%	18.25%	0.332	2.00%
Large Cap	S&P 500	8.05%	6.75%	4.50%	17.40%	0.333	2.10%
Small/Mid Cap	Russell 2500	9.30%	7.00%	4.75%	22.60%	0.312	1.55%
Global ex-U.S. Equity	MSCI ACWI ex USA	8.95%	7.00%	4.75%	21.00%	0.319	3.10%
International Equity	MSCI World ex USA	8.45%	6.75%	4.50%	19.70%	0.315	3.25%
Emerging Markets Equity	MSCI Emerging Markets	10.50%	7.00%	4.75%	27.45%	0.301	2.65%
Fixed Income							
Short Duration	Barclays G/C 1-3	2.60%	2.60%	0.35%	2.10%	0.167	2.85%
Domestic Fixed	Barclays Aggregate	3.05%	3.00%	0.75%	3.75%	0.213	3.50%
Long Duration	Barclays Long G/C	3.50%	3.00%	0.75%	10.95%	0.116	4.45%
TIPS	Barclays TIPS	3.10%	3.00%	0.75%	5.25%	0.162	3.35%
High Yield	Barclays High Yield	5.20%	4.75%	2.50%	10.35%	0.285	7.75%
Non-U.S. Fixed	Barclays Global Aggregate ex US	1.80%	1.40%	-0.85%	9.20%	-0.049	2.50%
Emerging Market Debt	EMBI Global Diversified	4.85%	4.50%	2.25%	9.60%	0.271	5.75%
Other							
Real Estate	Callan Real Estate	6.90%	5.75%	3.50%	16.35%	0.284	4.75%
Private Equity	TR Post Venture Cap	12.45%	7.35%	5.10%	32.90%	0.310	0.00%
Hedge Funds	Callan Hedge FOF Database	5.35%	5.05%	2.80%	9.15%	0.339	2.25%
Commodities	Bloomberg Commodity	4.25%	2.65%	0.40%	18.30%	0.109	2.25%
Cash Equivalents	90-Day T-Bill	2.25%	2.25%	0.00%	0.90%	0.000	2.25%
Inflation	CPI-U		2.25%		1.50%		

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

Source: Callan LLC

2018 Capital Market Expectations—Correlation Coefficient Matrix

Key to Constructing Efficient Portfolios

	Broad US Eq	Large Cap	Sm/Mid Cap	Global ex-US	Non-US Equity	Em Mkt Eq	Sht Dur	US Fixed	Long Duration	TIPS	High Yield	Non-US Fixed	Em Mkt Debt	Real Estate	Private Equity	Hedge Funds	Comm	Cash Equiv	Inflation
Broad US Equity	1.000																		
Large Cap	0.996	1.000																	
Small/Mid Cap	0.966	0.940	1.000																
Global ex-US Equity	0.874	0.872	0.839	1.000															
Non-US Equity	0.840	0.840	0.800	0.987	1.000														
Em Mkts Equity	0.866	0.860	0.845	0.936	0.865	1.000													
Short Duration	-0.250	-0.240	-0.270	-0.271	-0.250	-0.290	1.000												
US Fixed	-0.110	-0.100	-0.135	-0.130	-0.115	-0.160	0.870	1.000											
Long Duration	0.109	0.112	0.096	0.080	0.094	0.043	0.739	0.930	1.000										
TIPS	-0.054	-0.045	-0.080	-0.049	-0.030	-0.085	0.525	0.600	0.532	1.000									
High Yield	0.636	0.635	0.610	0.627	0.605	0.615	-0.140	0.020	0.190	0.060	1.000								
Non-US Fixed	0.013	0.050	-0.100	0.013	0.060	-0.090	0.480	0.510	0.539	0.340	0.120	1.000							
Em Mkt Debt	0.573	0.570	0.555	0.577	0.550	0.580	-0.040	0.100	0.143	0.180	0.600	0.010	1.000						
Real Estate	0.732	0.730	0.705	0.677	0.660	0.650	-0.165	-0.030	0.168	0.000	0.560	-0.050	0.440	1.000					
Private Equity	0.948	0.945	0.915	0.927	0.895	0.910	-0.260	-0.200	-0.005	-0.110	0.640	-0.060	0.570	0.715	1.000				
Hedge Funds	0.802	0.800	0.770	0.760	0.730	0.755	-0.130	0.080	0.287	0.075	0.570	-0.080	0.540	0.605	0.780	1.000			
Commodities	0.152	0.150	0.150	0.161	0.155	0.160	-0.220	-0.100	-0.041	0.120	0.100	0.050	0.190	0.200	0.180	0.210	1.000		
Cash Equivalents	-0.043	-0.030	-0.080	-0.040	-0.010	-0.100	0.300	0.100	-0.041	0.070	-0.110	-0.090	-0.070	-0.060	0.000	-0.070	0.070	1.000	
Inflation	-0.010	-0.020	0.020	0.010	0.000	0.030	-0.200	-0.280	-0.288	0.180	0.070	-0.150	0.000	0.100	0.060	0.200	0.400	0.000	1.000

