

# The Local Government Investment Environment and Implications on a Section 115 Trust for OPEB and Pension Prefunding



Prepared for

## Town of Los Gatos Town Council & Finance Commission



October 6, 2025

ATTACHMENT 1

# **POWERS AND DUTIES COMMON TO CITIES, COUNTIES**

## **AND OTHER AGENCIES**

### **CA GOVT CODE §53600.3**

All governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are **trustees** and therefore **fiduciaries** subject to the prudent investor standard.

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a **trustee** shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the agency, that a **prudent person** acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

# FIDUCIARY RESPONSIBILITIES – PLAN OVERSIGHT

- ❖ Plan fiduciaries have important responsibilities and are subject to standards of conduct.
- ❖ *California Constitution, Article XVI, Section 17 contains fiduciary provisions that are essentially identical to those under ERISA.*

## **Fiduciaries must:**

- Act solely in the interest of plan participants and their beneficiaries;
- Carry out their duties prudently;
- Follow plan documents;
- Diversify plan investments;
- Ensure plan and investment expenses are reasonable; and
- Have a fidelity bond

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GROUP, LLC**



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# SHUSTER ADVISORY GROUP, LLC

- SEC-Registered Investment Advisor w/ \$9B+ in assets under management/advisement
- Focuses on serving the unique needs of governmental agencies and special districts
- Fiduciary to plan investments
- Must act in the *best interest* of our clients
- Provides investment selection and ongoing monitoring and management
- Provides transparent services and fees

# PLAN CONSULTING SERVICES

- **Defined Contribution**
  - 457(b)
  - 457(f)
  - 401(a)
  - 401(k)
  - 403(b)
  - 415(m)
  - PT-OBRA/ Social Security Alternative
- **Pension**
  - Defined Benefit
  - Cash Balance
  - Supplemental Defined Benefit
- **Retiree Medical Reimbursement**
- **Future Liability Prefunding (115 Trust)**
  - Pension
  - OPEB
- **Operating Reserves/Cash Accounts**



# SHUSTER ADVISORY GROUP, LLC

## Cities, Agencies, and Public Entities We Proudly Serve

American Canyon	Fontana	Antelope Valley Medical Center	Los Gatos	Redlands
Arcadia	Fullerton	Chino Valley Fire District	Manhattan Beach	Rialto
Artesia	Gardena	Conejo Recreation & Park District	Montebello	Riverside
Azusa	Glendora	County Commissioners' Association of Ohio (CCAO)	Monterey Park	San Bernardino
Baldwin Park	Hemet	First Public Hydrogen Authority	Moraga	San Dimas
Bell	Hermosa Beach	Hesperia Fire Protection District	Moreno Valley	San Fernando
Bell Gardens	Hesperia	Hesperia Water District	Morgan Hill	San Juan Capistrano
Bellflower	Huntington Park	Madera Irrigation District	Norwalk	San Pablo
Beverly Hills	Indian Wells	Midway City Sanitation District	Oakley	Santa Fe Springs
Canyon Lake	Inglewood	Mountains Recreation & Conservation Authority	Ontario	Sebastopol
Carson	Jurupa Valley	Ohio County Employees Retirement Plan (OCERP)	Orange	Scotts Valley
Cathedral City	Laguna Hills	Ontario International Airport Authority	Oxnard	Signal Hill
Chino	La Mirada	Orange County Fire Authority	Palmdale	South Gate
Claremont	La Palma	Regional Center of the East Bay	Palm Desert	Stanton
Clovis	La Quinta	San Bernardino Water District	Perris	Stockton
Colton	La Verne	South Bay Regional Public Communications Authority	Pico Rivera	Temecula
Commerce	Lafayette	Three Valleys Municipal Water District	Pismo Beach	Union City
Covina	Lakewood	Trinity County Waterworks	Placentia	Upland
Downey	Lancaster	Valley-Wide Recreation & Park District	Pleasant Hill	Vernon
Eastvale	Lomita	West Valley Water District	Rancho Cordova	Walnut
El Segundo	Lompoc		Rancho Mirage	Whittier
Emeryville	Los Altos		Rancho Palos Verdes	Wildomar

The cities and agencies listed above do not expressly recommend Shuster Advisory Group, LLC, a SEC Registered Investment Advisor.

# SHUSTER ADVISORY GROUP, LLC

## Corporate Clients We Proudly Serve



The entities listed above do not expressly recommend Shuster Financial Group, LLC, Shuster Advisory Group, LLC, KOBO Retirement Strategies, LLC, Shuster Financial & Insurance Services, Inc., or any other related company ("Shuster Companies"). Similarly, Shuster Companies do not expressly recommend the services or products provided by any of the entities listed above. The entities listed above are clients of a least one of the Shuster Companies but not necessarily all of the Shuster Companies.

# FEES AND FUNDS MAKE A SIGNIFICANT DIFFERENCE OVER 30-YEARS FOR PARTICIPANTS' RETIREMENT SAVINGS

Pricing reduction eff  
10/1/25 and new  
investments eff  
11/14/25

Lower Fees

## What does this mean?

A plan with lower overall plan fees can enhance long-term growth potential by reducing costs.

Client	Starting Balance	Fee Savings (\$)		
Assumed Annualized Future Plan Growth:		6.00%	7.00%	8.00%
Town of Moraga	\$5,345,983	\$4,909,178	\$6,417,024	\$8,378,808
City of Los Altos	\$19,456,255	\$11,321,104	\$14,823,295	\$19,377,823
City of San Pablo	\$20,175,108	\$11,848,169	\$15,509,532	\$20,270,672
City of Lafayette*	\$32,763,336	\$1,390,378	\$1,826,303	\$2,392,816
<b>Town of Los Gatos</b>	<b>\$33,914,960</b>	<b>\$12,801,839</b>	<b>\$16,790,780</b>	<b>\$21,975,967</b>
City of Morgan Hill*	\$36,867,860	\$35,999,586	\$47,331,302	\$62,070,958
City of Pleasant Hill	\$44,698,640	\$15,227,698	\$19,930,823	\$26,044,284
City of Union City	\$46,390,555	\$15,057,703	\$19,696,229	\$25,725,516
<b>Total</b>		<b>\$108,555,655</b>	<b>\$142,325,289</b>	<b>\$186,236,845</b>

## What does this mean?

A plan with lower overall plan fees **and** a stronger investment lineup can enhance long-term growth potential by reducing costs **and** improving investment quality.

Lower Fees

+

Enhanced Investments

Client	Starting Balance	Fee Savings & Hypothetical Investment Performance Impact (\$)		
Assumed Annualized Future Plan Growth:		6.00% vs. 6.25%	6.00% vs. 6.50%	6.00% vs. 7.00%
Town of Moraga	\$5,345,983	\$6,707,338	\$8,632,796	\$12,900,892
City of Los Altos	\$19,456,255	\$17,567,597	\$24,256,084	\$39,081,507
City of San Pablo	\$20,175,108	\$19,098,819	\$26,862,474	\$44,070,938
City of Lafayette*	\$32,763,336	\$11,607,736	\$22,547,624	\$46,795,065
<b>Town of Los Gatos</b>	<b>\$33,914,960</b>	<b>\$25,501,170</b>	<b>\$39,098,429</b>	<b>\$69,235,348</b>
City of Morgan Hill*	\$36,867,860	\$49,081,200	\$63,087,918	\$94,132,850
City of Pleasant Hill	\$44,698,640	\$30,649,362	\$47,161,421	\$83,758,624
City of Union City	\$46,390,555	\$31,004,684	\$48,079,119	\$85,922,489
<b>Total</b>		<b>\$191,217,905</b>	<b>\$279,725,865</b>	<b>\$475,897,713</b>

See disclosure page for disclosures. Supporting data is available upon request.

