

Town of Wilton Pension Plan

Small-Mid Cap Investment Manager Search



Executive Summary

Aon Investment Consulting (Aon) has been asked to identify our highest conviction U.S. small-mid cap equity funds for potential by the Town of Wilton Pension Plan.

We have identified two small-mid value funds from our list of “Buy” rated managers, which we believe are appropriate for consideration.

- The Wilton Pension currently has exposure to Diamond Hill Small-Mid Cap Value (\$5.1 million/3.6% of plan assets).

Small-Mid Cap Equity Candidates

Firm	Product	Style
Dimensional Fund Advisors	Targeted Value	Small-Mid Cap Value
Westwood	SMID Cap Value	Small-Mid Cap Value

On the following pages, we profile the small-mid cap value and core funds and provide qualitative and quantitative information for the consideration of each product for this potential assignment.

Research Process



Initial Screening

- InForm Assessment (Quantitative Score)
- Third party databases
- Network of existing contacts
- Referrals



Qualitative Due Diligence

- Research meetings
- Focused approach
- Deep dive on investment process, people, and price



Assessment and Rating

- Highest conviction strategies receive Buy ratings
- Buy-rated strategies recommended to clients
- On-going high touch monitoring

Firm and Product Details¹

As of September 30, 2023

	Dimensional Fund Advisors	Westwood Management Corp.
Location of Firm	Austin, TX	Dallas, TX
Year Founded	1981	1983
Ownership Structure	70% Owned by Former and Current Employees 30% Other	79% Publicly Held 21% Employee Owned
GIPS Compliant	Yes	Yes
Total Firm AUM	\$618.2 B	\$11.5 B
Total Strategy AUM	\$21.0 B	\$641.7 M
Total Number of Investment Professionals ²	126	29
Product Name	DFA U.S. Targeted Value Portfolio	Westwood Quality SMid Cap Fund
Strategy Inception	3/2000	7/1997
Portfolio Manager(s)/ Start Year at Firm	Team Managed	William Costello / 2010 Grant Taber / 2008 Prashant Inamdar / 2013
Fund Vehicle (s)	Mutual Fund	Commingled Fund and Mutual Funds
Expense Ratio	0.29%	0.68%(MF)/0.50% (CIT)
Redemption Fees	None	None
Aon Rating	Buy	Buy

¹ Sourced from investment managers or eVestment Alliance

² Includes Portfolio Managers, Research Analysts, Traders, and Economists. Does not include Client Service, Marketing, and Other Staff.

Vehicle Availability ¹

As of September 30, 2023

	Dimensional Fund Advisors	Westwood Management Corp.
Mutual Fund		
Mutual Fund Name	U.S. Targeted Value Portfolio	Quality SMid Cap Fund
Ticker	DFFVX	WWSMX
Minimum ²	\$2 M	\$1 M
Net Expense Ratio (excluding interest expense)	29 bps	68 bps
CIT		
Minimum ²	NA	None
Management Fee	NA	CIT C: 50 bps
Separate Accounts		
Minimum ²	Typically > \$100 M	\$25 M
Management Fee ³	Dependent on overall mandate size.	First \$50M: 65 bps Next \$50M: 60 bps Balance: 50 bps

¹ Sourced from Investment Managers or eVestment Alliance

² In certain cases, clients that do not meet the minimum asset size may obtain a waiver to invest in the fund

³ Managers may be open to a modified fee structure based on mandate size

Summary Characteristics¹

As of September 30, 2023

	Dimensional Fund Advisors	Westwood Management Corp.
Management Strategy	Active	Active
Stated Benchmark	Russell 2500 Value Index	Russell 2500 Value Index
Capitalization Emphasis	Small-Mid Cap	Small-Mid Cap
Style Emphasis	Value	Value
Investment Approach	Combined	Fundamental
Screening Approach	Combined	Bottom-Up
Current Number of Holdings	1,397	59
Annual Turnover (by Weight)	18.0%	44.3%
Max. Cash Position	--	10.0%
Max. Sector Exposure	Style Neutral Universe plus 10.0%	25.0%
Max. Industry Exposure	25.0%	--
Max. Position Size	4.0%	2.5%