Relationships between asset classes is as important as standard deviation.

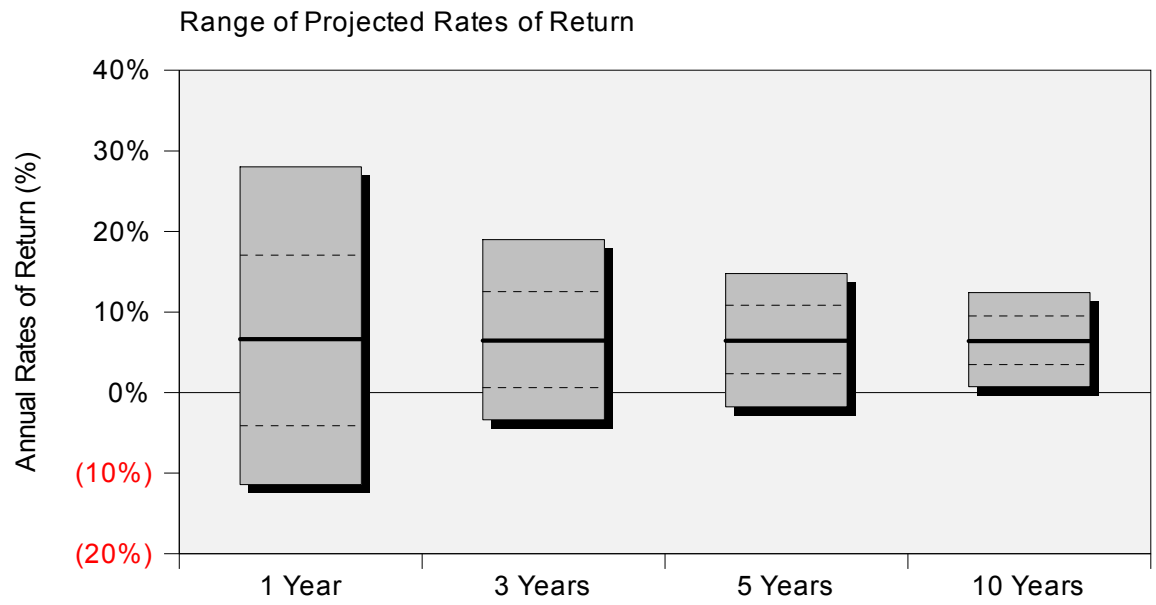
To determine portfolio mixes, Callan employs mean-variance optimization.

Return, standard deviation and correlation determine the composition of efficient asset mixes.