\*The fee differentials shown take all assets into account, except for the City of Lafayette and the City of Morgan Hill, which do not account for the stability of principal assets.

# 30-YEAR FEE SAVINGS IMPACT FOR THE TOWN OF LOS GATOS

## 457(B) PLAN

Pricing reduction eff  
10/1/25 and new  
investments eff  
11/14/25

Starting Balance: \$33.9M	65% Fee Reduction			62% Fee Reduction		
	Mutual Funds (\$31.3M)			Mutual Funds & Fixed Account (\$33.9M)		
	Current	New	Difference	Current	New	Difference
Total Plan Fees:	0.40%	0.14%	-0.26%	0.41%	0.16%	-0.26%
Equates to:	\$125,196	\$43,520	-\$81,676	\$139,846	\$52,676	-\$87,170

Annualized impact...

Combined Fee Savings Impact:							
Gross Inv. Return	End of Year 1	End of Year 5	End of Year 10	End of Year 15	End of Year 20	End of Year 25	End of Year 30
6.00%	\$87,170	\$540,878	\$1,419,628	\$2,799,254	\$4,912,682	\$8,090,879	\$12,801,839
7.00%	\$87,170	\$561,037	\$1,542,395	\$3,187,008	\$5,862,634	\$10,122,004	\$16,790,780
8.00%	\$87,170	\$581,770	\$1,674,718	\$3,624,981	\$6,987,066	\$12,641,458	\$21,975,967
6.00% vs. 6.25%	\$165,417	\$1,034,687	\$2,740,901	\$5,450,763	\$9,642,518	\$16,000,858	\$25,501,170
6.00% vs. 6.50%	\$243,664	\$1,533,170	\$4,090,488	\$8,191,182	\$14,588,875	\$24,370,951	\$39,098,429
6.00% vs. 7.00%	\$400,159	\$2,544,297	\$6,876,763	\$13,949,874	\$25,169,006	\$42,595,189	\$69,235,348

Higher  
investment  
return increases  
impact

....compounds to a large impact over time

## **30-YEAR FEE SAVINGS DISCLOSURES**

### Assumptions:

- Beginning value of \$33,914,960 (\$31,298,880 funds and \$2,616,080 safety of principal assets) estimated as of 9/23/2025.
- Year-to-year values assume there are no contributions or distributions from the plan.

### Please note:

This summary is for illustrative purposes only and is not guaranteed. This is to show estimated financial impacts of various investment returns and fee differentials. Hypothetical investment returns and fees are annualized. Actual returns will vary higher or lower thus affecting plan balances accordingly. The fee differential shown for Safety of Principal Assets does not incorporate an assumed rate of return or crediting rate. Fee impacts assume no changes in fees over time.

The PLUS Fund Gross total fee is 0.21% of assets as reported on the MissionSquare PLUS Fund Fact Sheet. The total estimated expenses for the PLUS Fund R5 is 0.77% (with a MissionSquare expense of 0.56%) and the PLUS Fund R10 is 0.52% (with a MissionSquare expense of 0.31%).

All fees are annualized based on each years' hypothetical balances. The current fees shown are estimates based on documents provided by MissionSquare for a plan of similar size. The new fees are based on sample proposals obtained from MissionSquare for plans of similar size and demographics and are not guaranteed. Any variance in fees is purely accidental.

The current MissionSquare plan does not have an advisor thus there is no advisor fee. Shuster's total advisor compensation is \$31,000 annually for the 457(b) plan, equating to approximately 0.09% based on approximate MSQ assets. Advisor compensation is applied to all assets.

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## 115 TRUST OVERVIEW





# Town of Los Gatos 115 Trust Summary

## **Total Assets as of 6/30/25: \$33,375,494**

OPEB assets as of 6/30/2025: \$30,284,763

Pension Stabilization assets as of 6/30/2025: \$3,090,731

## **Investment Policy:**

OPEB: CERBT Strategy 1 (70% Equity/30% Fixed Income & Cash)

Pension Stabilization: CEPPT Strategy 2 (30% Equity/70% Fixed Income & Cash)

## **Initial Funding and Contributions (as of 6/30/24):**

OPEB: Initial contribution of \$400,000 made 6/29/2009

Additional contributions of \$14,899,963

Pension Stabilization: Initial contribution of \$268,000 made 5/18/2020

Additional contributions of \$2,463,400

## **Distributions (as of 6/30/24):**

OPEB: \$0

Pension Stabilization: \$706,988

**OPEB Plan Discount Rate:** 6.25% as of FY 23-24 ACFR

**Pension Plan Discount Rate:** 6.80% as of FY 23-24



# Town of Los Gatos Cash Account IPS Comparison with 53601

	Investment Type	Town of Los Gatos	CA Code 53601 Limits
	1 US Treasury Obligations	Same as the Code	5yr max maturity, no limit
*	2 US Agency Obligations	5yr max maturity, no limit <b>except for 20% limit on combination of GNMA, FNMA, and FHLMC securities</b>	5yr max maturity, no limit
*	3 Mortgage Pass-Through and Asset-Backed Securities	Not explicitly stated	5yr max maturity, 20% limit, AA rated or better, No portfolio limit on Agency MBS
*	4 Medium-Term Notes (i.e. corporates)	5yr max maturity, 30% limit, A rated or better <b>5% single-issuer limit</b>	5yr max maturity, 30% limit, A rated or better 10% single-issuer limit
	5 Negotiable CDs	5yr max maturity, 30% limit, <b>5% single-issuer limit</b>	5yr max maturity, 30% limit
	6 Non-negotiable CDs	5yr max maturity, 30% limit, <b>5% single-issuer limit</b>	5yr max maturity, no limit
	7 Mutual Funds and MMMFs	MM same as the Code, <b>Mutual Funds not explicitly stated</b>	20% limit
	8 Bankers' Acceptances	180 day max maturity, <b>30% limit, 5% single-issuer limit</b>	180 day max maturity, 40% limit
	9 Repurchase Agreements	Not explicitly stated	1yr max maturity, no limit
	10 CP (non-pooled, city with >=100mn of investments)	270 day max maturity, <b>25% limit, A-1 rated or better, 5% single-issuer limit</b>	270 day max maturity, 40% limit, A-1 rated or better
	11 CP (non-pooled, city with <100mn of investments)	270 day max maturity, 25% limit, A-1 rated or better, <b>5% single-issuer limit</b>	270 day max maturity, 25% limit, A-1 rated or better
*	12 Supranational Obligations (IBRD, IFC, IADB)	Not explicitly stated	5yr max maturity, 30% limit, AA rated or better
	13 Local Agency Bonds	5yr max maturity, <b>30% limit, A rated or better, 5% single-issuer limit</b>	5yr max maturity, no limit
	14 CA Local Agency Obligations	5yr max maturity, <b>30% limit, A rated or better, 5% single-issuer limit</b>	5yr max maturity, no limit
	15 State Obligations (CA and others)	5yr max maturity, <b>30% limit, A rated or better, 5% single-issuer limit</b>	5yr max maturity, no limit
	16 Reverse Repurchase Agreements & Sec Lending Agreements	Not explicitly stated	92 day max maturity, 20% limit
*	17 Joint Powers Authority Pool	Not explicitly stated	No Limit
	18 Local Agency Investment Fund (LAIF)	Same as the Code	No Limit in Aggregate / \$75M per LAIF account
	19 CP (pooled funds)	Not explicitly stated	270 day max maturity, 40% limit
	20 Placement Service Deposits	Not explicitly stated	5yr max maturity, 50% limit
	21 Placement Service Certificates of Deposit	Not explicitly stated	5yr max maturity, 50% limit
	22 Collateralized Bank Deposits	Not explicitly stated	5yr max maturity, no limit
	23 County Pooled Investment Funds	Not explicitly stated	No Limit
	24 Voluntary Investment Program Fund	Not explicitly stated	No Limit
	25 Public Bank Obligations	Not explicitly stated	5yr max maturity, no limit

\*Updates to the IPS for these investment types would have the greatest impact on increased investment flexibility.



