



# Fund and Share Class Review

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Clackamas County Plans



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# Clackamas Combined Plans

## Fund Mapping Table

### Legend

Keep	Fund Change
Share Class Change	Add

12/31/2023

**Comment: NWCM recommends the fund or share class changes below**

Current Lineup						Proposed Lineup				
Fund Name	% of Assets	Assets	Gross Exp Ratio	Revenue Share	Net Exp Ratio	Action	Fund Name	Gross Exp Ratio	Revenue Share	Net Exp Ratio
<b>US Large Cap</b>							<b>US Large Cap</b>			
Parnassus Core Equity Institutional (PRILX)	9.82%	\$24,573,989	0.61%	0.10%	0.51%	Keep	Parnassus Core Equity Institutional (PRILX)	0.61%	0.10%	0.51%
Vanguard Institutional Index I (VINIX)	16.28%	\$40,716,319	0.04%	0.00%	0.04%	Keep	Vanguard Institutional Index I (VINIX)	0.04%	0.00%	0.04%
JPMorgan Equity Income R6 (OIEJX)	6.38%	\$15,958,193	0.45%	0.00%	0.45%	Keep	JPMorgan Equity Income R6 (OIEJX)	0.45%	0.00%	0.45%
<b>US Mid Cap</b>							<b>US Mid Cap</b>			
Vanguard Mid Cap Index Institutional (VMCIX)	6.57%	\$16,433,894	0.04%	0.00%	0.04%	Keep	Vanguard Mid Cap Index Institutional (VMCIX)	0.04%	0.00%	0.04%
T. Rowe Price Mid-Cap Growth I (RPTIX)	4.73%	\$11,831,061	0.63%	0.00%	0.63%	Keep	T. Rowe Price Mid-Cap Growth I (RPTIX)	0.63%	0.00%	0.63%
<b>US Small Cap</b>							<b>US Small Cap</b>			
Vanguard Small Cap Index I (VSCIX)	5.02%	\$12,549,241	0.04%	0.00%	0.04%	Keep	Vanguard Small Cap Index I (VSCIX)	0.04%	0.00%	0.04%
JPMorgan Small Cap Equity R6 (VSENX)	3.11%	\$7,784,533	0.04%	0.00%	0.04%	Keep	JPMorgan Small Cap Equity R6 (VSENX)	0.04%	0.00%	0.04%
<b>International - Developed</b>							<b>International - Developed</b>			
Vanguard Developed Markets Index Instl (VTMNX)	4.38%	\$10,957,793	0.05%	0.00%	0.05%	Keep	Vanguard Developed Markets Index Instl (VTMNX)	0.05%	0.00%	0.05%
American Funds Europacific Growth R6 (REGX)	3.52%	\$8,800,908	0.47%	0.10%	0.37%	Keep	American Funds Europacific Growth R6 (REGX)	0.47%	0.10%	0.37%
Dodge & Cox International Stock I (DODFX)	2.47%	\$6,171,739	0.62%	0.00%	0.62%	Keep	Dodge & Cox International Stock I (DODFX)	0.62%	0.00%	0.62%
<b>International - Emerging</b>							<b>International - Emerging</b>			
Trillium ESG Global Equity Institutional (PORIX)	1.58%	\$3,940,846	1.01%	0.00%	1.01%	Keep	Trillium ESG Global Equity Institutional (PORIX)	1.01%	0.00%	1.01%
Invesco Developing Markets R6 (ODVIX)	1.73%	\$4,328,387	0.84%	0.00%	0.84%	Keep	Invesco Developing Markets R6 (ODVIX)	0.84%	0.00%	0.84%
<b>Specialty</b>							<b>Specialty</b>			
Northern Global Real Estate Index (NGREX)	0.26%	\$649,607	0.47%	0.00%	0.47%	Keep	Northern Global Real Estate Index (NGREX)	0.47%	0.00%	0.47%
Self-Directed Brokerage (selfdir)	0.13%	\$319,993	0.00%	0.00%	0.00%	Keep	Self-Directed Brokerage (selfdir)	0.00%	0.00%	0.00%
<b>Fixed Income</b>							<b>Fixed Income</b>			
Vanguard Total Bond Market Index I (VBTIX)	4.96%	\$12,400,218	0.04%	0.00%	0.04%	Keep	Vanguard Total Bond Market Index I (VBTIX)	0.04%	0.00%	0.04%
Calvert Bond I (CBDIX)	0.27%	\$664,143	0.53%	0.00%	0.53%	Keep	Calvert Bond I (CBDIX)	0.53%	0.00%	0.53%
Loomis Sayles Investment Grade Bond N (LGBNX)	5.46%	\$13,655,115	0.44%	0.00%	0.44%	Keep	Loomis Sayles Investment Grade Bond N (LGBNX)	0.44%	0.00%	0.44%
Lord Abbett High Yield R6 (LHYVX)	0.37%	\$935,446	0.60%	0.10%	0.50%	Fund Change	PGIM High Yield R6 (PHYQX)	0.38%	0.00%	0.38%
Vanguard Total Intl Bd Idx Admiral™ (VTABX)	2.53%	\$6,316,758	0.11%	0.00%	0.11%	Share Class Change	Vanguard Total Intl Bd Idx Institutional (VTIFX)	0.07%	0.00%	0.07%
Voya Stable Value Fund CL 35 (97182J823)	17.57%	\$43,958,111	0.52%	0.00%	0.52%	Keep	Voya Stable Value Fund CL 35 (97182J823)	0.52%	0.00%	0.52%
BlackRock Liquid Federal Trust Instl (TFFXX)	2.87%	\$7,185,175	0.17%	0.00%	0.17%	Keep	BlackRock Liquid Federal Trust Instl (TFFXX)	0.17%	0.00%	0.17%
<b>Total</b>	<b>100.00%</b>	<b>\$250,131,468</b>	<b>0.325%</b>	<b>0.014%</b>	<b>0.312%</b>			<b>0.323%</b>	<b>0.013%</b>	<b>0.310%</b>