Source: Callan LLC

2018 Capital Market Expectations

Distribution of Projected Rates of Return



	1 Year	3 Years	5 Years	10 Years
Average	6.6%	6.5%	6.4%	6.4%
10th Percentile	28.0%	19.0%	14.8%	12.4%
25th Percentile	17.0%	12.5%	10.8%	9.5%
75th Percentile	(4.1%)	0.6%	2.3%	3.5%
90th Percentile	(11.4%)	(3.4%)	(1.8%)	0.7%

Asset Classes	MCERA Target
US Broad Equity	38%
Global ex-US Equity	29%
Domestic Fixed	22%
Real Estate	11%
Cash Equivalents	0%
Totals	100%

Projected 1-Year Arithmetic Return	7.2%
10-Year Geometric Mean Return	6.4%
Projected Risk (Standard Deviation)	13.9%
Projected Sharpe Ratio	0.4

Callan

Performance Measurement & Evaluation

Performance Measurement & Evaluation

Performance Measurement, Database, Investment Analytics

Denise Steele

Allie Bañuelos

Brendan Egan

Alpay Soyoguz, CFA

Paul McGurk

40+ Year commitment to the business of performance measurement

27 Dedicated performance analysts

3 Analytical solutions experts

6 Investment database specialists

8 Programmers/system analysts

- Proprietary Data
  - *Comprehensive and dedicated effort ensures accuracy and timeliness*
- Innovative Analytical Tools
  - *Facilitates performance and risk evaluation*
- Customized, Flexible, Accurate Reporting
- Empower Clients with our Software & Data
  - *Provide and train client staff with sophisticated software, databases, and "flow-through" of their client-specific performance/risk/holdings data*

Performance Measurement & Evaluation

A Heritage of Reporting Innovation

- Industry-leading Proprietary Systems, Data and Reporting
- Plan-level Performance
- Risk/Return/Style Analysis
- Custom Benchmarks/Peer Groups

