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Capital Preservation and Cash Equivalent Funds

Three Types of Cash Equivalent Options

Money Market

- Ultra short duration securities
- High credit quality
- Most liquid, limited restrictions

GIC

- Guaranteed component
- Promise by provider
- Liquidity with MVA

Stable Value

- Short-term bond portfolios
- Wrap contracts
- Liquidity considerations

Money Market and Guaranteed Insurance Contracts (GICs) Basics

Money Market:

- Most often comes in a mutual fund vehicle
- Purchases very high-quality debt securities with a very short duration
 - Can only buy securities that mature in 397 days or less, and weighted average maturity cannot exceed 60 days
 - More sensitive to short term rates

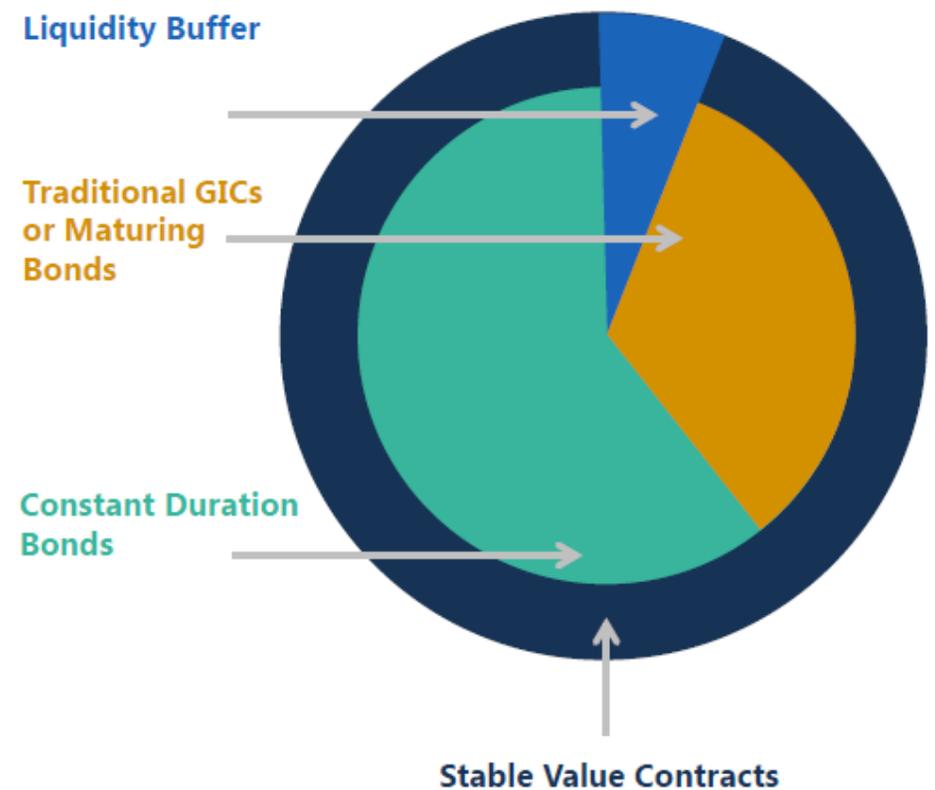
GICs:

- Gives guaranteed rate of return
- Insurance provider is the guarantor, backing the GIC through their general account.
- Can have complex and restrictive contract provisions
- Little to no fee transparency
 - Insurance companies profit from the spread between the crediting rate and asset returns of their general account.
 - Because of this profitability, they often offer a discount for recordkeeping services.



Stable Value Fund Basics

- High-quality, short-duration bond portfolio
- Book value protected by wrap contracts from banks and/or insurance companies
- Often portable from one recordkeeper to the next
- Explicit and clear fees
- Can have plan level liquidity restrictions (12-month put is common)
- Total stable value AUM stood at \$888 billion as of September 2020¹
- Accounts for approximately 10% of all assets in defined contribution plans¹



¹ Source: Stable Value Investment Association, FASB, Nos. FSP AAG INV-1 and SOP 94-4-1

Cash Equivalent Fund Terminology

Crediting rate

- Guaranteed rate paid to participants

Rate period

- Time period that the current crediting rate will be applied for

Minimum guaranteed rate (floor rate)

