

SIMPLY PUT

Retirement Savings Education, Simplified

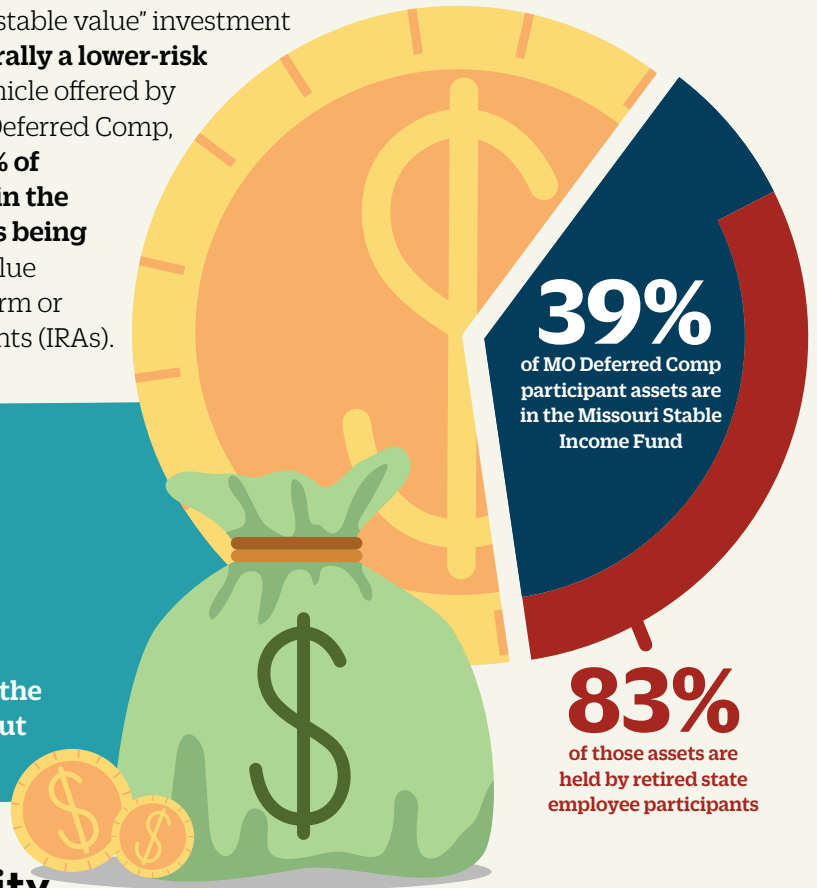
Second Quarter 2020

The Missouri Stable Income Fund, Explained

The Missouri Stable Income Fund is what is known as a “stable value” investment option. **So what is “stable value”? Stable value is generally a lower-risk fixed income investment option.** It’s an investment vehicle offered by defined contribution retirement savings plans, like MO Deferred Comp, and is utilized by participants in those plans. **In fact, 39% of participant assets in the MO Deferred Comp Plan are in the Missouri Stable Income Fund with 83% of those assets being held by retired state employee participants.** Stable value investment options are not available in a mutual fund form or available for investment in Individual Retirement Accounts (IRAs).

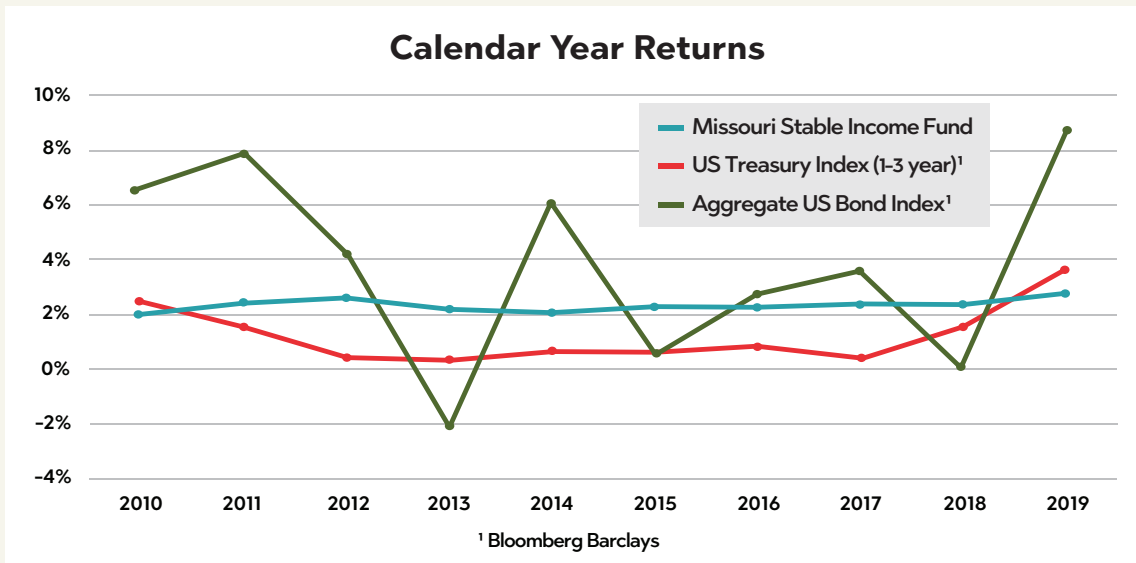
Benefits of a stable value fund:

- Preservation of principal
- Relatively stable returns in changing market environments to provide steady growth of principal and earned interest
- Returns similar to intermediate bond funds with the liquidity and certainty of money market funds, but without the return volatility of bond funds



Stable Returns with Less Volatility

The graph below provides the last 10 calendar years of returns from the Missouri Stable Income Fund, the broad U.S. bond market index and the 1-3 Year U.S. treasury bond index. The Missouri Stable Income Fund has provided a competitive return without the volatility of returns that was experienced in other bond investments.