¹ Sourced from investment managers or eVestment

Key Decision Factors

	DFA U.S. Targeted Value Portfolio	Westwood Quality SMid Cap Fund
Strengths	<p>High degree of employee ownership with a long-term incentive plan to promote investment team stability.</p> <p>Investment philosophy is based on well-respected academic research.</p> <p>Sensible qualitative exclusionary rules applied to stock selection by asset class (i.e. no ADRs or REITs, etc), pricing (no recent IPOs or distressed companies, etc) and trading (i.e. insufficient liquidity, short exchange history, etc).</p> <p>Research and portfolio management teams are deep and experienced.</p> <p>The Firm's execution capabilities appear to add value over time by incorporating momentum and providing liquidity to the market.</p>	<p>Although the firm is a publicly traded company, the employee base owns a significant portion of the equity.</p> <p>The culture at Westwood is highly collaborative and emphasizes an investment team structure that ensures continuity of the investment approach.</p> <p>The investment process' attention to downside scenario analysis appears to provide an additional level of protection relative to the market.</p>
Considerations	<p>The investment process focuses heavily on a few key expected premiums such as small cap and value.</p> <p>Approach to capacity management is not clear.</p> <p>Long-term plans for the ownership of David Booth and Rex Siquefield (who own a majority stake in DFA) are uncertain.</p>	<p>The team has historically experienced some turnover. However, we feel the three person portfolio management team structure for the strategy mitigates some of the key person risk.</p>
Environmental Analysis	<p>The strategy will typically underperform in markets where "value" is out of favor. The portfolio can have a tendency to provide less than effective downside protection, but has achieved attractive participation in upward trending markets. The portfolio guidelines allow for a wider investable universe in the market cap spectrum relative to DFA's US Small Cap Value strategy. Because of this, the portfolio tends to have a larger number of holdings.</p>	<p>The process' focus on quality and valuation may cause the strategy to struggle in strong up markets or periods where low quality stocks meaningfully outperform high quality stocks. But it should provide a modest level of protection in down markets.</p>