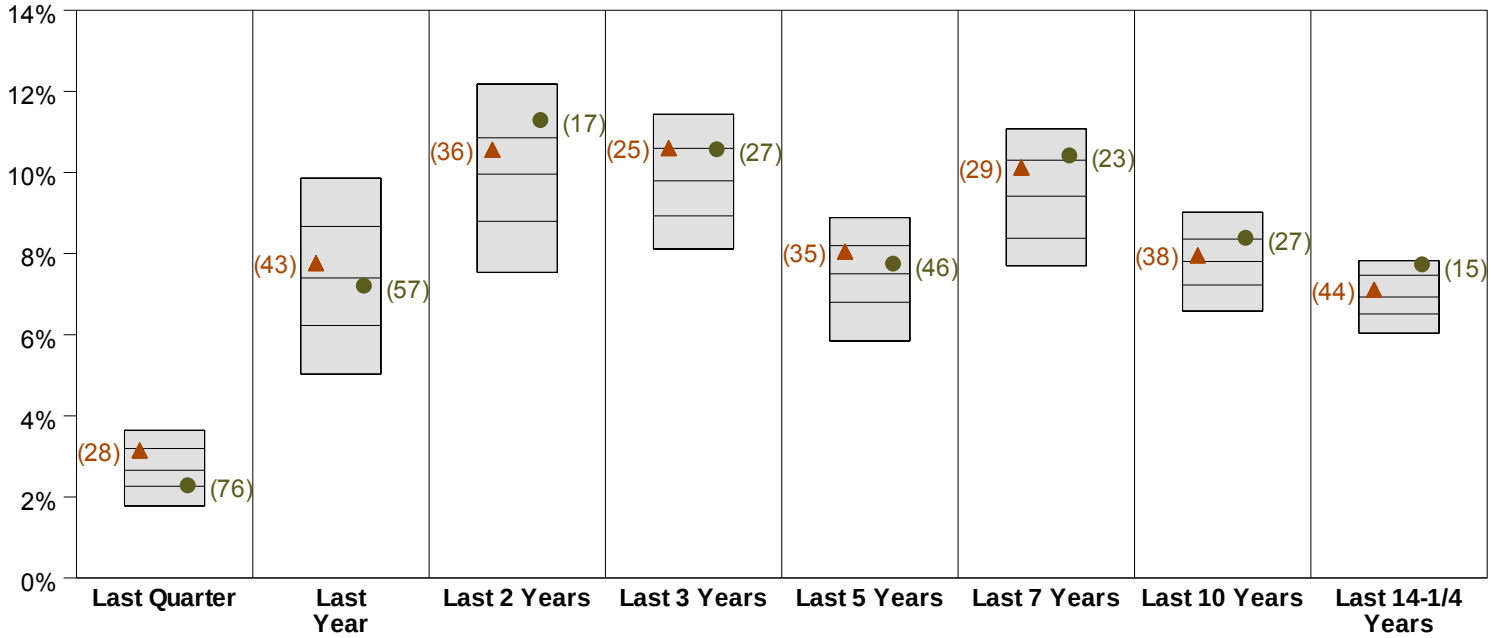
Monitoring & Evaluation

Why Maintain Our Own Proprietary Systems?

- Control
  - Timeliness and accuracy
  - Content, design, upgrades, development schedule
  - Business continuity – no reliance on the fortunes of outside vendors
  - Costs
- Flexibility
  - Peer group construction, custom peer groups, custom indices
  - Report design and client specific needs
  - Changing industry needs
- Intellectual capital
  - We retain the knowledge and understanding that comes from building and maintaining a robust institutional performance measurement and database platform.
  - Robust data at your fingertips – historical performance, holdings, and organizational data on virtually every firm and product that has been marketed to institutional investors over the last 30 years
  - We continually advance the art and the science of monitoring and evaluating large complex institutional investment portfolios.
- Wiser, fairer, better informed consulting advice and decisions
  - We can create what we need, when we need it, to stay on top of a constantly changing investment/industry landscape.
  - Objective, verified, thorough, and timely information

MCERA Total Fund Performance as of September 30, 2018

Performance vs Callan Public Fund Sponsor Database (Gross)