	LAIF <sup>1</sup>	CAMP <sup>2</sup>	CLASS <sup>3</sup>	CalTRUST <sup>4</sup>	Schwab (SCOXX)	BlackRock (TFDXX)
<b>7-Day Yield (as of 9/25/2025)</b>	4.20%	4.28%	4.18%	4.28%	3.97%	4.02%
<b>Net Expense Ratio</b>	0.26%	0.09%	0.10%	0.10%	0.19%	0.17%
<b>Weighted Avg. Maturity</b>	247 days	48 days	42 days	43 days	40 days	44 days
<b>Weighted Avg. Life</b>	Not stated	Not stated	82 days	73 days	98 days	103 days
<b>Interest Paid</b>	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
<b>Liquidity</b>	Daily	Daily	Daily	Daily	Daily	Daily
<b>Transaction Fee</b>	None	None	None	None	None	None
<b>Credit Quality</b>	AAA	AAA	AAA	AAA	AAA	AAA
<b>CA Code 53601 Limit</b>	\$75M per Account	No Limit	No Limit	No Limit	20% of Total Portfolio	20% of Total Portfolio
<b>Asset Breakdown</b>	Treasuries: 52.3% Agencies: 28.5% CDs/Bank Notes: 9.2% Commercial Paper: 6.2% Time Deposits: 3.2% (as of 8/31/25)	Treasury Repos: 36% Commercial Paper: 32% CDs: 28% Corporate Notes: 2% (as of 8/31/25)	Commercial Paper: 37.3% Treasury/Agency: 31.4% CDs: 26.9% Money Market: 3.8% (as of 3/28/25)	Commercial Paper: 35.1% Treasury/Repos: 34.09% CDs: 26.4% Money Market: 3.5% Corporates: 0.9% (as of 8/31/25)	Treasury Repos: 75.6% Treasuries: 23.4% (as of 6/30/25)	Treasuries: 42.8% Treasury Repos: 29.3% Agency Repos: 15.6% Agencies: 12.3% (as of 9/25/25)

<sup>1</sup> Managed by the California State Treasurer's Office. Net Expense Ratio not disclosed but calculated from most recent Annual Report.

<sup>2</sup> Managed by PFM Asset Management, LLC.

<sup>3</sup> Managed by Public Trust Advisors, LLC.

<sup>4</sup> Managed by State Street Global Advisors Trust Company

Note: The data above may change daily based upon the market environment, level of interest rates, and portfolio management decisions. All data has been obtained from publically available sources and may not accurately reflect the most up-to-date changes in the respective portfolios. Shuster Advisory Group, LLC does not guarantee the accuracy of the data obtained from third-party and public sources. Any discrepancy is purely incidental.



# What is a Section 115 Trust?

- Authorized by the Internal Revenue Code for essential government functions
- Allows for the segregation of funds from general assets
- Integral-Part Trust
- Used for funding essential government functions - *Pension funding and post-employment obligations are considered essential*
  - Considered a best practice by the Government Finance Officers Association (GFOA)
- The Trust is irrevocably committed to the specific government/district function - *Assets cannot be diverted*



# Why Use a Section 115 Trust?

## Uses of the Trust

- Prefund pension contribution liabilities
- Prefund OPEB benefit liabilities
- Used as a budget stabilization tool

## Benefits

- **Non-taxable:** Investment earnings are non-taxable
- **Flexible:** Investment restrictions applicable to the general fund do not apply - *Allows for use of relatively higher discount rate*
- **Investment Growth:** Allows for investment growth under the Town's chosen strategy
- **Liquidity & Budget Stability:** Assets can be accessed in years of budgetary stress to smooth contributions
- **Demonstrated Fiscal Discipline:** Considered a best practice by the Government Finance Officers Association (GFOA). IRS approval not required and no annual IRS filings.
- **Offset OPEB Liability:** For GASB 75 reporting, the OPEB liability is reported net of Trust assets. Pension 115 Trusts are reported as a fiduciary fund.



# Pension Prefunding: Section 115 Trust vs. Direct Paydown

Why use a 115 Trust instead of paying down the unfunded pension liability?

## Prefunding via 115 Trust

- Does not offset unfunded liability
- Long-term strategy to manage unfunded liability
- Keeps funds locally controlled
- Provides liquidity for budget stabilization
- Potential for investment growth
- Use funds when most beneficial (i.e. smooth contribution spikes or provide budgetary safety net)

## Paying CalPERS Directly

- Immediately reduces unfunded liability
- Locks up funds with CalPERS (no access)
- Savings are actuarial – spread over decades