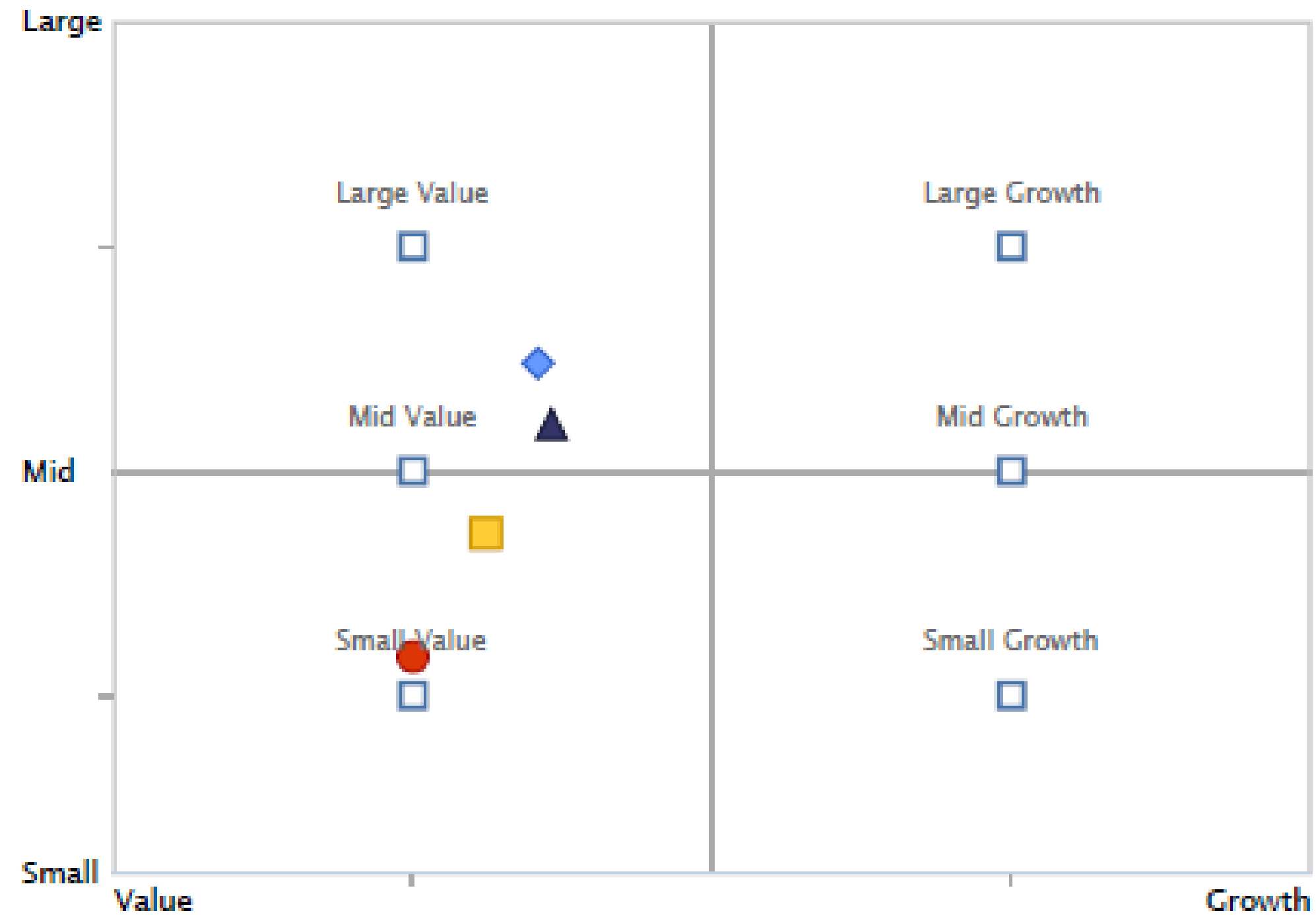
Portfolio Comparison

As of December 31, 2023

	DFA U.S. Targeted Value Portfolio	Westwood SMid Cap Fund	Russell 2500 Value Index
Characteristics			
Wtd. Avg. Mkt. Cap (\$K)	4,375,813.99	7,298,382.56	7,079,840.62
Median Mkt. Cap (\$K)	923,794.44	6,137,617.63	1,356,288.40
Price/Earnings ratio	10.35	15.10	13.28
Price/Book ratio	1.65	2.16	2.09
5 Yr. EPS Growth Rate (%)	12.63	14.67	9.58
Current Yield (%)	1.68	1.92	1.99
Forecast P/E	11.23	14.01	13.58
Forecast EPS Growth - Long Term (%)	7.99	12.72	10.46
# of Holdings	1,384	60	1,870
% Top 15 Holdings	8.70	32.54	6.25
Basic Sectors (%)			
Communication Services	2.81	0.98	2.88
Consumer Discretionary	17.59	9.66	12.57
Consumer Staples	3.83	2.93	2.86
Energy	8.81	7.80	5.27
Financials	26.41	17.92	20.89
Health Care	5.53	9.35	7.43
Industrials	17.66	20.57	19.84
Information Technology	8.16	5.94	8.16
Materials	7.57	9.03	6.47
Real Estate	1.24	10.77	10.26
Utilities	0.38	5.05	3.38
Market Capitalization (%)			
Greater than 25000M	0.00	1.93	0.00
16000M To 25000M	1.68	5.67	4.42
12000M To 16000M	1.85	6.27	10.16
8000M To 12000M	9.53	19.60	22.88
5000M To 8000M	20.57	23.16	24.76
3000M To 5000M	24.94	27.18	16.16
1000M To 3000M	29.53	14.67	15.25
500M To 1000M	7.86	1.51	4.06
200M To 500M	3.34	0.00	2.03
Less than 200M	0.71	0.00	0.28