Clackamas County TimeFrame Portfolios - 2024 Asset Allocations

Asset Class	Fund Ticker	Expense Ratio	Income	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	
U.S. Large Cap				18%	20%	21%	22%	23%	24%	27%	29%	30%	31%	31%	31%	31%	
JPMorgan Equity Income R6	OIEJX	0.45%	4%	4%	4%	4%	5%	5%	5%	6%	6%	6%	6%	6%	6%	6%	
Parnassus Core Equity Institutional	PRILX	0.61%	2%	3%	3%	3%	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%	
Vanguard Institutional Index I	VINIX	0.04%	12%	13%	14%	15%	15%	16%	18%	19%	20%	21%	21%	21%	21%	21%	
U.S. Mid Cap				4%	5%	6%	7%	7%	9%	11%	14%	16%	17%	18%	20%	20%	
T. Rowe Price Mid-Cap Growth I	RPTIX	0.63%	2%	2%	2%	3%	3%	4%	4%	6%	6%	7%	7%	8%	8%	8%	
Vanguard Mid Cap Index Institution:	VMCIX	0.04%	2%	3%	4%	4%	4%	5%	7%	8%	10%	10%	11%	12%	12%	12%	
U.S. Small Cap				1%	2%	3%	3%	4%	5%	7%	10%	12%	13%	15%	16%	18%	
JPMorgan Small Cap Equity R6	VSENX	0.74%	1%	2%	2%	2%	3%	3%	5%	6%	8%	8%	9%	10%	11%	11%	
Vanguard Small Cap Index I	VSCIX	0.04%	0%	0%	1%	1%	1%	2%	2%	4%	4%	5%	6%	6%	7%	7%	
International Equity				8%	9%	10%	12%	13%	14%	18%	20%	21%	23%	24%	25%	25%	26%
Vanguard Developed Markets Inde	VTMNX	0.05%	4%	5%	5%	6%	6%	7%	9%	9%	10%	10%	11%	12%	12%	13%	
Trillium ESG Global Equity Institutio	PORIX	1.01%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Dodge & Cox International Stock I	DODFX	0.62%	1%	1%	2%	2%	3%	3%	4%	4%	4%	5%	5%	5%	5%	5%	
American Funds Europacific Growth	RERGX	0.47%	2%	2%	2%	3%	3%	3%	3%	4%	4%	5%	5%	5%	5%	5%	
Invesco Developing Markets R6	ODVIX	0.84%	1%	1%	1%	1%	1%	1%	2%	3%	3%	3%	3%	3%	3%	3%	
Specialty				0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Northern Global Real Estate Index	NGREX	0.47%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Intermediate Duration Fixed Income				34%	34%	34%	33%	32%	31%	27%	22%	17%	13%	10%	6%	5%	4%
Loomis Sayles Investment Grade B	LGBNX	0.44%	17%	17%	17%	17%	16%	16%	14%	11%	9%	7%	5%	3%	3%	2%	
Calvert Bond I	CBDIX	0.01	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Vanguard Total Bond Market Index	VBTIX	0.04%	17%	17%	17%	16%	16%	15%	13%	11%	8%	6%	5%	3%	2%	2%	
PGIM High Yield R6	PHYQX	0.38%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Global Hedged				8%	8%	8%	8%	8%	7%	5%	4%	3%	2%	2%	1%	1%	
Vanguard Total Intl Bd Idx Institution	VTIFX	0.07%	8%	8%	8%	8%	8%	8%	7%	5%	4%	3%	2%	2%	1%	1%	
Liquid Assets				27%	22%	18%	15%	13%	9%	3%	0%	0%	0%	0%	0%	0%	0%
Voya Stable Value 35	VOYASV35	0.35%	27%	22%	18%	15%	13%	9%	3%	0%	0%	0%	0%	0%	0%	0%	