- Lowest rate that the crediting rate can be set at
- May be amended

Market value adjustment

- Generally triggered by a plan sponsor action and is the calculated difference between a market and book value

Competing funds

- GICs can have restrictions in regard to another cash equivalent option available within the plan line up

Selection Criteria

Decision Points:



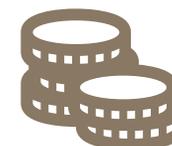
Recordkeeper
availability



Portability
considerations

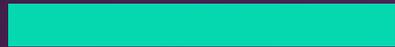


Liquidity at the plan level
and the participant level



Expense Implications
(Fund and Plan level)

	Money Market	GIC	Stable Value
Return	Driven by short term rates. Very low duration (<90 days)	Guaranteed rate set in advance. Typically a minimum rate/ floor so rate can't go below a certain percentage.	Crediting rate. Driven by underlying bond portfolio which tends to be short term in nature.
Risk	Very low risk (most have approximately 95% government exposure for stable NAV products)	General account assets. Not as transparent. Issuers credit strength is a function of the general account's health and ability to pay.	Underlying portfolio is wrapped with insurance contracts to ensure book value with goal to achieve returns similar to that of a short-term bond portfolio.
Portability	Excellent: primarily mutual funds which are available on most open architecture platforms	Poor: typically only available on the proprietary recordkeeping platform	Good: funds can be traded on most open architecture platforms
Liquidity (participant)	Benefit responsive	Benefit responsive	Benefit responsive
Liquidity (plan sponsor)	Restrictions are rare; highly liquid at plan sponsor level	Some restrictions; potential market-value adjustment, deliberate payout schedules	Some restrictions; potential put option for pooled vehicles, generally none for separate accounts at market value
Expenses	Defined Investment Expense	Often shown as 0, with provider keeping the spread between returns and crediting rate. Often comes with a recordkeeping discount.	Portfolio investment expense as well as wrap fees. May or may not include a recordkeeping discount.

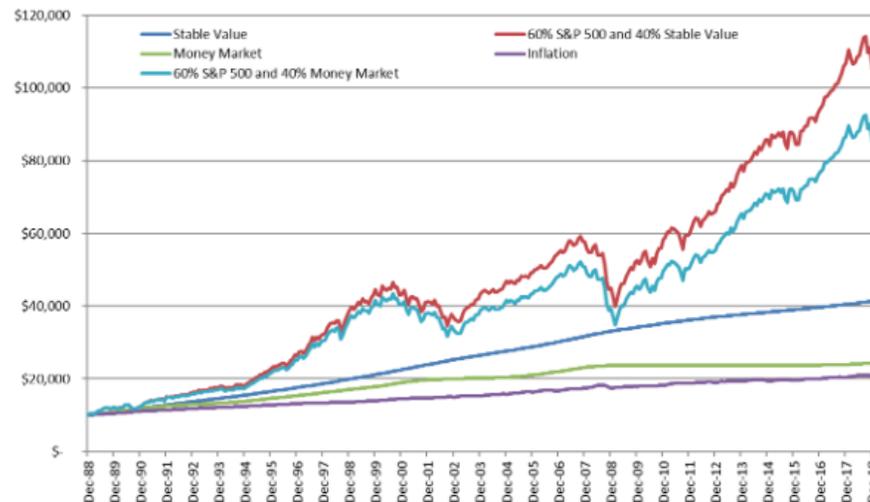


Cash Equivalent Funds in Different Rate Environments

Rising Rate Environments

- Typically provide opportunities for money market funds to outperform stable value funds
 - However, these are usually short-term results and are not sustainable over longer time periods
 - Stable value funds follow rate increases, but with a lag, by reinvesting cash flows into higher yields
- The value of traditional GICs do not fluctuate with interest-rate changes, as they are held at book value (100%) throughout the life of the contract¹