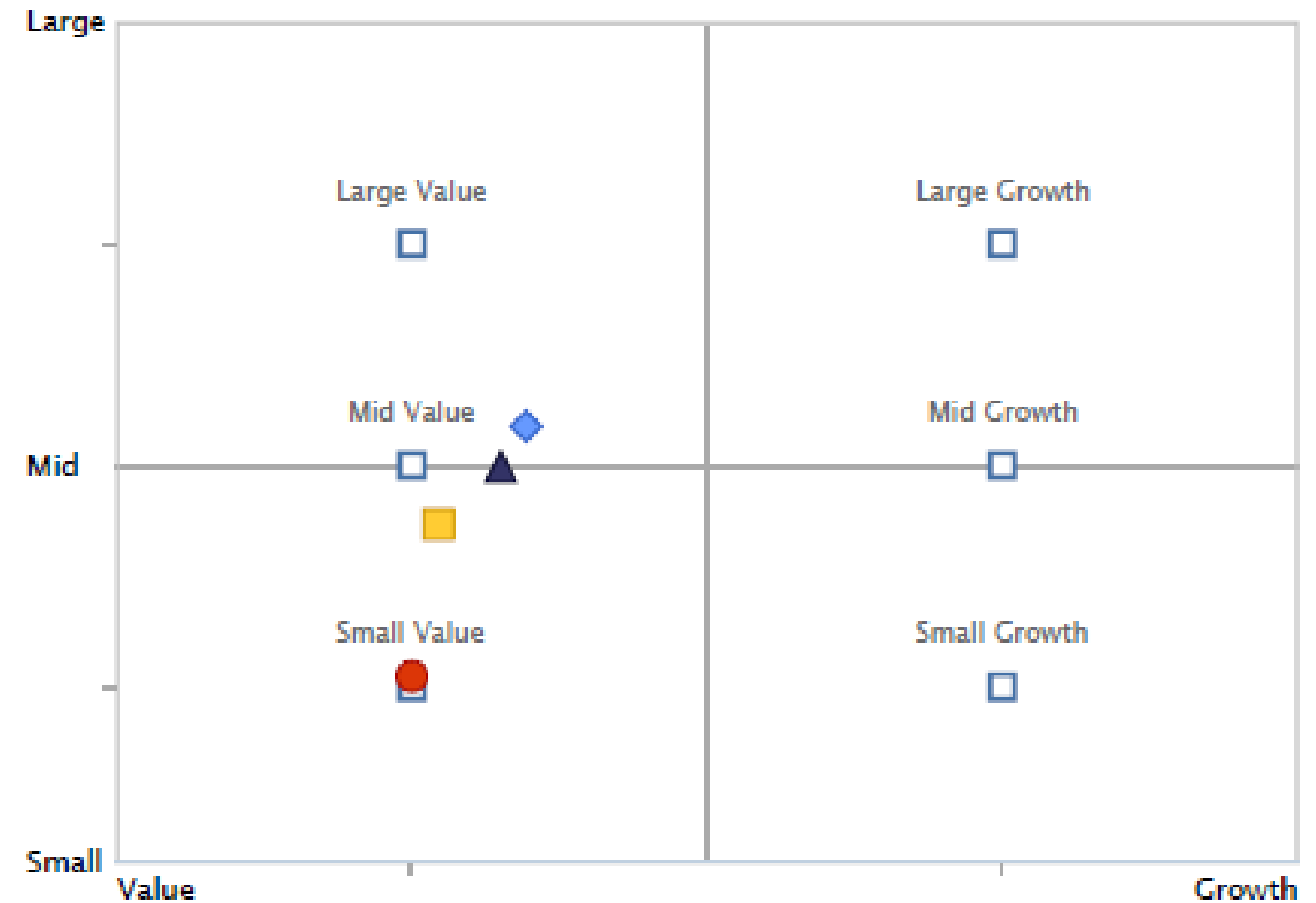
Style Map

Total Average Style Map – Traditional
Q1-2021 to Q4-2023



- ◆ Atlanta Capital Management Company, LLC : High Quality SMID Cap
- Diamond Hill Capital Management, Inc. : Diamond Hill Small-Mid Cap
- Dimensional Fund Advisors LP : US SMID Value Strategy
- ▲ Westwood Management Corp. : SMidCap Value