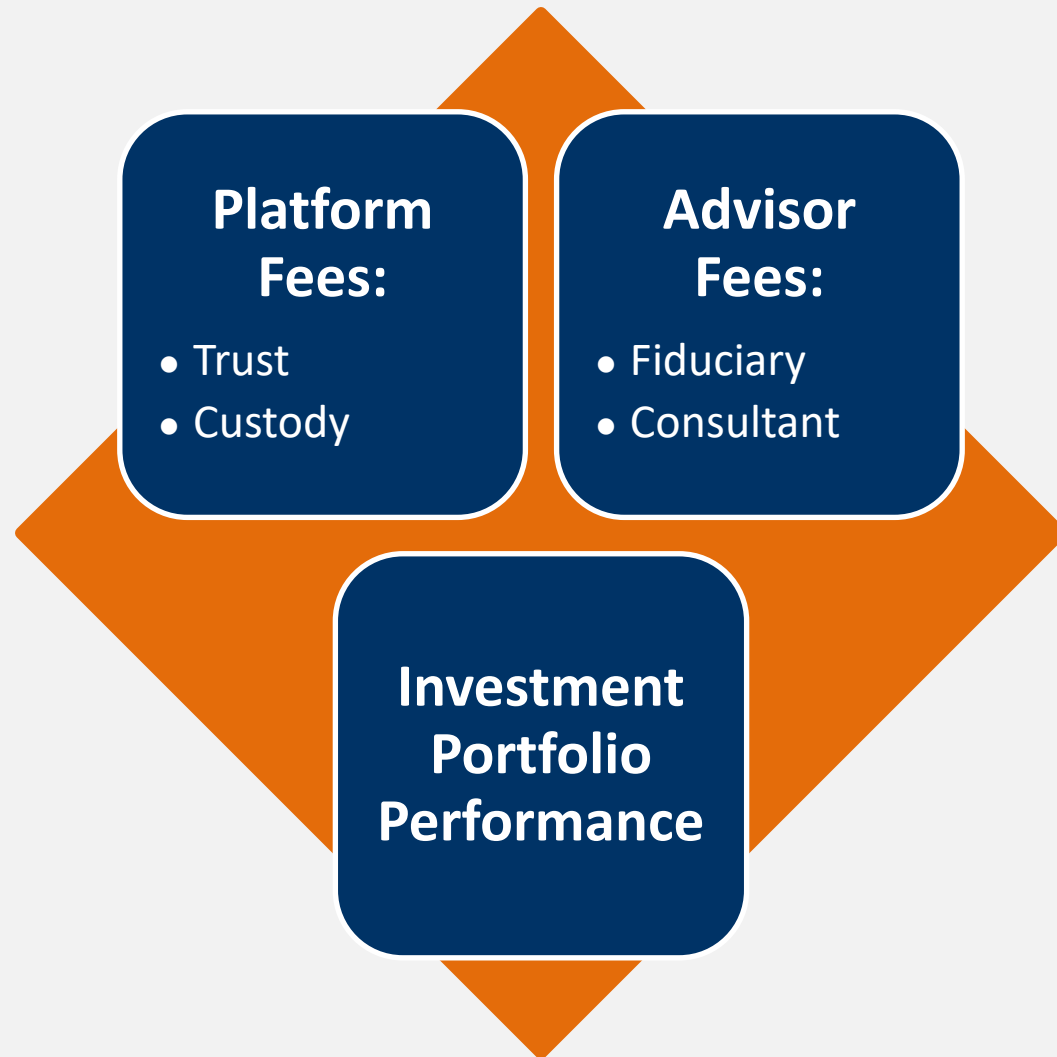


# 115 Trust Components

- **Agency authorization to participate in the Trust and authorized signers**
- **Documents**
  - Trust Document and Adoption Agreement (for Multiple Employer Trusts)
  - Administrative Services Agreement
  - Investment Fiduciary Agreement
  - Investment Policy Statement
- **Investment Portfolio**
- **115 Trust Roles**
  - Administrator
  - Investment Advisor/Fiduciary
  - Directed Trustee
  - Custodian



# Financial Components





## Institutional Portfolios – UC Universities\*

Campus	US Equity	Non-US Equity	Global Equity	US Fixed Income	Non-US Fixed Income	Absolute Return	Real Assets	Real Estate	Private Equity	Private Credit	Other	Cash Equiv.
Regents' GEP	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%
Blue & Gold	86.0%	0.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Berkeley	11.0%	12.3%	16.2%	3.4%	0.0%	17.2%	1.9%	3.8%	23.9%	0.0%	4.9%	5.4%
Davis	27.4%	7.6%	3.5%	6.1%	0.0%	3.2%	4.2%	11.3%	29.6%	4.0%	0.0%	3.1%
Irvine	18.4%	11.5%	18.1%	12.1%	0.0%	10.5%	6.0%	0.0%	19.0%	4.0%	0.0%	0.4%
Los Angeles	0.0%	0.0%	38.0%	4.7%	0.0%	20.6%	7.4%	6.6%	21.7%	0.0%	0.2%	0.8%
Merced	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%
Riverside	13.3%	1.8%	32.0%	7.5%	0.0%	3.8%	2.6%	12.3%	21.6%	4.2%	0.0%	0.9%
San Diego	31.3%	0.0%	32.5%	5.2%	0.0%	2.7%	1.8%	8.7%	14.4%	2.9%	0.0%	0.5%
San Francisco	0.0%	0.0%	26.8%	0.0%	0.0%	20.6%	0.0%	3.0%	34.3%	5.4%	0.0%	9.9%
Santa Barbara	12.9%	1.8%	31.1%	7.3%	0.0%	3.7%	2.5%	11.9%	21.1%	4.0%	0.0%	3.6%
Santa Cruz	13.3%	1.9%	32.4%	7.5%	0.0%	3.9%	2.6%	12.4%	21.1%	4.2%	0.0%	0.7%

\* Based upon data publicly available. Data as of fiscal year end 6/30/2024.

# 3

## **PORTFOLIO AND PERFORMANCE COMPARISON**







## CalPERS Public Employees' Retirement Fund (PERF) Performance Over the Last Ten Fiscal Years

Fiscal Year Ending:	2016	2017	2018	2019	2020
CalPERS PERF	0.61%	11.20%	8.60%	6.70%	4.70%
70/30 Index	1.69%	11.21%	8.99%	6.60%	3.70%

Fiscal Year Ending:	2021	2022	2023	2024	2025	5-Year Annualized	10-Year Annualized
CalPERS PERF	21.30%	-6.10%	5.80%	9.30%	11.60%	8.01%	7.15%
70/30 Index	26.98%	-15.87%	11.10%	12.97%	14.31%	8.92%	7.64%

Note: Shuster Advisory Group, LLC ("Shuster"), is a Securities & Exchange Commission Registered Investment Advisor. This material has been prepared for informational and summary purposes only and is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Past performance is not a guarantee of future results. All data as of 6/30 of each calendar year. CalPERS PERF returns shown are as announced in the CalPERS News available online at <https://www.calpers.ca.gov/newsroom/calpers-news>. The 70/30% index shown is the Morningstar Balanced 70/30 GR USD which is a blended benchmark of 70% Morningstar DM GR USD and 40% Morningstar Gbl Trsy Bd TR USD rebalanced to target weights of 70% equity and 30% fixed income on a quarterly basis. The index does not incorporate Environmental, Social, or Governance (ESG) criteria. Any discrepancy is purely accidental.

# 4

## MARKET REVIEW



# MARKET KALEIDOSCOPE

## 2025 YTD Index Returns

Best  
Indices



Worst  
Indices

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD as of 9/26/2025	Indices Legend
Global REIT 22.81	Large Growth 5.67	Sm Value 31.74	Large Growth 30.21	Cash 1.87	Large Growth 36.39	Large Growth 38.49	Global REIT 32.50	Commodities 16.09	Large Growth 42.68	Large Growth 33.36	International 25.05	MSCI ACWI ex-US
Large Value 13.45	S&P 500 1.38	Large Value 17.34	International 27.19	Fixed Income 0.01	S&P 500 31.49	Sm Growth 34.63	S&P 500 28.71	Cash 1.46	S&P 500 26.29	S&P 500 26.90	Large Growth 15.73	Russell 1000 Growth
S&P 500 13.69	Global REIT 0.59	S&P 500 11.96	Sm Growth 22.17	Large Growth -1.51	Sm Growth 28.48	S&P 500 18.40	Sm Value 28.27	Large Value -7.54	Sm Growth 18.66	Sm Growth 15.15	S&P 500 14.05	S&P 500
Large Growth 13.05	Fixed Income 0.55	Commodities 11.77	S&P 500 21.83	S&P 500 -4.38	Large Value 26.54	Balanced Index 13.48	Large Growth 27.60	Fixed Income -13.01	Sm Value 14.65	Large Value 14.37	Balanced Index 12.86	40% Russell 3000, 40% Barclays U.S. Agg, 20% MSCI ACWI ex-US
Balanced Index 6.56	Cash 0.05	Sm Growth 11.32	Balanced Index 15.00	Balanced Index -4.70	Global REIT 24.49	International 10.65	Commodities 27.11	Sm Value -14.48	Balanced Index 12.60	Balanced Index 10.80	Sm Growth 10.81	Russell 2000 Growth
Fixed Income 5.97	Balanced Index -0.55	Large Growth 7.08	Large Value 13.66	Global REIT -4.77	Sm Value 22.39	Fixed Income 7.51	Large Value 25.16	Balanced Index -15.87	Large Value 11.46	Sm Value 8.05	Commodities 9.82	Bloomberg Commodities
Sm Growth 5.60	Sm Growth -1.38	Balanced Index 7.06	Global REIT 8.63	Large Value -8.27	International 21.51	Sm Value 4.63	Balanced Index 11.21	International -16.00	Fixed Income 5.53	International 5.53	Large Value 9.60	Russell 1000 Value
Sm Value 4.22	Large Value -3.83	Global REIT 6.90	Sm Value 7.84	Sm Growth -9.31	Balanced Index 20.02	Large Value 2.80	International 7.82	S&P 500 -18.11	Cash 5.03	Commodities 5.38	Sm Value 9.10	Russell 2000 Value
Cash 0.03	International -5.66	International 4.50	Fixed Income 3.54	Commodities -11.25	Fixed Income 8.72	Cash 0.74	Sm Growth 2.83	Global REIT -23.60	International 0.03	Cash 5.25	Global REIT 8.60	S&P Global REIT
International -3.87	Sm Value -7.47	Fixed Income 2.65	Commodities 1.70	Sm Value -12.86	Commodities 7.69	Commodities -3.12	Cash 0.08	Sm Growth -26.36	Global REIT 0.01	Global REIT 3.92	Fixed Income 5.90	Bloomberg Barclays Agg
Commodities -17.01	Commodities -24.66	Cash 0.33	Cash 0.86	International -14.20	Cash 2.28	Global REIT -8.11	Fixed Income -1.54	Large Growth -29.14	Commodities -7.91	Fixed Income 1.25	Cash 3.14	Merrill Lynch 3-Mo T-Bill