What's in a stable value fund?

Stable value funds are comprised of two components:

1. Underlying high quality fixed income (bond) portfolio managed within a short to intermediate duration (a bond's sensitivity to price changes measured in years) range, known as the **market value** of the portfolio.
2. Investment wrap contract issued by an insurance company that provides principal preservation of the book value. The **book value** is the initial deposited principal, plus accumulated interest, plus additional deposits, minus withdrawals and expenses.

The underlying bond portfolio value, or market value, can fluctuate daily based on the price of the short- to intermediate-term bonds in the portfolio. The investment wrap contract, the vehicle that provides book value, smooths the interest earned by participants by amortizing the gains and losses of the underlying bonds through the crediting rate. The crediting rate is calculated based on the characteristics of the underlying bond portfolio; specifically, the yield-to-maturity and duration, as well as the ratio of market value divided by book value or the market-to-book value ratio (MV/BV ratio).

The Missouri Stable Income Fund's underlying bond investments consist of commercial, mortgage and asset-backed securities (CMBS, MBS, ABS), government (Gov't Related), corporate bonds (Corp), U.S. treasury bonds and cash (Treasury & Cash).

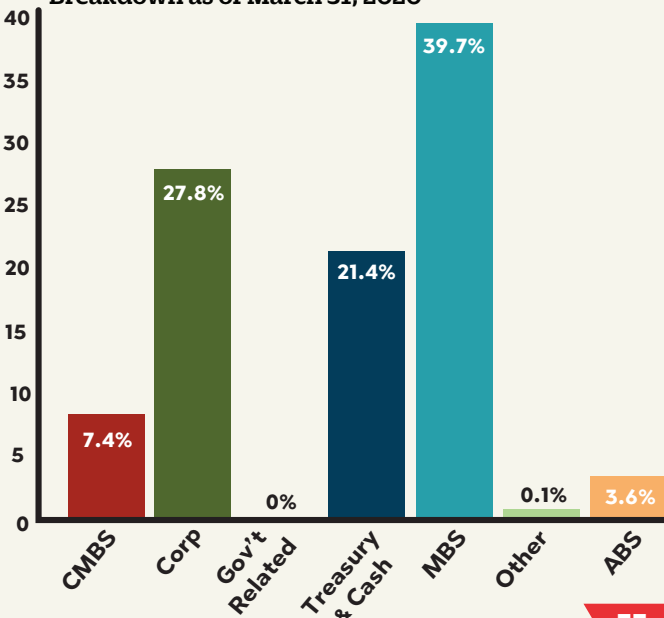
How has the Missouri Stable Income Fund stacked up to Certificates of Deposit (CDs)?

The table below provides Missouri Stable Income Fund calendar year returns compared to the national capped 12-month and 5-year rates over the past 10 years (www.FDIC.gov). Given the illiquidity and "lock-up" periods associated with CDs, the Missouri Stable Income Fund has provided higher return potential with liquidity.

Calendar Year	MO Stable Income Rate	12-Month CD Rate ²	5-Year CD Rate ²
2010	2.00%	1.28%	2.31%
2011	2.44%	1.08%	1.97%
2012	2.63%	0.98%	1.59%
2013	2.19%	0.95%	1.49%
2014	2.10%	0.95%	1.53%
2015	2.30%	0.96%	1.54%
2016	2.26%	0.97%	1.53%
2017	2.38%	1.04%	1.64%
2018	2.36%	1.36%	2.00%
2019	2.71%	1.23%	1.71%

² www.fdic.gov National CD Cap Rate at Year End

Missouri Stable Income Fund Fixed Income Sector Breakdown as of March 31, 2020



Can you lose money in a stable value fund?

Stable value has a long track record of preserving capital, providing liquidity and generating steady positive returns, but any investment option is subject to general investment risk and there is no guarantee that it will achieve its objectives. Stable value, like other fixed income investments, can be subject to the same risks, such as credit risk, default risk, interest rate risk, liquidity risk, manager risk, cash flow risk and event risk.

Rising interest rates, bond yield curve changes and other market dislocations will continue to come and go in the future, but for almost 40 years³, stable value funds have delivered principal preservation and steady, consistent, conservative returns comparable to those of short to intermediate bonds with limited volatility.

³ www.stablevalue.org

Key Take-Aways

- The Missouri Stable Income Fund is specifically created for and only available to state of Missouri employees and retirees. It is a conservative investment option that provides steady income with relatively less risk and seeks to preserve a saver's account balance and earned interest.
- The Missouri Stable Income Fund provides a competitive positive return during falling and rising rate environments relative to CDs, money market funds and short-term bond funds.



Learn more at
www.modeferredcomp.org
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