Model Summary Statistics

Equity:	31%	36%	40%	44%	47%	52%	63%	73%	79%	84%	88%	92%	94%	95%
Fixed Income:	69%	64%	60%	56%	53%	48%	37%	27%	21%	16%	12%	8%	6%	5%
% Active	57%	54%	51%	50%	50%	47%	44%	44%	44%	45%	44%	44%	45%	44%
% Passive	43%	46%	49%	50%	50%	53%	56%	56%	56%	55%	56%	56%	55%	56%
Expense:	0.26%	0.26%	0.25%	0.25%	0.26%	0.25%	0.26%	0.27%	0.28%	0.29%	0.29%	0.29%	0.30%	0.29%

Clackamas County TimeFrame Portfolios - Change Asset Allocations

Asset Class	Fund Ticker	Expense Ratio	Income	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	
<b>U.S. Large Cap</b>				0%	0%	0%	0%	-1%	-1%	0%	0%	0%	0%	0%	0%	0%	
JPMorgan Equity Income R6	OIEJX	0.45%	0%	0%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	
Parnassus Core Equity Institutional	PRILX	0.61%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Vanguard Institutional Index I	VINIX	0.04%	0%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>U.S. Mid Cap</b>				0%	0%	0%	-1%	0%	-1%	0%	0%	0%	-1%	0%	0%	0%	
T. Rowe Price Mid-Cap Growth I	RPTIX	0.63%	0%	0%	0%	0%	0%	0%	-1%	0%	0%	0%	-1%	0%	0%	0%	
Vanguard Mid Cap Index Institutional	VMCIX	0.04%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>U.S. Small Cap</b>				0%	0%	0%	0%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	
JPMorgan Small Cap Equity R6	VSENX	0.74%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	
Vanguard Small Cap Index I	VSCIX	0.04%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>International Equity</b>				0%	-1%	-1%	0%	0%	-1%	0%	-1%	-1%	0%	0%	0%	0%	0%
Vanguard Developed Markets Index In	VTMNX	0.05%	0%	0%	-1%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	0%	0%	
Trillium ESG Global Equity Institutiona	PORIX	1.01%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Dodge & Cox International Stock I	DODFX	0.62%	0%	-1%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	
American Funds Europacific Growth R	RERGX	0.47%	0%	0%	0%	0%	0%	0%	-1%	0%	-1%	0%	0%	0%	0%	0%	
Invesco Developing Markets R6	ODVIX	0.84%	0%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>Specialty</b>				0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Northern Global Real Estate Index	NGREX	0.47%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>Intermediate Duration Fixed Income</b>				0%	0%	0%	1%	0%	1%	1%	1%	1%	1%	0%	0%	0%	0%
Loomis Sayles Investment Grade Bon	LGBNX	0.44%	0%	0%	0%	0%	0%	0%	1%	0%	1%	1%	0%	0%	0%	0%	
Calvert Bond I	CBDIX	0.53%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Vanguard Total Bond Market Index I	VBTIX	0.04%	0%	0%	0%	0%	1%	0%	0%	1%	0%	0%	1%	0%	0%	0%	
Lord Abbett High Yield R6	LHYVX	0.60%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
PGIM High Yield R6	PHYQX	0.38%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>Global Hedged</b>				0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Vanguard Total Intl Bd Idx Admiral™	VTABX	0.11%	-8%	-8%	-8%	-8%	-8%	-8%	-7%	-5%	-4%	-3%	-2%	-2%	-1%	-1%	
Vanguard Total Intl Bd Idx Institutional	VTIFX	0.07%	8%	8%	8%	8%	8%	8%	7%	5%	4%	3%	2%	2%	1%	1%	
<b>Liquid Assets</b>				0%	1%	1%	0%	0%	2%	1%	0%	0%	0%	0%	0%	0%	0%
Voya Stable Value 35	VOYASV35	0.35%	0%	1%	1%	0%	0%	2%	1%	0%	0%	0%	0%	0%	0%	0%	

Model Summary Statistics

Equity:	0%	-1%	-1%	0%	-1%	-2%	-2%	-1%	-1%	-1%	-1%	-1%	0%	0%	0%	0%
Fixed Income:	0%	1%	1%	0%	1%	2%	2%	1%	1%	1%	1%	1%	0%	0%	0%	0%
% Active	0%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%	-1%	0%	0%	0%	0%
% Passive	-8%	-8%	-9%	-8%	-8%	-9%	-7%	-5%	-4%	-3%	-1%	-2%	-1%	-1%	-1%	-1%

