

November 19, 2020



**CollegeCounts, Alabama 529  
Savings Program  
Executive Summary  
Second Quarter 3Q 20**

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Prepared by

**Callan LLC**

[www.callan.com](http://www.callan.com)

**Annoesjka West**

Senior Vice President

**Todd Carabasi, CFA, CAIA**

Vice President

## **Manager/Product Updates**

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### **State Street**

State Street Global Advisors (“SSGA”) announced that Jon Perregaux, portfolio manager on the State Street U.S. Government Money Market account, departed the firm on July 31<sup>st</sup>, 2020.

Mr. Perregaux’s departure is notable; however, we do not recommend immediate action. The cash management team is well staffed to support the government money market strategy.

### **Vanguard**

Vanguard announces changes to Prime Money Market Fund.

### Summary

- Effective September 2020, **Vanguard Prime Money Market Fund** will change its investment strategy and be renamed the **Vanguard Cash Reserves Federal Money Market Fund**. After the change, the fund will be designated a government money market fund. The fund will continue to seek to maintain a stable \$1.00 net asset value. A government money market fund must hold at least 99.5% of its assets in cash, U.S. government securities, and/or repurchase agreements that are collateralized solely by U.S. government securities or cash. By contrast, a retail money market fund may invest heavily in commercial paper as well as U.S. government and other money market securities.
  - Effective August 27th, the minimum for the Admiral Shares has been reduced from \$5 million to \$3,000. Existing Investor Share assets will be systematically converted to Admiral Shares beginning in the fall of 2020 and continuing through 2021.

Opinion: Plans still offering the Prime Money Market Fund should note that the conversion to a government money market fund applies stricter guidelines to the investable universe, thereby reducing the potential yield and risk of the Fund. Going forward the Fund would be exempt from the fees and gates rules, but can adopt them voluntarily if previously disclosed. Also, those offering the investor share class should inquire about moving to admiral share class to lower the applicable expense ratio from 0.16% to 0.10%.

## Watch List

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*The following Funds are recommended to be added to the Watch List:*

None at this time.

*The following Fund is recommended to be removed from the Watch List:*

None at this time.

*The following Funds are recommended to remain on the Watch List:*

### **American Century Short Duration Inflation Protection Bond (Advisor)**

<b>Availability:</b>	This fund is an individual option.
<b>Issue:</b>	American Century Short Duration Inflation Protection Bond was recommended to be added to Watch List due to performance issues.
<b>Analysis:</b>	Over the trailing three-year period the fund underperformed the Bloomberg US TIPS 0-5 index by 0.14%. The fund outperformed over the trailing five-year period by 0.06%. The one year period lags the Bloomberg US TIPS 0-5 index by 0.17%. The fund posted a third quarter return of 2.11% beating the benchmark return of 1.75%.
<b>Recommendation:</b>	Watch list
<b>Date on Watch:</b>	May 2020
<b>Plan Assets:</b>	\$ 82,094,851

### **DFA Large Cap Value (Advisor and Direct)**

<b>Availability:</b>	This fund is an individual option.
<b>Issue:</b>	DFA U.S. Large Cap Value is on Watch List due to performance issues.
<b>Analysis:</b>	Over the trailing three and five-year period the fund ranks in the 75 <sup>th</sup> and 66 <sup>th</sup> percentile of peers and underperformed the Russell 1000 Value index by 2.67% and 0.97% respectively. The one year period lags the Russell 1000 Value index by 3.51%. The fund posted a third quarter return of 5.20% lagging the benchmark return of 5.59%.
<b>Recommendation:</b>	Watch list
<b>Date on Watch:</b>	May 2020
<b>Plan Assets:</b>	\$ 9,147,606

### DFA U.S. Small Cap Value (Direct Plan)

**Availability:** This fund is an individual option.  
**Issue:** DFA U.S. Small Cap Value was added to the Watch List due to performance issues.  
**Analysis:** Over the trailing three-year period the fund ranks in the 79<sup>th</sup> percentile of peers and underperformed the Russell 2000 Value index by 2.16%. The one year period lags the Russell 2000 Value index by 0.98%. The fund posted a third quarter return of 3.37% beating the benchmark return of 2.56%.  
**Recommendation:** Watch list  
**Date on Watch:** December 2018  
**Plan Assets:** \$ 820,140

### Dodge & Cox International Stock Fund (Direct Plan)

**Availability:** This fund is an individual option.  
**Issue:** The Dodge & Cox International Stock Fund was added to the Watch List due to performance issues.  
**Analysis:** Over the trailing three-year period the fund ranks in the 89<sup>th</sup> percentile of peers and lagged the MSCI EAFE index by 6.47%. The one year lagged the MSCI EAFE index by 9.92% and ranks in the 91<sup>st</sup> percentile of peers. This quarter, the fund posted a return of 0.39% underperforming the 4.80% return of the benchmark.  
**Recommendation:** Watch list  
**Date on Watch:** August 2018  
**Plan Assets:** \$ 1,909,550

### Touchstone High Yield Fund (Advisor Plan)

**Availability:** This fund is offered as an individual option and an underlying fund.  
**Issue:** Underperformance  
**Analysis:** Over the five year period the fund underperformed the benchmark and ranks in the 85<sup>th</sup> percentile among peers. The Fund lagged the benchmark by 0.77% for the last 3 years and ranks in the 77<sup>th</sup> percentile among peers. This quarter, the Fund underperformed the High Yield II Index by 0.16% and ranked in the 58<sup>th</sup> percentile of Callan High Yield Mutual Fund peer group.  
**Recommendation:** Terminate/Replace  
**Date on Watch:** August 10, 2016  
**Plan Assets:** \$ 45,396,276

#### **William Blair Small Cap Value (Advisor Plan)**

<b>Availability:</b>	This fund is offered as an individual option
<b>Original Issue:</b>	Underperformance
<b>Analysis:</b>	During the third quarter the Fund had a return of 0.47% which underperformed the benchmark by 2.09% and ranked in the 83 <sup>rd</sup> percentile of Callan's Small Cap Value Mutual Fund peer group. For the three year period, the Fund lags the benchmark by 3.42% and ranks in the 91 <sup>st</sup> percentile of peers. The 5-year return trails the benchmark by 3.19% and ranks in the 87 <sup>th</sup> percentile of peers.
<b>Recommendation:</b>	Watch list
<b>Date on Watch:</b>	May 16, 2018
<b>Plan Assets:</b>	\$ 7,606,487

#### **Templeton Global Bond Fund (Advisor Plan)**

<b>Availability:</b>	This fund is an individual option and an underlying fund.
<b>Issue:</b>	Performance and senior analyst departure
<b>Analysis:</b>	The fund's performance trails the benchmark by 4.63% for the three-year period and ranks in the 90 <sup>th</sup> percentile of the peer group. Senior analyst, Shlomi Kramer, of the Global Macro team left the firm at the end of 2019. This quarter the fund returned -0.47% trailing the benchmark by 5.06% and ranking in the 90 <sup>th</sup> percentile of peers.
<b>Recommendation:</b>	Terminate/Replace
<b>Date on Watch:</b>	February 2020
<b>Plan Assets:</b>	\$ 44,045,270