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

# MARKET KALEIDOSCOPE

## Index Information

- The S&P 500 Index measures the stock performance of the 500 largest companies listed on stock exchanges in the United States. The index is a common benchmark used to track the overall equities market.
- The Bloomberg Commodities Index tracks the price and the returns on an investment in a basket of commodities. It is a broadly diversified price index that represents different types of commodities including, but not limited to, crude oil, soybeans, wheat and copper.
- The MSCI ACWI ex-USA Index captures large and mid-cap equity representation across 22 of 23 developed markets countries (excluding the US) and 27 emerging markets countries. With over 2,300 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.
- The Russell 2000 Growth Index is a stock market index of the smallest 2,000 stocks by market capitalization in the United States that exhibit growth characteristics. A small cap stock is generally a company with a market capitalization between \$500 million and \$2 billion. Small cap stocks are typically more volatile and riskier investments relative to large cap stocks.
- The Russell 1000 Growth Index is a stock market index that tracks the largest 1,000 stocks by market capitalization in the United States that exhibit growth characteristics. The index maintains larger companies whose market capitalization typically exceeds \$10 billion.
- The Russell 2000 Value Index is a stock market index of the smallest 2,000 stocks in the United States that exhibit value characteristics. A small cap stock is generally a company with a market capitalization between \$500 million and \$2 billion. Small cap stocks are typically more volatile and riskier investments relative to large cap stocks.
- The Russell 1000 Value Index is a stock market index that tracks the largest 1,000 stocks by market capitalization in the United States that exhibit value characteristics. The index maintains larger companies whose market capitalization typically exceeds \$10 billion.
- The S&P Global REIT serves as a comprehensive benchmark of publicly traded equity REITs listed in both developed and emerging markets. A real estate investment trust (REIT) is a company that owns, operates, or finances income-generating real estate. This custom balanced index is an index that contains a broad US equities component, a broad US fixed income component, and an international equity component. The index is used to measure balanced portfolios that have a mix of the US equity and fixed income asset classes, as well as international equity and fixed income classes.
- The Bloomberg Barclays US Aggregate Bond Index is a broad-based, market capitalization-weighted bond market index representing intermediate term investment-grade bonds traded in the United States. This index is generally used to track core bond portfolios.
- The Merrill Lynch 3-Mo T-Bill Index is an index that measures returns of 3-Month Treasury Bills. The 3-Month Treasury bill is a short-term US government obligation with a constant maturity period of 3 months. This typically is considered free of default as it is backed by the US Treasury and is used as a proxy measure to cash.

# Quarterly Market Summary

Returns (USD), as of June 30, 2025

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>Q2 2025</b>	10.99%	12.05%	11.99%	2.74%	1.21%	1.93%
						
<b>Since January 2001</b>						
Average Quarterly Return	2.5%	1.7%	2.6%	2.2%	0.9%	1.0%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2023 Q4</b>	<b>2023 Q4</b>
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2022 Q1</b>	<b>2022 Q1</b>

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# Long-Term Market Summary

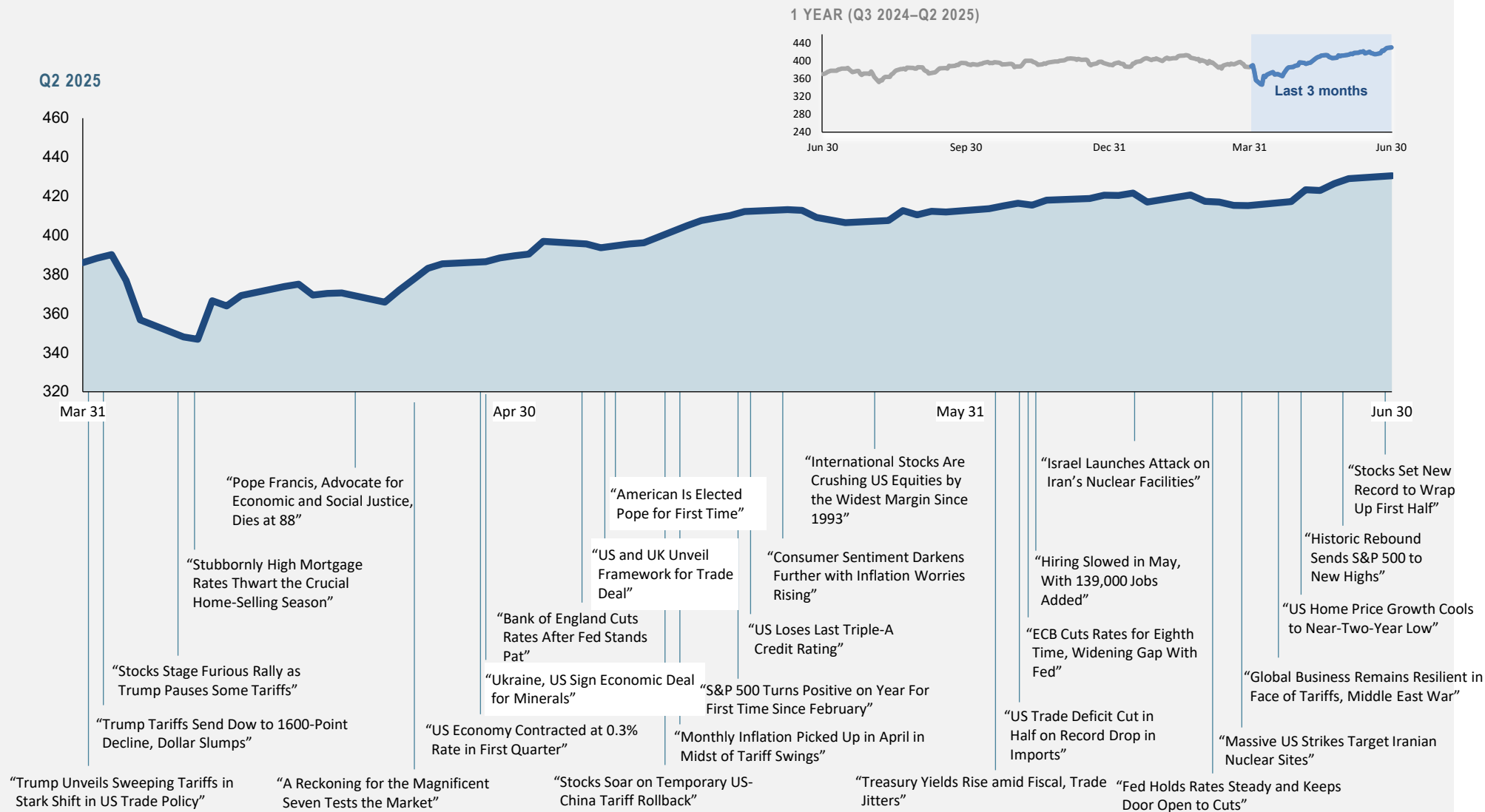
Returns (USD), as of June 30, 2025

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	15.30% 	18.70% 	15.29% 	9.96% 	6.08% 	6.09% 
5 Years	15.96% 	11.51% 	6.81% 	6.20% 	-0.73% 	0.91% 
10 Years	12.96% 	6.65% 	4.81% 	3.88% 	1.76% 	2.68% 
15 Years	14.46% 	7.42% 	4.44% 	6.71% 	2.29% 	3.09% 
20 Years	10.53% 	5.90% 	6.45% 	4.37% 	3.09% 	3.41% 

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2025, all rights reserved. Bloomberg data provided by Bloomberg.

# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2025



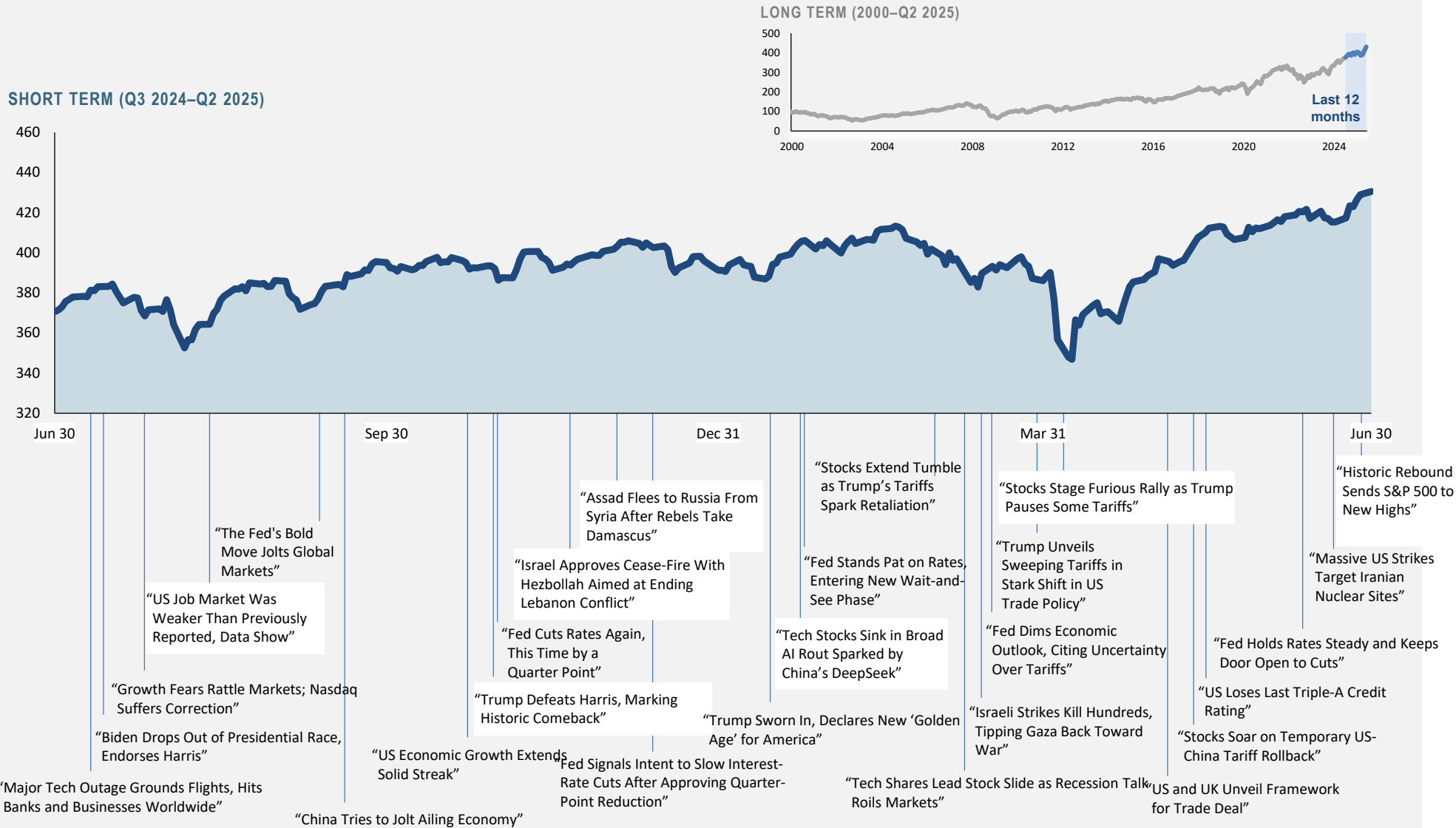
**These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.**

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2025, all rights reserved. Index level based at 100 starting January 2000.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

# World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



**These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.**

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2025, all rights reserved. Index level based at 100 starting January 2000.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

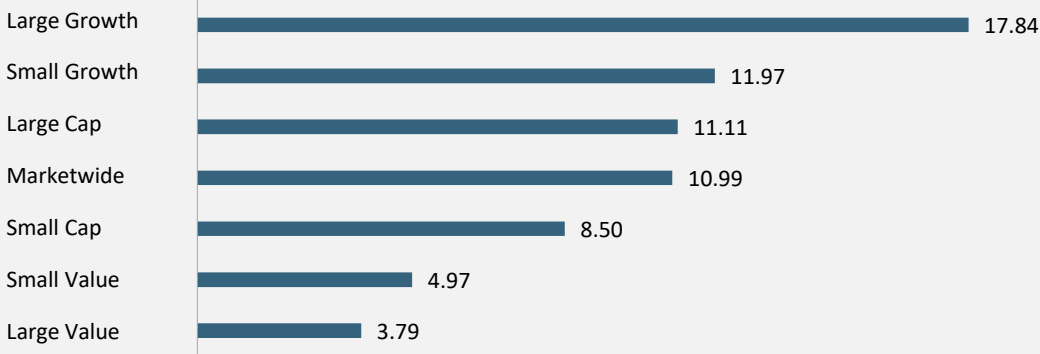


# US Stocks

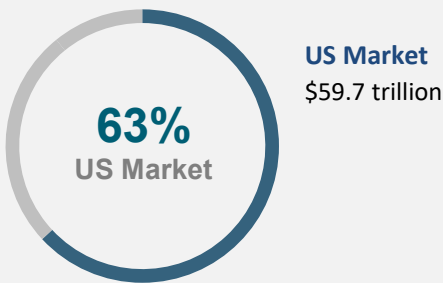
## Returns (USD), 2nd Quarter 2025

- The US equity market posted positive returns for the quarter and underperformed both non-US developed and emerging markets.
- Value underperformed growth.
- Small caps underperformed large caps.
- REIT indices underperformed equity market indices.