**Clackamas County TimeFrame Portfolios - 2023 Asset Allocations**

Asset Class	Fund Ticker	Expense Ratio	Income	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065
<b>U.S. Large Cap</b>			18%	20%	21%	22%	23%	25%	28%	29%	30%	31%	31%	31%	31%	31%
JPMorgan Equity Income R6	OIEJX	0.45%	4%	4%	4%	4%	5%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Parnassus Core Equity Institutional	PRILX	0.61%	2%	3%	3%	3%	3%	3%	4%	4%	4%	4%	4%	4%	4%	4%
Vanguard Institutional Index I	VINIX	0.04%	12%	13%	14%	15%	15%	17%	18%	19%	20%	21%	21%	21%	21%	21%
<b>U.S. Mid Cap</b>			4%	5%	6%	7%	8%	9%	12%	14%	16%	17%	19%	20%	20%	20%
T. Rowe Price Mid-Cap Growth I	RPTIX	0.61%	2%	2%	2%	3%	3%	4%	5%	6%	6%	7%	8%	8%	8%	8%
Vanguard Mid Cap Index Institutional	VMCIX	0.04%	2%	3%	4%	4%	5%	5%	7%	8%	10%	10%	11%	12%	12%	12%
<b>U.S. Small Cap</b>			1%	2%	3%	3%	4%	5%	7%	10%	12%	14%	15%	16%	18%	18%
JPMorgan Small Cap Equity R6	VSENX	0.75%	1%	2%	2%	2%	3%	3%	5%	6%	8%	9%	9%	10%	11%	11%
Vanguard Small Cap Index I	VSCIX	0.04%	0%	0%	1%	1%	1%	2%	2%	4%	4%	5%	6%	6%	7%	7%
<b>International Equity</b>			8%	10%	11%	12%	13%	15%	18%	21%	22%	23%	24%	25%	25%	26%
Vanguard Developed Markets Index In	VTMNX	0.05%	4%	5%	6%	6%	6%	7%	9%	10%	10%	10%	11%	12%	12%	13%
Trillium ESG Global Equity Fund Instl	PORIX	1.01%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dodge & Cox International Stock I	DODFX	0.62%	1%	2%	2%	2%	3%	3%	3%	4%	4%	5%	5%	5%	5%	5%
American Funds Europacific Growth R	RERGX	0.46%	2%	2%	2%	3%	3%	3%	4%	4%	5%	5%	5%	5%	5%	5%
Invesco Developing Markets R6	ODVIX	0.81%	1%	1%	1%	1%	2%	2%	3%	3%	3%	3%	3%	3%	3%	3%
<b>Specialty</b>			0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Northern Global Real Estate Index	NGREX	0.47%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Intermediate Duration Fixed Income</b>			34%	34%	34%	33%	31%	31%	26%	21%	16%	12%	9%	6%	5%	4%
Loomis Sayles Investment Grade Bond	LGBNX	0.45%	17%	17%	17%	17%	16%	16%	13%	11%	8%	6%	5%	3%	3%	2%
Calvert Bond I	CBDIX	0.01	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Vanguard Total Bond Market Index I	VBTIX	0.05%	17%	17%	17%	16%	15%	15%	13%	10%	8%	6%	4%	3%	2%	2%
Lord Abbett High Yield R6	LHYVX	0.59%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Global Hedged</b>			8%	8%	8%	8%	8%	8%	7%	5%	4%	3%	2%	2%	1%	1%
Vanguard Total Intl Bd Idx Admiral™	VTABX	0.11%	8%	8%	8%	8%	8%	8%	7%	5%	4%	3%	2%	2%	1%	1%
<b>Liquid Assets</b>			27%	21%	17%	15%	13%	7%	2%	0%	0%	0%	0%	0%	0%	0%
Voya Stable Value 35	VOYASV35	0.35%	27%	21%	17%	15%	13%	7%	2%	0%	0%	0%	0%	0%	0%	0%

**Model Summary Statistics**

Equity:	31%	37%	41%	44%	48%	54%	65%	74%	80%	85%	89%	92%	94%	95%
Fixed Income:	69%	63%	59%	56%	52%	46%	35%	26%	20%	15%	11%	8%	6%	5%
% Active	57%	54%	50%	50%	50%	46%	44%	44%	44%	45%	45%	44%	45%	44%
% Passive	43%	46%	50%	50%	50%	54%	56%	56%	56%	55%	55%	56%	55%	56%
Expense:	0.27%	0.27%	0.26%	0.26%	0.27%	0.26%	0.27%	0.28%	0.28%	0.29%	0.29%	0.29%	0.30%	0.29%

## High Yield Bond Manager Search

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# Executive Summary

As a fiduciary responsible for managing the retirement plan, the investment committee has an obligation to act in the best interest of plan participants. This includes documenting the committee's investment decision making process, including the criteria used to select and monitor investment options.