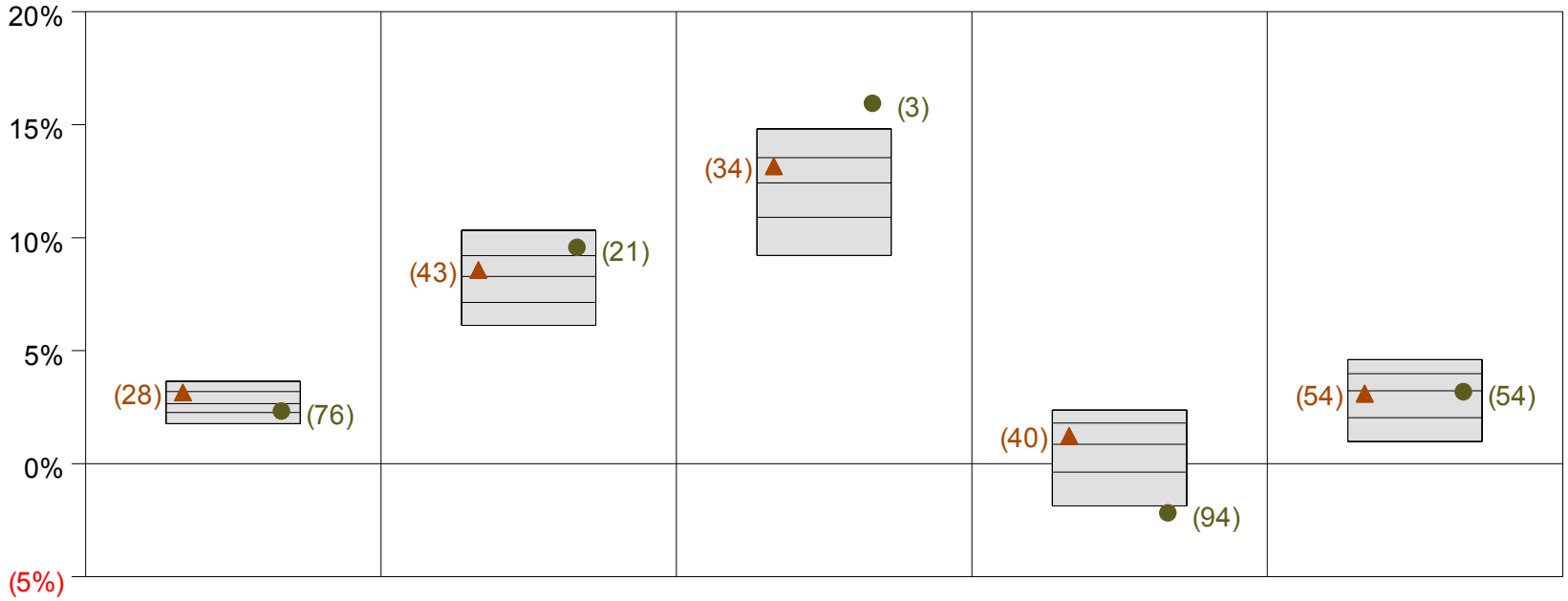


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 14-1/4 Years
10th Percentile	3.64	9.86	12.18	11.44	8.89	11.08	9.02	7.83
25th Percentile	3.20	8.67	10.86	10.60	8.20	10.31	8.36	7.47
Median	2.66	7.40	9.96	9.79	7.50	9.41	7.81	6.93
75th Percentile	2.26	6.23	8.80	8.93	6.80	8.38	7.23	6.51
90th Percentile	1.77	5.03	7.54	8.12	5.85	7.70	6.59	6.04
Total Fund ●	2.24	7.16	11.25	10.53	7.70	10.38	8.34	7.69
Total Fund Benchmark ▲	3.15	7.77	10.56	10.60	8.05	10.13	7.96	7.11

- The Callan Public Fund Sponsor Database consists of public employee pension total funds including both Callan LLC client and surveyed non-client funds.
- Returns greater than one year are annualized