### Ranked Returns (%)



### World Market Capitalization



### Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Large Growth	17.84	6.09	17.22	25.76	18.15	17.01	17.54	12.99
Small Growth	11.97	-0.48	9.73	12.38	7.42	7.14	11.06	8.49
Large Cap	11.11	6.12	15.66	19.59	16.30	13.35	14.74	10.71
Marketwide	10.99	5.75	15.30	19.08	15.96	12.96	14.46	10.53
Small Cap	8.50	-1.79	7.68	10.00	10.04	7.12	10.35	7.76
Small Value	4.97	-3.16	5.54	7.45	12.47	6.72	9.35	6.80
Large Value	3.79	6.00	13.70	12.76	13.93	9.19	11.57	8.11

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. MSCI data © MSCI 2025, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

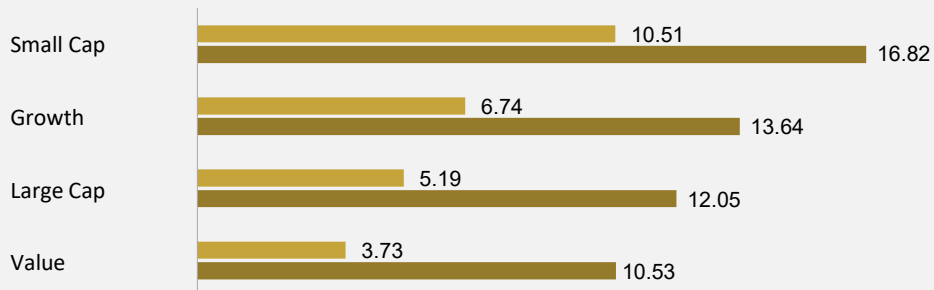
# International Developed Stocks

Returns (USD), 2nd Quarter 2025

- Developed markets outside of the US posted positive returns for the quarter and outperformed both US and emerging markets.
- Value underperformed growth.
- Small caps outperformed large caps.

## Ranked Returns (%)

Local currency US currency



## World Market Capitalization



International Developed Market

\$24.7 trillion

## Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Small Cap	16.82	20.79	22.92	13.40	9.82	6.64	8.11	6.47
Growth	13.64	16.02	12.63	13.72	8.11	6.69	7.61	6.23
Large Cap	12.05	18.99	18.70	15.73	11.51	6.65	7.42	5.90
Value	10.53	21.90	24.96	17.76	14.76	6.34	7.03	5.41

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2025, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

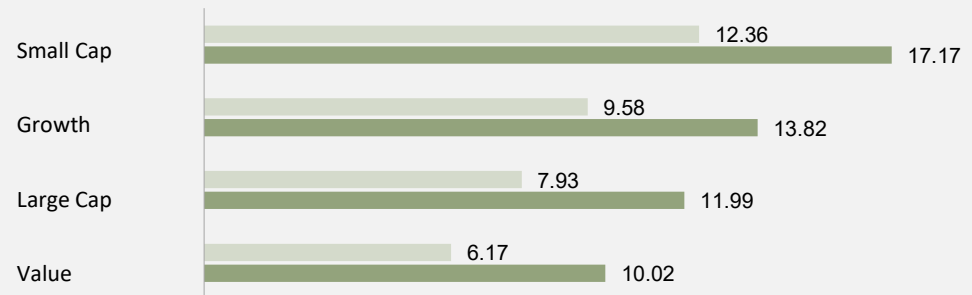
# Emerging Markets Stocks

Returns (USD), 2nd Quarter 2025

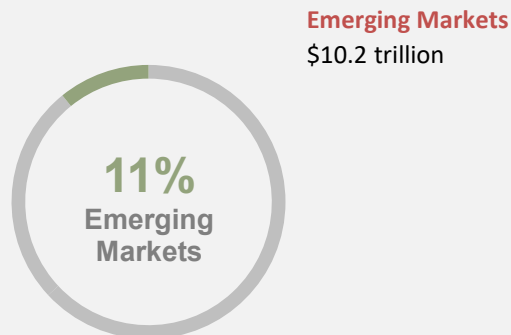
- Emerging markets posted positive returns for the quarter and outperformed the US market, but underperformed non-US developed markets.
- Value underperformed growth.
- Small caps outperformed large caps.

## Ranked Returns (%)

Local currency US currency



## World Market Capitalization



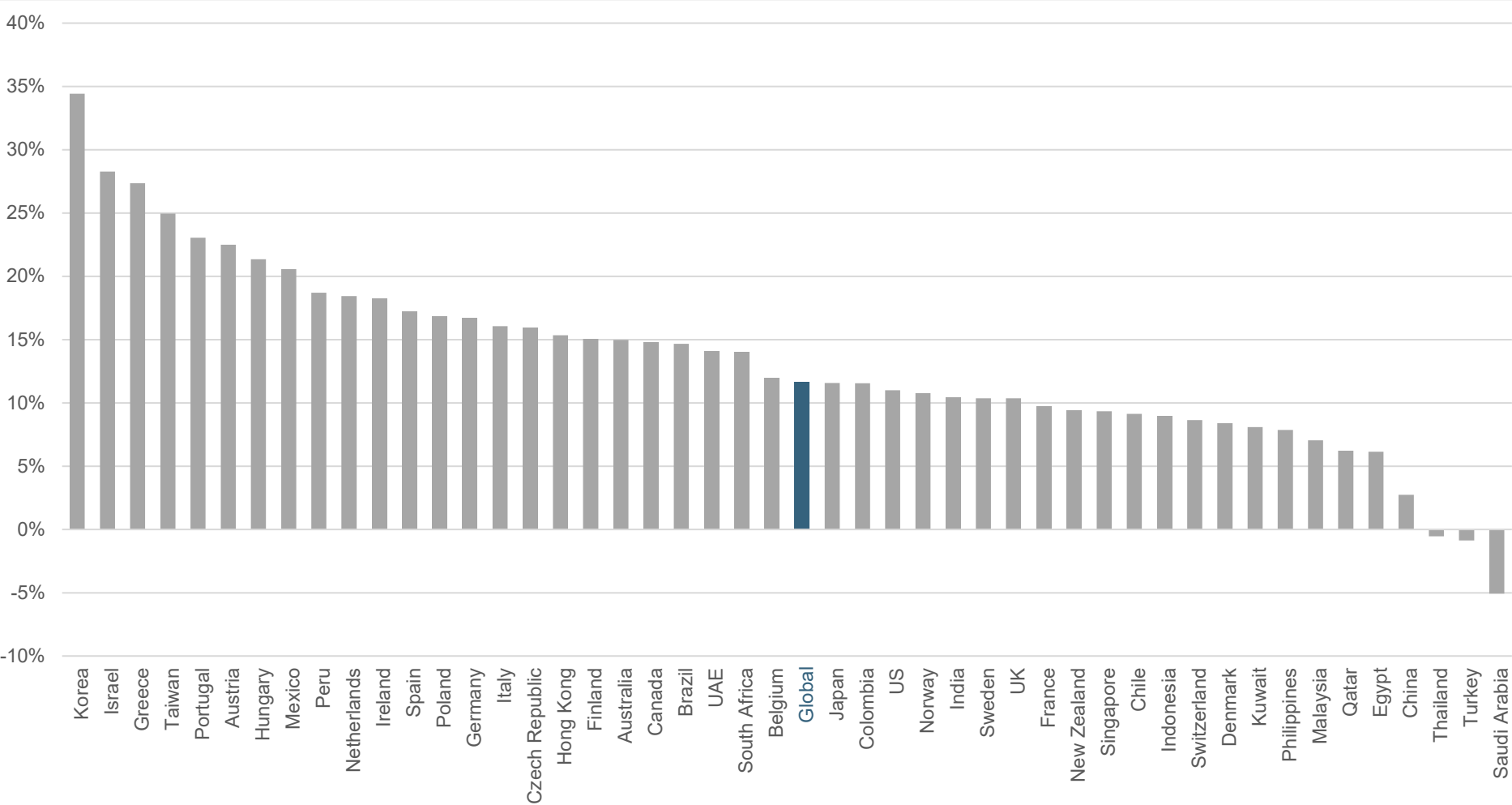
## Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Small Cap	17.17	10.74	8.40	13.81	13.86	5.97	5.66	7.95
Growth	13.82	15.72	17.69	9.18	4.64	5.49	5.39	6.74
Large Cap	11.99	15.27	15.29	9.70	6.81	4.81	4.44	6.45
Value	10.02	14.77	12.66	10.22	9.07	4.01	3.39	6.07

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# Country Returns

Returns (USD), 2nd Quarter 2025



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# Fixed Income

## Returns (USD), 2nd Quarter 2025

During the quarter, short- to intermediate-term interest rates decreased, and long-term interest rates increased within the US Treasury market.