Lord Abnett High Yield is the plan's incumbent investment manager in the High Yield Bond peer group. This fund was placed on watch in Q4 2022 and has been monitored closely since that time. NWCM has concluded that higher conviction investment options exist within that peer group, and therefore conducted a manager search for potential replacements.

NWCM reviewed the High Yield Bond investment universe, analyzed the candidate pool, narrowed down our top candidates and believes that the BlackRock High Yield Bond Instl mutual fund is the most suitable replacement due to its performance and risk characteristics, low fees, and experienced management. The fund is on watch due to a change in one of the portfolio managers, but this does not affect the strategy as the PM removed from the fund was not involved in the day-to-day activities. NWCM included the following strategies in the High Yield Bond manager search and assessed them on the metrics shown below. NWCM has also provided the subsequent reports to assist in the decision-making process.

	BlackRock High Yield Bond	PIMCO High Yield	PGIM High Yield	Lord Abnett High Yield
Performance	√	√	√	X
Risk	√	√	√	X
Style	√	√	√	√
Management Team	√	X	√	√
Fees	√	√	√	√
IPS Status	Watch	Pass	Pass	Watch



# Investment Selection Process Summary

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1. **Quantitative Screen:** NWCM began the process by looking at the broader High Yield Bond universe. To initially narrow the investment universe, NWCM applied various quantitative screens, including whether the share class was closed to new investors, average investment manager tenure, investment performance peer group ranking, and competitive prospectus net expense ratio.
2. **Qualitative Analysis:** After going through various screens, NWCM began its qualitative analysis which included our perspective on the fund based on our interviews with each fund management team. From our quantitative screening and qualitative analysis, NWCM was able to narrow the entire pool of High Yield Bond managers to three strategies, all encompassing the following characteristics:
  1. A stable and experienced investment team, from the named Portfolio Managers to the support analysts.
  2. Consistent, thoughtful, and transparent investment process using a proprietary framework.
  3. Ongoing risk monitoring and portfolio due diligence, leading to portfolios that achieve high performance ranking relative to peers, at a reasonable cost.
1. **Final Analysis:** The three viable High Yield Bond strategies were then compared with one another. The assessment included historical peer group rankings from common fund inception dates using quantitative data points such as performance, Sharpe ratio, standard deviation, and information ratio. From this assessment, NWCM determined the single best alternative candidate to fit the High Yield Bond mandate.

The following analysis compares the top candidates with the incumbent.

# Fund Highlights

Name	Ticker	Morningstar Category	Inception Date	Manager Tenure (Average)	Primary Prospectus Benchmark	AUM	Prospectus Expense Ratio	# of Holdings
<b>Lord Abbett High Yield R6</b>	LHYVX	US Fund High Yield Bond	6/30/2015	7.96	ICE BofA US HY Constnd TR USD	\$3,856,372,728	0.60	644
<b>BlackRock High Yield Bond Instl</b>	BHYIX	US Fund High Yield Bond	11/19/1998	12.42	Bloomberg US HY 2% Issuer Cap TR USD	\$20,789,802,213	0.60	1,558
<b>PGIM High Yield R6</b>	PHYQX	US Fund High Yield Bond	10/31/2011	8.53	Bloomberg US HY 1% Issuer Cap TR USD	\$17,861,497,627	0.38	745
<b>PIMCO High Yield Instl</b>	PHIYX	US Fund High Yield Bond	12/15/1992	2.06	ICE BofA BB-B US HY Constnd TR USD	\$8,413,595,434	0.55	767

# Lord Abbett High Yield

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**Current Scorecard Score: 40/100**

## **Commentary:**

Steven Rocco (2010), Robert Lee (2013), Christopher Gizzo (2018), and Karen Gunnerson (2021) are the managers of the strategy.

The team leverages a proprietary quantitative tool to create a relative value score for individual securities. The team then selects individual securities based on the attractiveness of their relative yields and value scores, focusing on sectors the PM team will be benefactors of cyclical trends in the credit markets. Historically the strategy has courted more risk than the average peer through an overweight to CCC or below rated bonds. While this is still a significant portion of the portfolio, the managers had been trimming risk exposures in 2022 and 2023 in response to Federal Reserve tightening and the risk of recession.

The strategy ranks in the bottom quintile of peers over the past 1- and 3- years, in the third quartile over the past 5- years, and in the second quartile over the past 10- years. On a risk-adjusted basis, as measured by the Sharpe Ratio, the strategy has lagged the peer average over the past 3-, 5-, and 10- years. Performance in 2023 was bottom quartile as lower credit quality holdings and a longer than average effective duration were headwinds to relative performance during the first 3 quarters of the year.