Total Average Style Map – Traditional
Q1-2019 to Q4-2023



- ◆ Atlanta Capital Management Company, LLC : High Quality SMID Cap
- Diamond Hill Capital Management, Inc. : Diamond Hill Small-Mid Cap
- Dimensional Fund Advisors LP : US SMID Value Strategy
- ▲ Westwood Management Corp. : SMidCap Value

Trailing and Calendar Year Performance

As of December 31, 2023

	Performance %								Inception Date
	1 Month	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	
Diamond Hill Small-Mid Cap Y	10.20	12.87	11.62	8.20	10.45	6.62	7.29	10.52	01/01/2012
DFA U.S. Targeted Value Portfolio	11.67	14.39	19.31	16.46	14.77	9.08	8.51	11.12	03/01/2000
Westwood SMid Cap Fund	8.31	12.21	17.78	8.60	11.80	7.94	6.86	8.98	01/01/2006
Russell 2500 Value Index	10.49	13.76	15.98	8.81	10.79	7.08	7.42	10.73	01/01/1986

	Performance %									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Diamond Hill Small-Mid Cap Y	-13.51	31.24	1.50	27.82	-12.42	8.77	18.29	1.41	7.60	41.88
DFA U.S. Targeted Value Portfolio	-4.62	38.80	3.77	21.47	-15.78	9.59	26.86	-5.72	2.94	43.03
Westwood SMid Cap Fund	-10.36	21.31	5.40	29.40	-11.47	10.39	12.04	-3.18	4.85	33.80
Russell 2500 Value Index	-13.08	27.78	4.88	23.56	-12.36	10.36	25.20	-5.49	7.11	33.32

Historical Statistics

5 Years Ending December 31, 2023

	Actual Correlation	Beta	Information Ratio	Return	Sharpe Ratio	Excess Performance	Standard Deviation	Tracking Error	Down Market Capture	Up Market Capture
Diamond Hill Small-Mid Cap Y	0.98	0.97	-0.09	10.45	0.46	-0.34	23.84	4.30	96.64	96.77
DFA U.S. Targeted Value Portfolio	0.99	1.09	0.87	14.77	0.58	3.97	26.70	4.86	106.27	114.72
Westwood SMid Cap Fund	0.98	0.86	0.04	11.80	0.54	1.01	21.30	5.56	84.10	89.95
Russell 2500 Value Index	1.00	1.00	-	10.79	0.47	0.00	24.21	0.00	100.00	100.00