Outperformance of Stable Value vs Money Market

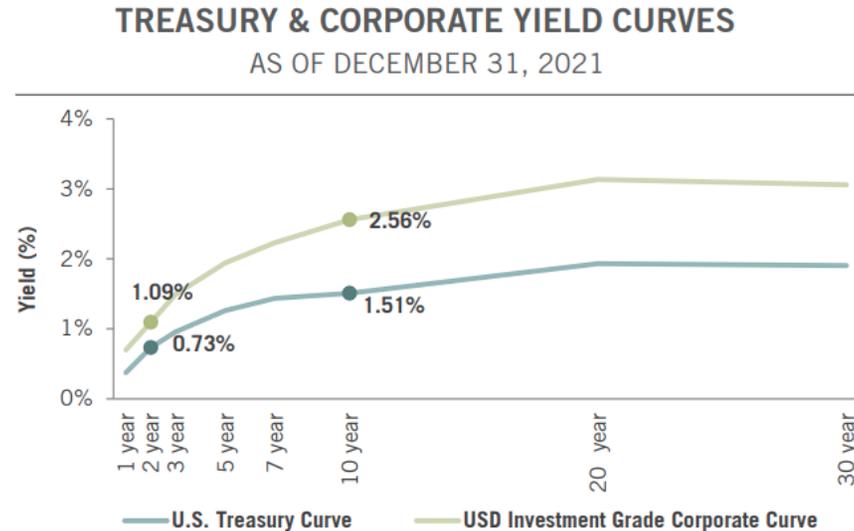


Source: Stable Value Investment Association

¹ Calabro, K. & Homer, S. 2022, February 5. The outlook for stable value in a rising rate environment. <https://www.putnamperspectives.com/the-outlook-for-stable-value-in-a-rising-rate-environment>

Falling Rate Environments

- Crediting rates for stable value funds fall less than interest rates
 - The formula for crediting rates allow stable value funds to amortize prior market-value gains providing a good buffer against a falling rate environment¹
- Stable value funds can be an attractive alternative to money markets
 - Stable value funds can invest in longer maturity and investment grade corporate assets providing a more resilient, diversified yield than that of a money market fund²