## **Recommendation:**

Replace

## **Rationale:**

Due to an above average risk profile and a choppy performance track record on both an absolute and risk-adjusted basis over the past 5 years, NWCM recommends replacing this strategy with a higher conviction High Yield Bond manager.

# Performance

## Trailing performance as of 11/30/23

Top decile  Bottom decile ⓘ

Returns and rankings in %		YTD		1 year		3 year		5 year		10 year		15 year	
Ticker and investment name (grouped by Morningstar category)		Total return	% cat rank	Total return	% cat rank	Total return	% cat rank	Total Return	% cat rank	Total return	% cat rank	Total return	% cat rank
High Yield Bond	Funds ranked	686		684		633		588		440		284	
LHYVX - Lord Abbett High Yield R6		6.82	87	5.83	91	0.13	81	2.96	79	3.88	27	8.70	12
BHYIX - BlackRock High Yield Bond Instl		9.67	17	8.98	20	1.91	32	4.37	19	4.26	12	9.13	6
PHYQX - PGIM High Yield R6		8.09	65	7.38	68	1.30	48	4.17	24	4.49	8	8.66	12
PHIYX - PIMCO High Yield Instl		8.81	42	7.87	53	0.84	64	3.70	42	3.88	27	8.16	32
ICE BofA US HY Constnd TR USD *		9.43	-	8.62	-	1.42	-	3.97	-	4.19	-	9.28	-

\* Benchmark

- Lord Abbett has struggled with generating excess performance through changing market environments over the past 5 years
- Both BlackRock and PGIM display long term performance well above the peer average

# Risk and Return Statistics

## Risk/return statistics 3 Year 12/1/20 - 11/30/23

Returns in %

Ticker and investment name	Return	Standard deviation	Sharpe ratio	Batting average	Excess return	Tracking error	Information ratio	Beta	Up capture	Down capture	R-squared
LHYVX - Lord Abbett High Yield R6	0.13	8.22	-0.27	27.78	-1.29	1.13	-1.14	0.99	94.56	107.20	98.09
BHYIX - BlackRock High Yield Bond Instl	1.91	8.27	-0.05	66.67	0.49	0.60	0.82	1.00	101.66	96.86	99.47
PHYQX - PGIM High Yield R6	1.30	7.91	-0.13	61.11	-0.12	1.07	-0.11	0.95	99.67	100.85	98.38
PHIYX - PIMCO High Yield Instl	0.84	8.42	-0.18	41.67	-0.58	0.91	-0.64	1.01	97.44	103.07	98.82
ICE BofA US HY Conetnd TR USD *	1.42	8.26	-0.11	-	-	-	-	-	-	-	-

\* Benchmark

## Risk/return statistics 5 Year 12/1/18 - 11/30/23

Returns in %

Ticker and investment name	Return	Standard deviation	Sharpe ratio	Batting average	Excess return	Tracking error	Information ratio	Beta	Up capture	Down capture	R-squared
LHYVX - Lord Abbett High Yield R6	2.96	10.90	0.09	43.33	-1.01	2.06	-0.49	1.12	102.74	114.01	97.58
BHYIX - BlackRock High Yield Bond Instl	4.37	9.76	0.25	58.33	0.39	0.76	0.52	1.01	102.46	99.44	99.41
PHYQX - PGIM High Yield R6	4.17	9.75	0.23	61.67	0.20	1.14	0.18	1.01	101.75	100.39	98.64
PHIYX - PIMCO High Yield Instl	3.70	9.05	0.19	46.67	-0.27	1.37	-0.20	0.93	95.37	96.30	98.22
ICE BofA US HY Conetnd TR USD *	3.97	9.61	0.21	-	-	-	-	-	-	-	-