MCERA Total Fund Fiscal Year Performance

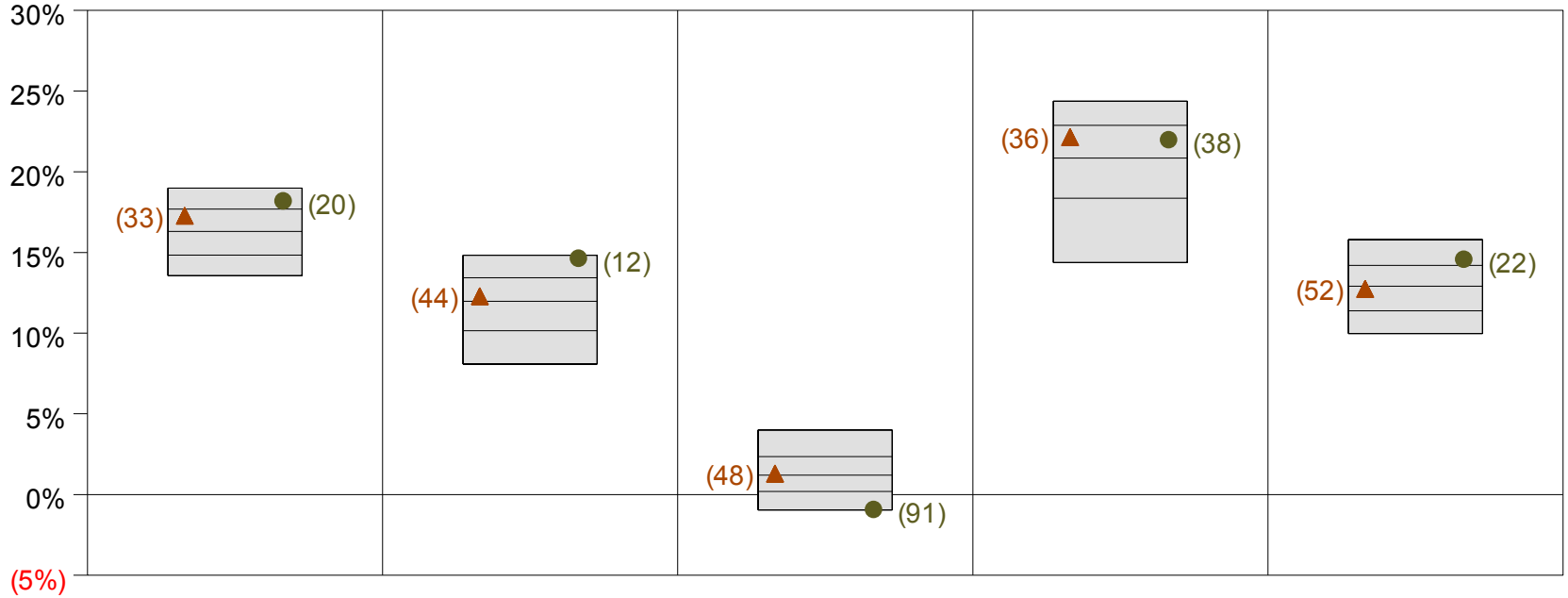
September 30, 2018



	Fiscal YTD	FY 2018	FY 2017	FY 2016	FY 2015
10th Percentile	3.64	10.33	14.81	2.37	4.61
25th Percentile	3.20	9.21	13.54	1.80	3.98
Median	2.66	8.29	12.43	0.86	3.23
75th Percentile	2.26	7.14	10.90	(0.38)	2.04
90th Percentile	1.77	6.12	9.21	(1.87)	0.98
Total Fund ●	2.24	9.48	15.86	(2.26)	3.09
Total Fund Benchmark ▲	3.15	8.57	13.16	1.23	3.10

MCERA Total Fund Fiscal Year Performance (continued)

September 30, 2018



	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
10th Percentile	18.99	14.82	3.99	24.38	15.80
25th Percentile	17.69	13.43	2.36	22.87	14.20
Median	16.31	11.98	1.20	20.86	12.90
75th Percentile	14.83	10.14	0.20	18.36	11.38
90th Percentile	13.56	8.08	(0.96)	14.38	9.98
Total Fund ●	18.08	14.52	(1.04)	21.87	14.47
Total Fund Benchmark ▲	17.27	12.29	1.30	22.15	12.74

Callan

Education & Research

Published Research Highlights from 2Q18

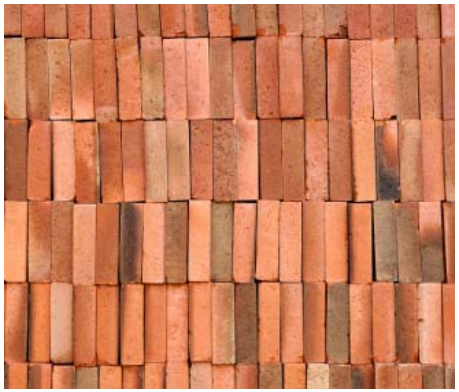
Your Plan Will Face a Cyberattack. Here's How to Prepare.

2018 ESG Survey

43%

Incorporated ESG factors into the investment decision-making process

China A-Shares: Key Issues for Investors to Consider



Callan Monthly Periodic Table of Investment Returns

2013	2014	2015	2016	2017
Russell 2000 Growth 43.30%	S&P 500 Growth 14.89%	S&P 500 Growth 5.52%	Russell 2000 Value 31.74%	MSCI Emerging Markets 37.28%
Russell 2000 38.82%	S&P 500 13.69%	S&P 500 1.38%	Russell 2000 21.31%	S&P 500 Growth 27.44%
Russell 2000 Value 34.52%	S&P 500 Value 12.36%	Bloomberg Barclays Agg 0.55%	S&P 500 Value 17.40%	MSCI World ex USA 24.21%
S&P 500 Growth 32.75%	Bloomberg Barclays Agg 5.97%	Russell 2000 Growth -1.38%	Bloomberg Barclays High Yield 17.13%	Russell 2000 Growth 22.17%