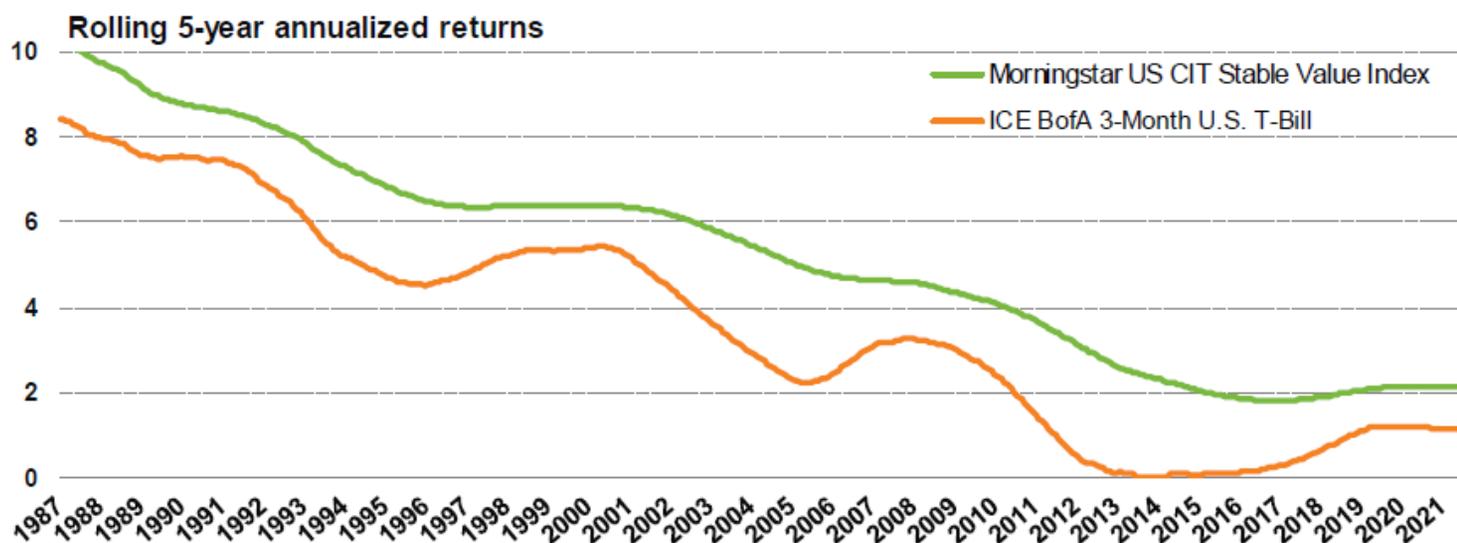
Source: Bloomberg

¹ Stable Value Investment Association. (2021, July 7). Meeting the Challenges of a Low Interest-Rate Environment. <https://www.stablevalue.org/meeting-the-challenges-of-a-low-interest-rate-environment/>
² Galliard Capital Management, LLC. (2022). Stable Value vs. Money Market Funds. <https://galliard.com/assets/edocs/sv-vs-mm.pdf>

Stable Value vs. Money Market

Over the past 30+ years, Stable Value has consistently outperformed cash markets

- Average annual return premium over the past 30+ years of approximately 175 basis points
- Low correlation with bonds and equities



Correlation (5-year)	ICE BofA 3-Month U.S. T-Bill	Bloomberg U.S. Aggregate	S&P 500
Morningstar US CIT Stable Value Index	0.78	0.51	0.03

All data as of 9/30/22, most recent available.

Source: Morningstar US CIT Stable Value Index. All performance numbers are gross of stable value management and distribution fees and net of contract fees. The monthly Morningstar Index returns are calculated by taking a straight average of the monthly returns of all funds in the Morningstar US CIT Stable Value Universe and then monthly index returns linked to derive the Morningstar Index for all other time periods. Morningstar data is copyright and not for reproduction or redistribution. ICE BofA 3-month U.S. Treasury Bill Index is used as a proxy for cash. Past performance is not a guarantee of future results. Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index.

Source: Putnam Investments



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Stable Value CIT Exclusively Available to RPAG

Opportunities in Stable Value

- Exclusive RPAG CIT
- Putnam Stable Value as the sub-advisor
 - Incepted in 1991
 - Lead PM has been on strategy since 2002
- Exclusive RPAG pricing for plans of all sizes = 0.31%
- Generous liquidity provisions

Annualized performance (net of fees) as of September 30, 2022

Portfolio: Stable Value Fund (@ 20 bps)
 Benchmark: ICE BofA U.S. 3-Month Treasury Bill Index



Data is historical. Past performance is not a guarantee of future results. More recent returns may be more or less than those shown. Investment return will fluctuate. Performance is shown gross of management fees, assumes reinvestment of distributions and does not account for taxes. Please see the composite disclosures located at the end of this document. Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index. Source: Putnam Investments

Putnam Stable Value Team

Putnam Fixed Income team

Michael V. Salm
Chief Investment Officer, Fixed Income
 Industry since 1989

Portfolio Construction	
Albert Chan, CFA	20
<i>Head of Portfolio Construction</i>	
Robert Davis, CFA, <i>Portfolio Manager</i>	23
Andrew Bryant, CFA, <i>Analyst</i>	8
Yan Deng, Ph.D., <i>Quantitative Analyst</i>	5
Jesse Hurwitz, CFA, <i>Analyst</i>	11
Nathan Li, <i>Quantitative Analyst</i>	5
Nestor Chachamis, <i>Quant. IA</i>	2
Siddharth Kantamneni, <i>Quant. IA</i>	1
Allen Zhou, <i>Quant. IA</i>	3
Portfolio Implementation	
Paul Brittan, <i>Analyst</i>	16
Stephen J. King, <i>Analyst</i>	14
Kathryn Manacok, <i>Trader</i>	19
Seth Tweeddale, <i>Trader</i>	25
Average 12 years of experience	

Structured Credit	
CMBS & Structured Finance	
Brett Kozlowski, CFA	25
<i>Co-Head of Structured Credit</i>	
Charles Ouellet, CFA, <i>Portfolio Manager</i>	16
CMBS, Structured Finance	
Michael Wands, CFA, <i>Portfolio Manager</i>	36
Structured Finance	
Sagnik Choudhury, FRM®, <i>Analyst</i>	10
Collateralized Loan Obligations	
Aaron Fox, <i>Analyst</i>	7
CMBS, Structured Finance	
David Zhao, <i>Portfolio Specialist</i>	11
CMBS	
James Nadeau, <i>Portfolio Associate</i>	17
CMBS, Structured Finance	
Average 17 years of experience	