\* Benchmark

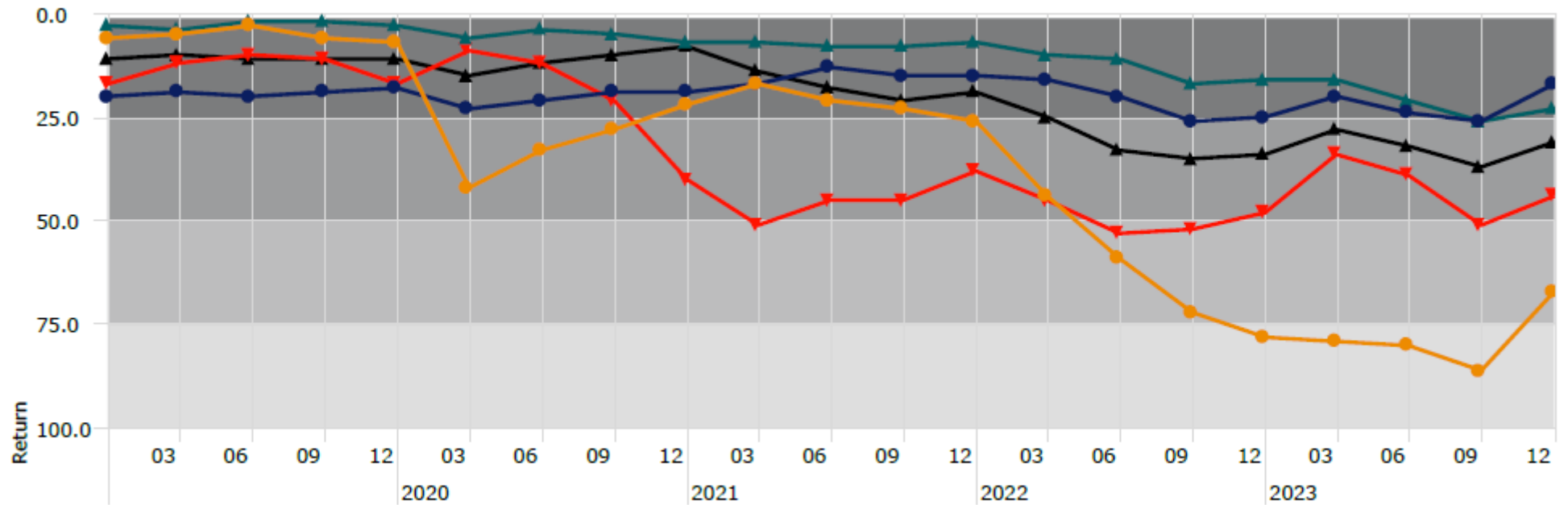
- BlackRock has the strongest risk-adjusted performance, as measured by Sharpe and Information Ratio. This has been achieved by limiting downside capture compared to other strategies with similar upside captures

# Consistency

Time Period: 1/1/2014 to 12/31/2023

Peer Group (5-95%): Funds - U.S. - High Yield Bond Rolling Window: 5 Years 3 Months shift Calculation Benchmark: ICE BofA US High Yield TR USD

1st to 25th Percentile 26th to Median 51st to 75th Percentile 76th to 100th Percentile



Lord Abbett High Yield R6  
PIMCO High Yield Instl

BlackRock High Yield Bond Instl  
ICE BofA US High Yield TR USD

PGIM High Yield R6

- Both BlackRock and PGIM have generated consistent excess performance through varied market conditions

# Fees

Investment fees can compound over time and erode the overall returns of an investment portfolio, especially over long periods. As a result, even seemingly small differences in fees can have a significant impact on investment performance and reduce the amount of wealth an investor accumulates over time.

- All of the included strategies rank in the least expensive quartile of the peer group



# PIMCO High Yield

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## **Current Scorecard Score: 65/100**

### **Commentary:**

Sonali Pier (2019), David Forgash (2023), and Jason Duko (2023) are the managers of the strategy. Long time lead manager of the strategy Andrew Jessup (2009) retired in mid-2023, and quant-focused PM Amit Agrawal (2021) moved to a different role within PIMCO in early 2023. Jessup's retirement was known and planned for long in advance, and while Agrawal's change in role was more abrupt, the quantitative screening process he contributed to was not a large portion of the portfolio.

The team looks to marry the views of the very deep credit analyst team (80+ dedicated credit analysts currently) with PIMCO's house top down macro views. The team looks to keep a modest risk budget compared to peers, with duration and sector positioning remaining relatively in line with peers. Derivatives are used for hedging purposes and to help the team fine tune macro positions that would be otherwise difficult to achieve with only cash bonds.

The strategy ranks in the second quartile over the past 1- and 5- years, the third quartile over the past 3- years, and in the top quartile over the past 10- years. PIMCO's macro positioning has been beneficial to minimize relative volatility during choppy markets over the past 2+ years. Performance in 2023 was second quartile as a preference for higher quality credit (overweight BB) benefitted the portfolio amid recessionary concerns.

### **Recommendation:**

Suitable for replacement opportunities and new mandates

### **Rationale:**

Due to solid long term absolute and risk-adjusted performance, NWCM considers this strategy suitable for replacement opportunities and new mandates



# PGIM High Yield

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## **Current Scorecard Score: 87/100**

### **Commentary:**

Robert Spano (2007), Ryan Kelly (2012), Brian Clapp (2013), Robert Cignarella (2014), Michael Gormally (2022), and Brian Lalli (2023) are the managers of the strategy.

The strategy relies on the extensive experience of not only the industry veteran Portfolio Managers but also the team of 50+ dedicated credit analysts to generate a portfolio that derived at least 80% of its alpha through security selection. Each PM is a sector specialist and performs rigorous fundamental research on each holding within their purview. PGIM's insurance company roots also show through with a highly disciplined risk budgeting process that limits issuer exposure in graded fashion by credit quality.