Popular Blog Posts

Our Take on Crypto-currencies
Mark Wood

Rebalance Your Portfolio, or Let It Ride?
John Jackson

Risk Parity: Silver Bullet or a Bridge Too Far?
Greg Allen

Additional Reading

Private Markets Trends quarterly newsletter

June Regional Workshop Summary: Governance Alpha

Active vs. Passive quarterly Charts

Capital Market Review quarterly newsletter

Callan Institute Events

Upcoming Conferences, Workshops, and Webinars

Live Events

2019 National Conference
January 28–30, 2019 – Palace Hotel
San Francisco, California

Webinars: On-Demand now available at https://www.callan.com/ondemandwebinar/

Our library of pre-recorded webinars on specific investment-related topics, such as:

- **Beyond the Yale: Other Portfolio Options for Endowments and Foundations**
- **Auto Features & Financial Wellness: Can They Work Together in DC Plans?**
- **Infrastructure Considerations for Investors**

"Callan College"—Ongoing fiduciary education Introduction to Investments sessions

- October 2–3, 2018, in Chicago

"Research is the foundation of all we do at Callan, and sharing our best thinking with the investment community is our way of helping to foster dialog to raise the bar across the industry."

— Greg Allen, CEO, CRO

Callan's Commitment to Diversity

57%

Percentage of Callan employees who are women or minorities

54%

Percentage of Callan shareholders who are women or minorities

59%

Percentage of Callan Management Committee who are women or minorities

Why Hire Callan?

Our goal is to exceed your expectations

Quality	The quality of Callan's consulting will exceed industry standards and your expectations.
Delivery	Callan's services will be delivered promptly, accurately and will be fully customized for your needs.
Cost	Callan's consulting fees will be fairly priced for the services provided.
Client Service	Callan's consulting team will be highly responsive, direct, professional and focused on meeting your unique needs and expectations.
Innovation	Callan's heritage, culture and philosophy promote unique solutions.
Ethical Conduct and Transparency	Callan will operate with the highest level of ethical conduct and transparency.
Flexibility	Callan's consulting approach is built on developing custom solutions to meet unique client needs. We will be very flexible in meeting your needs.

Callan’s Business Model and Compliance

Callan's Business Model

A diversified revenue stream has been critical to our ability to continue to reinvest in our people and our proprietary systems. It is what allows us to deliver greater capability to our clients at more competitive fees.