Corporate & Tax-Exempt Credit	
Corporate	
Robert Salvin	36
<i>Head of Corporate & Tax-Exempt Credit</i>	
Yannick Aron, <i>Portfolio Manager*</i>	26
European High Yield	
Andrew Benson, <i>Portfolio Manager</i>	14
Investment Grade, ESG	
Norman Boucher, <i>Portfolio Manager</i>	37
High yield, leveraged loans	
Jo Anne Ferullo, CFA, <i>Portfolio Manager, Director of Sustainable Investing</i>	33
ESG, Stable Value	
Steven Horner, CFA, <i>Portfolio Manager</i>	31
Stable Value	
Justin Schneider, <i>Trader</i>	17
Kevin Barry, <i>Trader</i>	19
Steven Iantosca, <i>Trader</i>	3
Geoffrey Trawick, <i>Trader</i>	28
Tax-Exempt	
Paul Drury, CFA, <i>Portfolio Manager</i>	33
Garrett Hamilton, CFA, <i>Portfolio Manager</i>	16
April Goodman, <i>Trader</i>	17
Daniel Riordan, <i>Trader</i>	15
Average 23 years of experience	

Short Term Liquid Markets	
Joanne Driscoll, CFA	30
<i>Head of Short Term Liquid Markets</i>	
Cyrus Dilmaghani, CFA, <i>Trader</i>	26
Timothy Lyons, <i>Trader</i>	26
Jonathan Topper, <i>Trader</i>	32
Average 29 years of experience	

Global Sovereign Credit	
Michael Atkin	34
<i>Head of Global Sovereign Credit</i>	
Samantha Higgins, <i>Analyst</i>	13
Global Rates	
Sterling Horne, Ph.D., <i>Analyst</i>	7
Macroeconomics	
Izzet Yildiz, Ph.D., <i>Analyst</i>	18
Macroeconomics	
Average 18 years of experience	

Volatility Analysis	
Matthew Walkup, <i>Portfolio Manager</i>	10
Apurv Maheshwari, <i>Analyst</i>	2
Average 6 years of experience	

Collateralized Loan Obligations	
Scott M. D'Orsi, CFA	32
<i>Portfolio Manager</i>	
Stephen L. Newton, CFA, <i>Analyst</i>	20
Eric C. Vander Mel, <i>Analyst</i>	34
Average 29 years of experience	

Tax-Exempt	
Paul Drury, CFA, <i>Portfolio Manager</i>	33
Garrett Hamilton, CFA, <i>Portfolio Manager</i>	16
April Goodman, <i>Trader</i>	17
Daniel Riordan, <i>Trader</i>	15
Average 23 years of experience	

Global Macro Strategy	
Onsel Gulbitten, Ph.D., CFA	15
<i>Director, Global Macro Strategy</i>	
Vincent Yu	0
<i>Quantitative Investment Associate</i>	
Average 8 years of experience	