The strategy ranks in the second quartile over the past 1- and 3- years, and in the top quartile over the past 5- and 10- years. Security selection has been the largest driver of long term excess performance, and changes made to increase guardrails on duration and sector exposures in the early 2010's have been beneficial in limiting risk. Performance in 2023 was second quartile, with a strong Q4 balancing out some security selection missteps at the beginning of the year (a holding in Caribbean telecom company Digicel was the largest detractor to relative performance)

### **Recommendation:**

Suitable for replacement opportunities and new mandates

### **Rationale:**

Due to a long-tenured and consistent management process, strong institutional support and expertise, and strong long term performance NWCM considers this strategy suitable for replacement opportunities and new mandates

# BlackRock High Yield Bond

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**Current Scorecard Score: 83/100**

## **Commentary:**

Mitchell Garfin (2009), Derek Schoenhofen (2009), and David Delbos (2014) are the managers of the strategy. Longtime named PM and Global Credit CIO James Keenan (2007) transitioned off the portfolio in 2023 to move to a new role within BlackRock's Alternatives and Private Credit teams. He had not had any day-to-day responsibilities with the funds for a few years. In January 2024 it was announced that David Schoenhofen was named the Global Head of Credit Trading within BlackRock and his name will be removed as a portfolio manager. David had not had any responsibilities for the day-to-day management of the fund, and his expertise on the trading and implementation side of the business will continue to be felt in the portfolio from his new role. BlackRock has been making an effort with all their strategies to remove portfolio managers names who do not have direct, day-to-day investment impact on a strategy from being listed as a named PM. This is purely an internal administrative effort and has no impact on the management of a strategy.

The team looks to generate excess performance through their ability to be tactical on a macro basis and by leveraging the firm's superior scale and access to find relative value on an individual security basis. The strategy itself has a team of 23 dedicated analysts that generate many of the individual security ideas, and that team can also leverage BlackRock's pool of 1200 analysts around the globe to fine tune ideas. Each individual security and portfolio is rigorously stress tested through the RQA (Risk and Quantitative Analysis) team to ensure prudent risk budgeting.

The strategy ranks in the top quartile of peers on a 1-, 5-, 10-, and 15- year time frame, and in the second quartile over the past 3- years. Prudent risk management and security selection have driven strong absolute and risk-adjusted performance. Performance in 2023 was top quartile as an overweight to higher quality credit and security selection in media and communications were tailwinds to relative performance.

## **Recommendation:**

Suitable for replacement opportunities and new mandates.

## **Rationale:**

Due to a long-tenured and consistent management process, strong institutional support and expertise, and strong long term performance NWCM considers this strategy suitable for replacement opportunities and new mandates.

## Conclusion

After evaluating the High Yield Bond fund universe and narrowing our in-depth analysis to the three funds above, NWCM found the BlackRock High Yield Bond fund exhibited the following qualities:

- Long tenured management team and strong support structure of analysts
- Differentiated investment management process
- Top quartile absolute performance peer group rankings over the trailing 1, 5, and 10 year time horizons
- Strong risk adjusted performance as measured by Sharpe Ratio and Information Ratio
- Consistently strong trailing performance rankings through changing market conditions
- Fees below the peer average

For these reasons, NWCM has determined that the incumbent Lord Abbett High Yield fund should be replaced with the BlackRock High Yield Bond fund.

	BlackRock High Yield Bond	PIMCO High Yield	PGIM High Yield	Lord Abbett High Yield
Performance	√	√	√	X
Risk	√	√	√	X
Style	√	√	√	√
Management Team	√	X	√	√
Fees	√	√	√	√
IPS Status	Watch	Pass	Pass	Watch

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## Appendix

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LHYVX fact sheet as of 12/31/23:

[https://fulfillment.lordabbett.com/file/4194ffdb954289219e8401a0a0acc86f/filename/High\\_Yield\\_Fund\\_Fact\\_Sheet](https://fulfillment.lordabbett.com/file/4194ffdb954289219e8401a0a0acc86f/filename/High_Yield_Fund_Fact_Sheet)

BHYIX fact sheet as of 12/31/23:

<https://www.blackrock.com/us/individual/literature/fact-sheet/bhyix-high-yield-bond-fund-factsheet-us09260b6305-us-en-individual.pdf>

PHYQX fact sheet as of 12/31/23:

<https://www.pgim.com/investments/getpidoc?file=0CC18B505EC08B3785257B7D005C86E8>

PHIYX as of 12/31/23:

<https://www.pimco.com/handlers/displaydocument.ashx?c=693390841>

# Disclosures



Investors cannot invest directly in indices. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing.

Additional risks are associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards.

Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed. Past performance does not guarantee future results.

Investment advisory services offered through NWCM, an SEC Registered Investment Advisor.

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