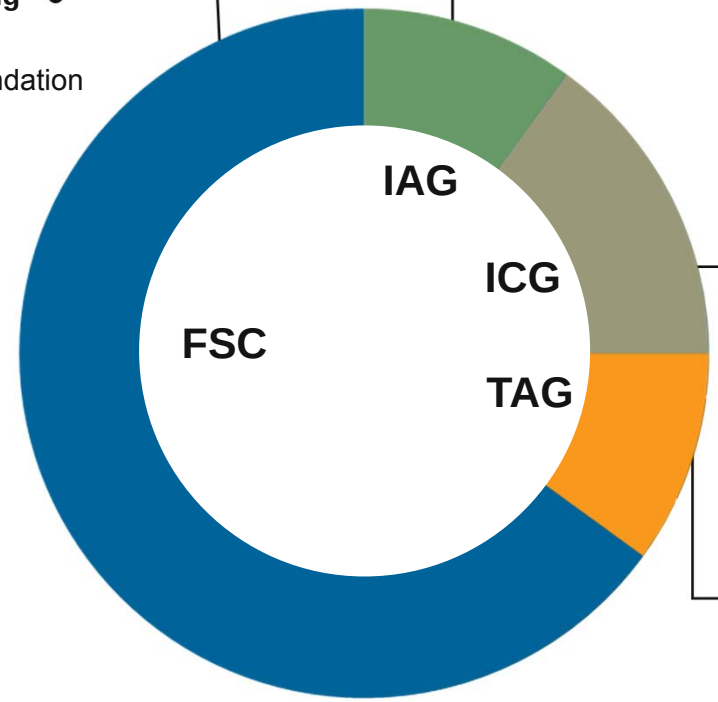
Fund Sponsor Consulting

Clients include defined contribution, pension, foundation and operating assets

398 funds

$2.2 trillion in assets

65% of Callan's revenues



Independent Adviser Group (IAG)

Clients include "middle market" consulting firms and financial intermediaries

30 clients

10% of Callan's revenues

Institutional Consulting Group (ICG)

Clients are investment management organizations

193 clients

$7 trillion in assets

15% of Callan's revenues

Trust Advisory Group (TAG)

Clients include very large defined benefit and defined contribution plans

$25 billion in assets

10% of Callan's revenues

As of December 31, 2017

Callan's Ethics Policy

The success of our business depends on maintaining our unblemished record for providing clients with objective advice. Callan's approach has always been to acknowledge and then aggressively manage possible conflicts to ensure they never manifest in the advice we give clients. Our firm is vigilant about employing a highly systematized process that vets potential conflicts, maintains separation of business units, and ensures that we are being entirely transparent in all our relationships. We mitigate conflicts of interest by adhering to the following:

Code of ethical responsibility: Callan adheres to a firm-wide ethical code which each associate must review and acknowledge in writing every year. This code affirms for Callan employees that they must uphold their duty to our clients by adhering to specific policies and procedures. Any breach of this code can result in immediate termination.

Compliance: Our in-house compliance officer makes sure Callan is adhering to all industry standards and regulations, while also identifying risks and putting procedures in place to mitigate them. This officer reports directly to the board of directors to ensure that any employee and all compliance oversight have a separate and distinct line of reporting away from the internal manager and report structures.

Separation of business units: Each of Callan's business units maintains its own personnel, as well as its own profit-and-loss accounting system. Employee compensation is contained within each separate business unit. Clients from one business unit do not receive preferential treatment in another. This statement of fact is communicated to each client at the start of any relationship with Callan and reiterated in writing on an annual basis.

Peer Review: Every manager search or strategic planning project undertaken for a client is a collective effort involving the client, general consultant, a team of specialists, and ultimately a peer review committee. Callan's Manager Search Committee, composed of 14 senior consultants, verifies the accuracy, completeness and objectivity of all methods used in the manager screening process. For strategic planning services, the Client Policy Review Committee, which is comprised of 11 senior consultants, evaluates all reports before they are submitted to the client. This environment of complete transparency requires a thoroughly documented process that is free of unsupported personal opinions and biases.

Disclosure: Callan believes in being proactively transparent with respect to all business activities and relationships. We routinely furnish our fund sponsor clients with a complete list of all investment managers who have professional relationships with Callan. New clients receive this information at the outset of our relationship.

Disclaimers

This report is for informational purposes only and should not be construed as legal or tax advice on any matter. Any decision you make on the basis of this content is your sole responsibility. You should consult with legal and tax advisers before applying any of this information to your particular situation.

This report may consist of statements of opinion, which are made as of the date they are expressed and are not statements of fact.

Reference to or inclusion in this report of any product, service or entity should not be construed as a recommendation, approval, affiliation or endorsement of such product, service or entity by Callan.

Past performance is no guarantee of future results.

The statements made herein may include forward-looking statements regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties such that actual results may differ materially from these statements. There is no obligation to update or alter any forward-looking statement, whether as a result of new information, future events or otherwise. Undue reliance should not be placed on forward-looking statements.