Credit Research			
Navin Belani, <i>Head of Credit Research</i>	22	Thomas Hanrahan, CFA, <i>Analyst</i>	7
Corporate Research		Lawrence Lawler, CFA, CAIA, <i>Analyst</i>	17
Merith Alin, <i>Analyst</i>	19	Michael Lima, CFA, PM, <i>Analyst</i>	25
Quinn Collins, <i>Analyst</i>	9	Tammy Lloyd, <i>Analyst</i>	17
Joseph Cushing, CFA, <i>Analyst</i>	31	John Mitchell, <i>Analyst</i>	15
Sydney Cushing, <i>Analyst</i>	8	Craig Oliver, CFA, <i>Analyst</i>	29
Nicholas T. Gower, CFA, <i>Analyst</i>	10	Joseph Russo, <i>Analyst</i>	8
		Caitlin A. Schlesinger, CFA, <i>Analyst</i>	9
		Oliver Szczeniowski, <i>Analyst*</i>	7
		David Thomlinson, <i>Analyst*</i>	23
		T.L. Tsang, CFA, <i>Analyst</i>	27
		Elena Chavez, <i>Investment Associate</i>	1
		Evan Clarke, <i>Investment Associate</i>	0
		Justin Hori, <i>Investment Associate</i>	2
		Isabelle Sapountzis, <i>Investment Associate</i>	0
		Carol Wu, <i>Investment Associate</i>	5
		Tax-Exempt Research	
		James DiPetrillo, CFA, <i>Analyst</i>	17
		Harold Burger, CFA, <i>Analyst</i>	19
		Rafael Cabral, <i>Analyst</i>	9
		Valerie Ferren, <i>Analyst</i>	3
		Ross Milne, CFA, <i>Analyst</i>	10
		Michael D'Agostino, <i>Investment Associate</i>	3
		Nicholas Lombardi, <i>Investment Associate</i>	1
Average 12 years of experience			

Global Investment Strategies	
Seamus Young, CFA, <i>Sr. Investment Director</i>	14
Kevin Calabro, <i>Sr. Investment Director</i>	11
Richard C. Bihrie, <i>Investment Director</i>	14
Alexandra Hodge, <i>Investment Director</i>	11
Abigail Mitchell, CFA, <i>Investment Director</i>	7
Matthew Colombo, <i>Investment Product Analyst</i>	5
Christopher Hughes, <i>Investment Product Analyst</i>	8
Kelly Loughran, CFA, <i>Investment Product Analyst</i>	4
Lauren Moran, <i>Investment Product Associate</i>	1
Average 8 years of experience	

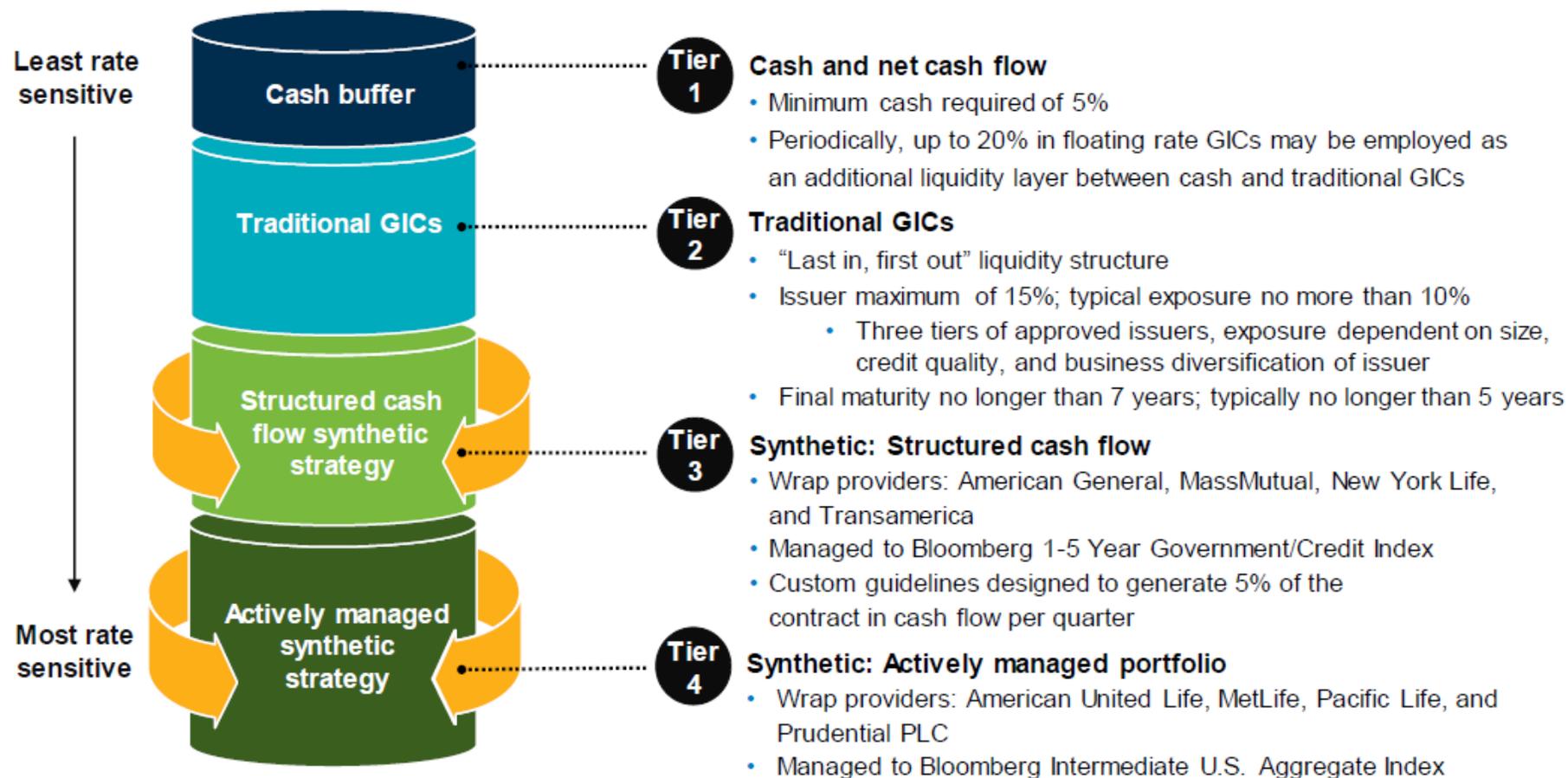
Risk Management	
Martin Lemaire, CFA, <i>Risk Manager</i>	11
Wyman Chan, <i>Risk Analyst</i>	24
Wenjie Hu, <i>Risk Analyst</i>	19
Daniel Jepson, <i>Risk Analyst</i>	8
Average 16 years of experience	