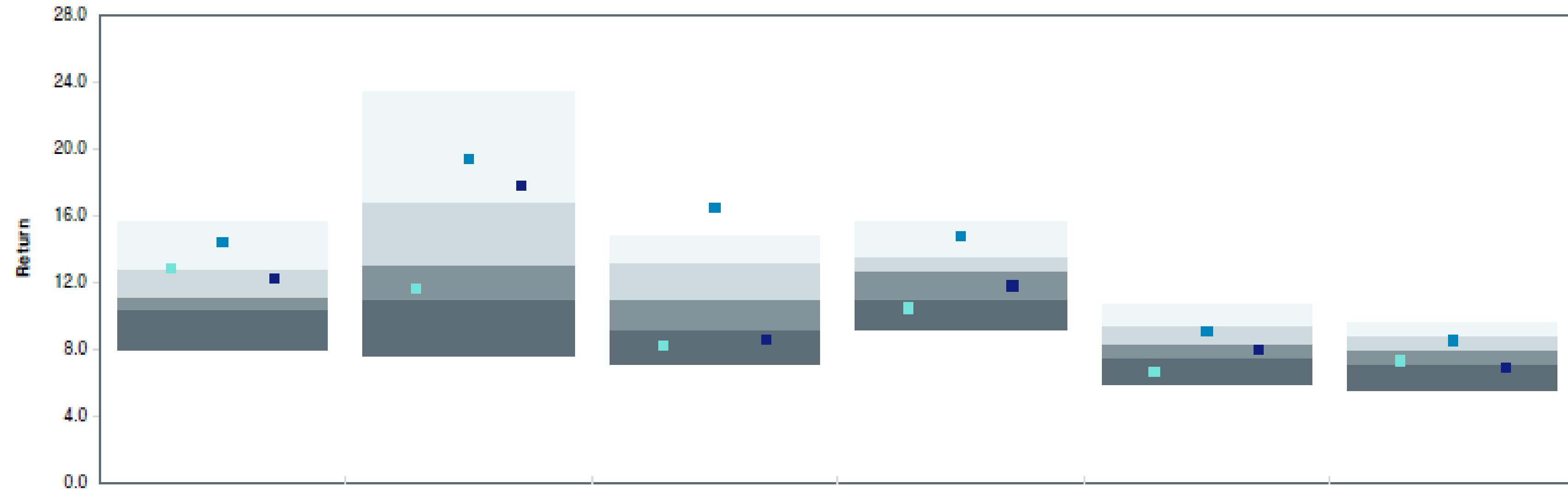
10 Years Ending December 31, 2023

	Actual Correlation	Beta	Information Ratio	Return	Sharpe Ratio	Excess Performance	Standard Deviation	Tracking Error	Down Market Capture	Up Market Capture
Diamond Hill Small-Mid Cap Y	0.98	0.94	-0.06	7.29	0.41	-0.13	18.64	4.16	91.16	92.97
DFA U.S. Targeted Value Portfolio	0.98	1.10	0.35	8.51	0.43	1.08	21.77	4.35	110.93	112.63
Westwood SMid Cap Fund	0.97	0.87	-0.19	6.86	0.40	-0.56	17.47	4.81	87.81	88.52
Russell 2500 Value Index	1.00	1.00	-	7.42	0.40	0.00	19.41	0.00	100.00	100.00