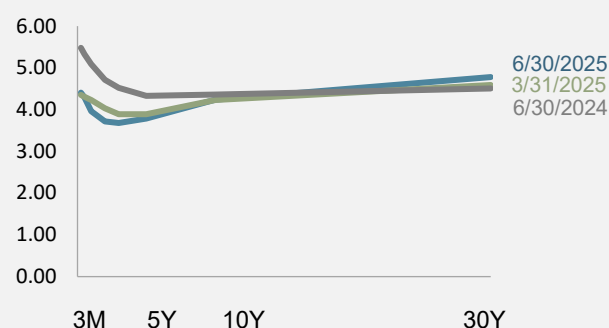
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 10 basis points (bps) to 4.28%, while the 1-Year US Treasury Bill yield decreased 7 bps to 3.96%. The yield on the 2-Year US Treasury Note decreased 17 bps to 3.72%.

The yield on the 5-Year US Treasury Note decreased 17 bps to 3.79%. The yield on the 10-Year US Treasury Note increased 1 bp to 4.24%. The yield on the 30-Year US Treasury Bond increased 19 bps to 4.78%.

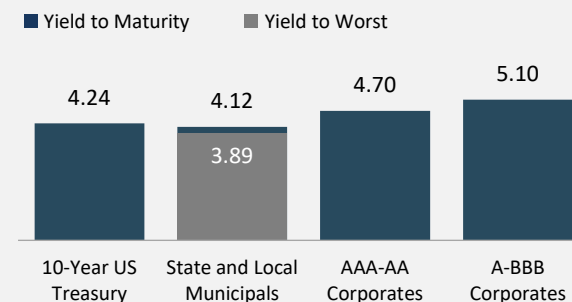
In terms of total returns, short-term US treasury bonds returned +1.67% while intermediate-term US treasury bonds returned +1.46%. Short-term corporate bonds returned +1.80% and intermediate-term corporate bonds returned +2.12%.<sup>1</sup>

The total returns for short- and intermediate-term municipal bonds were +1.06% and +1.21%, respectively. Within the municipal fixed income market, general obligation bonds returned 0.00% while revenue bonds returned -0.20%.<sup>2</sup>

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
FTSE World Government Bond Index 1-5 Years	4.17	7.03	8.67	3.54	0.42	1.05	0.55	1.63
Bloomberg U.S. High Yield Corporate Bond Index	3.53	4.57	10.29	9.93	5.97	5.38	6.44	6.62
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.52	2.97	6.20	3.74	1.46	1.92	1.79	2.42
Bloomberg U.S. Aggregate Bond Index	1.21	4.02	6.08	2.55	-0.73	1.76	2.29	3.09
ICE BofA US 3-Month Treasury Bill Index	1.04	2.07	4.68	4.56	2.76	1.98	1.34	1.69
ICE BofA 1-Year US Treasury Note Index	0.90	1.96	4.76	3.90	2.07	1.81	1.32	1.86
Bloomberg U.S. TIPS Index	0.48	4.67	5.84	2.34	1.61	2.67	2.88	3.40
Bloomberg Municipal Bond Index	-0.12	-0.35	1.11	2.50	0.51	2.20	2.96	3.32
Bloomberg U.S. Government Bond Index Long	-1.51	3.08	1.58	-3.66	-8.16	0.15	2.14	3.09

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2025 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2025 ICE Data Indices, LLC. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

# Is Gold a Safe Haven?

2nd Quarter 2025

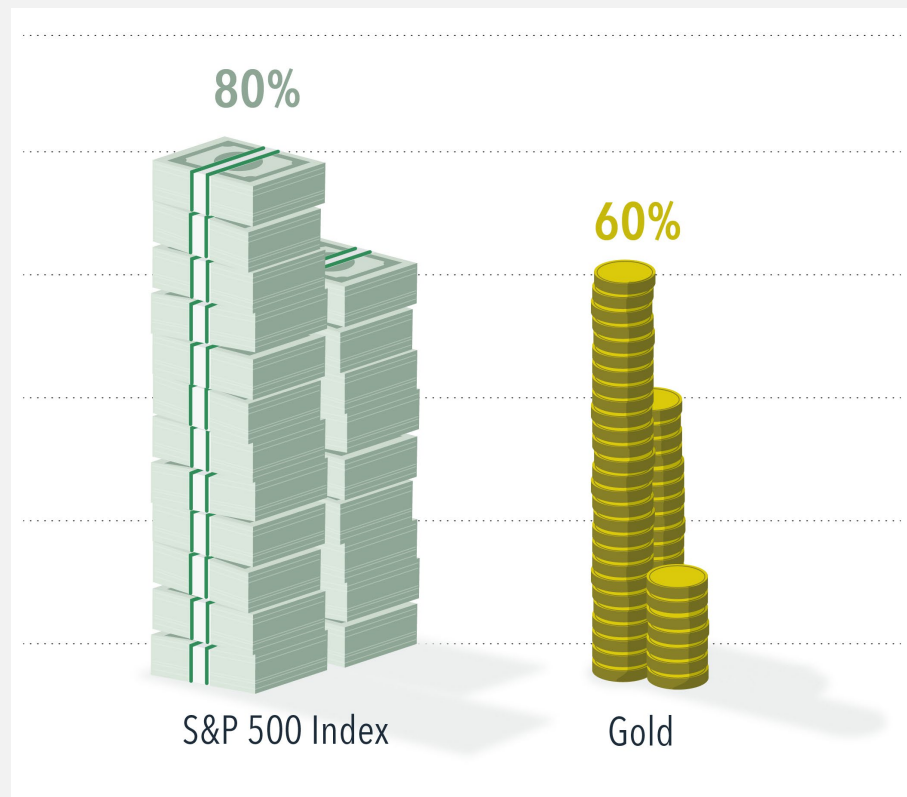
Wes Crill, PhD, Senior Client Solutions Director and Vice President, Dimensional Fund Advisors

Not since the release of the third Austin Powers movie have I heard so much talk about gold. Stellar recent returns account for some of that—gold was up 25% year-to-date as of April 30. But another reason is the belief among some market participants that gold represents a safe haven, an asset to stabilize the portfolio when equity markets are choppy.

The problem with that story is that gold has been far from immune to drawdowns. In fact, since 1970, gold has been positive in just 60% of calendar years, while the S&P 500 Index has been positive in 80%. Investors hoping for a safe haven may not find it with gold.

## FREQUENCY OF POSITIVE CALENDAR-YEAR RETURNS

1970–2024



See following page for important disclosure.

# Is Gold a Safe Haven?

(continued from page 15)

**Past performance is no guarantee of future results.**

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Risk is measured and presented above as the Standard Deviation of monthly investment performance for the full five (5) year period shown. Standard Deviation is a measure of how spread out numbers are, which is determined by the square root of the variance of the monthly returns.



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