Trading Operations	
Ryan Cottreau, <i>Manager, Trading Operations</i>	23
Nicolas Hatzis, <i>Trading Assistant</i>	9
Katie Heinrich, <i>Trading Assistant</i>	9
Caroline Leary, <i>Trading Assistant</i>	4
Thomas Rankin, <i>Trading Assistant</i>	14
Justin Tornare, <i>Trading Assistant</i>	12
Average 12 years of experience	

As of 9/30/22. Numbers reflect years of industry experience, unless otherwise noted. *Located in London.
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Putnam Stable Value Portfolio Structure

Withdrawal hierarchy protects portfolio structure by lowering liquidity risk



For illustrative purposes only.

Source: Putnam Investments

Side-by-Side Analysis:

Decision Points:



Portability considerations



Liquidity at the plan level



Expense Implications (Fund and Plan level)

	Current Fund:	Option 1:	Putnam Stable Value
Return	Current crediting rate:	Current crediting rate:	Current crediting rate (net): 2.69%
Risk	Duration:	Duration:	Effective duration (years): 3.07
	Credit quality:	Credit quality:	Credit quality: AA-
Portability			Good: can be ported to other record-keepers.
Liquidity (participant)	Benefit responsive	Benefit responsive	Benefit responsive
Liquidity (plan sponsor)	Put length:	Put length:	Many events not subject to the 12-month.
Expenses	Investment expense:	Investment expense:	Investment expense: 0.31%.

As of 9/30/22



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Stable Value Analyzer

Stable Value Analyzer

Stable Value Matrix

	Putnam Stable Value Fund	Stable Value R1 (Putnam Stable Value)	Stable Value R2 (Putnam Stable Value)
Type	Stable Value	Stable Value	Stable Value
Total AUM (\$mm)	\$16,273	\$16,273	\$16,273
Crediting Rate	2.64%	2.69%	2.69%
Credit Quality	AA-	AA-	AA-
Wrap Providers	8	8	8
Duration (yr)	3	3	3
Total Expense	0.36%	0.31%	0.56%
Returns 1yr	2.23%	2.28%	2.28%
Returns 5yr	2.30%	2.36%	2.36%
Market-to-Book	93.02%	93.02%	93.02%
Manager Tenure (yr)	25	25	25

Source: RPAG. Data as of 9/30/22. ACR# 5362279 12/22

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