Peer Group Analysis

As of December 31, 2023

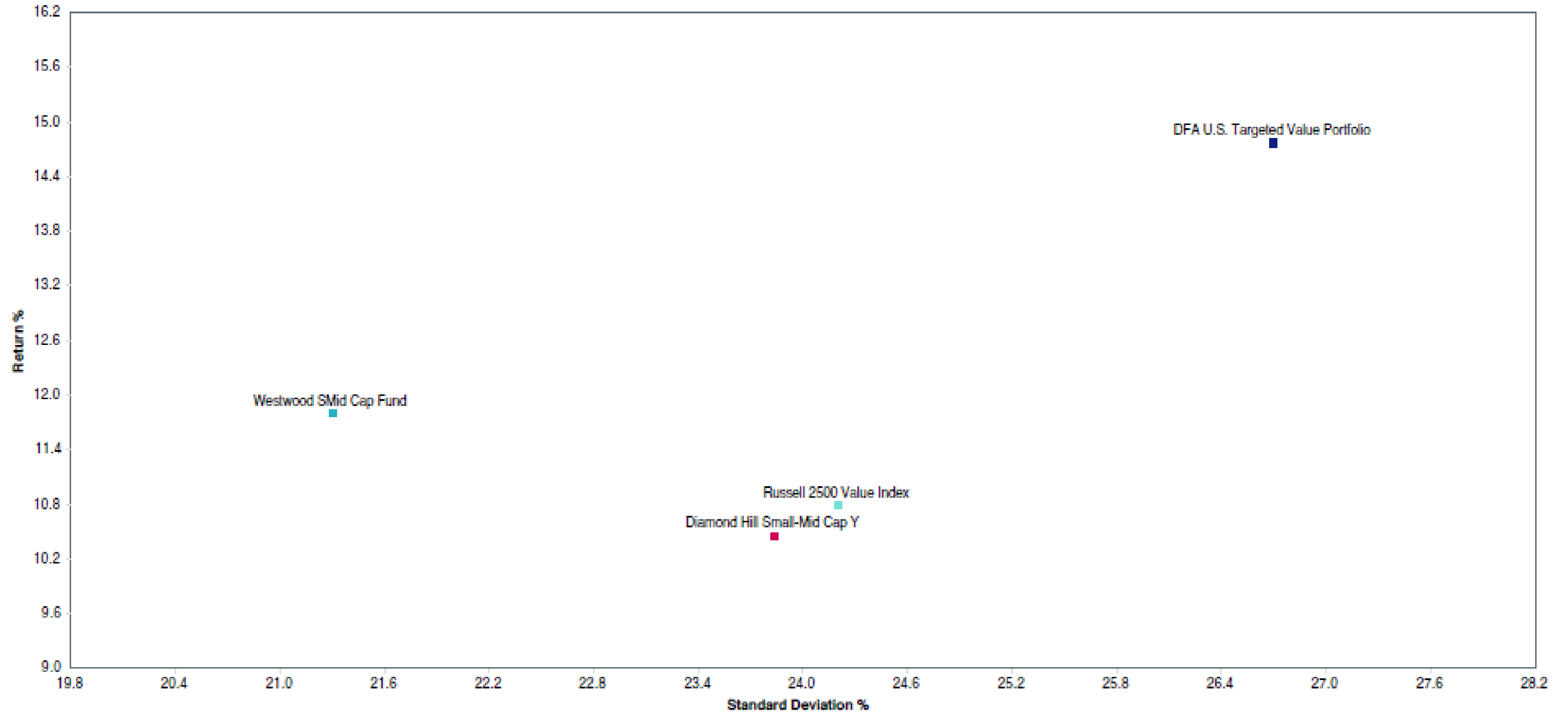
IM U.S. Mid Cap Value Equity (MF)



	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
Diamond Hill Small-Mid Cap Y	12.87 (23)	11.62 (65)	8.20 (87)	10.45 (88)	6.62 (88)	7.29 (67)
DFA U.S. Targeted Value Portfolio	14.39 (8)	19.31 (18)	16.46 (1)	14.77 (12)	9.08 (36)	8.51 (38)
Westwood SMid Cap Fund	12.21 (32)	17.78 (23)	8.60 (82)	11.80 (59)	7.94 (55)	6.86 (80)
5th Percentile	15.62	23.35	14.81	15.61	10.63	9.50
1st Quartile	12.82	16.89	13.19	13.52	9.43	8.82
Median	11.17	13.03	11.01	12.63	8.32	7.95
3rd Quartile	10.41	10.98	9.15	11.00	7.44	7.10
95th Percentile	8.02	7.58	7.07	9.18	5.89	5.54
Population	54	54	49	44	34	22

Risk Profile

5 Years Ending December 31, 2023



Town of Wilton

Complementarity Analysis: Stock Coverage / Forward Correlation of Relative Returns

Correlation Bmark Relative Stock Coverage	Dimensional Fund Advisors, US SMID Value Strategy	Diamond Hill Capital Management, Small-Mid Cap	Westwood Management SMidCap Value	Atlanta Capital Management High Quality SMID Cap
Dimensional Fund Advisors, US SMID Value Strategy		0.1	0.2	-0.3
Diamond Hill Capital Management, Small-Mid Cap	6.5%		0.3	0.3
Westwood Management Corp., SMidCap Value	4.9%	1.8%		0.2
Atlanta Capital Management Company, High Quality SMID Cap	1.4%	2.9%	4.2%	

Analysis are a current snapshot as of September 2023. Benchmark: Russell 2500. Source: Aon, Style Analytics

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