securian
ASSET MANAGEMENT®

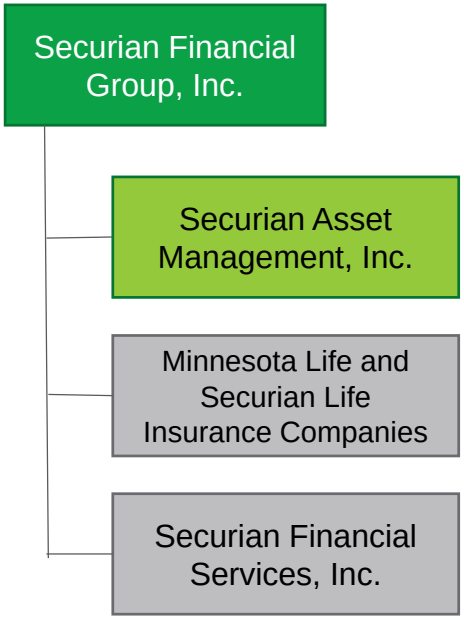
Employees' Retirement Fund of the City of Dallas

Board Presentation
October 9, 2018

Securian Asset Management Overview and Update

Rich history and organizational strength

Ensures organizational stability and relationship continuity for clients



Securian Asset Management

- Founded in 1984 with investment history back to parent company founding in 1880
- Business managed in the long-term interests of clients
- Pioneer in specialized investment strategies
- Financially strong parent company
  - Fortune 500 company[1]
  - Among the nation's most highly rated insurance companies[2]

* Securian Financial Group, Inc., is a part of an insurance company holding group. Ratings are assigned to the following Securian Financial Group, Inc. insurance affiliates: Minnesota Life Insurance Company and Securian Life Insurance Company. 1. Fortune 500 ranking of 462 as of May 2018 based on 2017 total revenue 2. For more information about the rating agencies and to see how Securian's ratings rank compared to other ratings, please visit securian.com/ratings

Our new name was effective May 1, 2018

Same company, same values, new name

- Formerly Advantus Capital Management, Inc.
- Name change only, not a change in control

Rationale for rebranding

- Increased brand recognition with Securian Financial brand initiative
- Benefits for clients in working with a well-known brand

Rebranding of materials will occur through 2018

Investment strategies

Tailored to client needs and requirements

$38.7 billion assets under management

Public Fixed Income	Private Credit	Liability-driven investing	Alternative investments
• Core bond • Duration-based • High yield • Structured securities • Strategic Credit Income	• Private placements • Commercial mortgage lending*	• Customized, dynamic LDI capabilities • Volatility-managed equity • Interest rate and cash flow immunization	• Real estate securities • Strategic dividend income • Alternatives

Market Value Assets Under Management as of 6/30/18. *Commercial Mortgage Lending is not an advisory service and does not involve securities but is included in the total assets under management. Source: Securian Asset Management.

Securian Asset Management organizational chart – key functional staff

Securian Asset Management
David Kuplic, CFA – President

Portfolio Management

Fixed Income
Tom Houghton, CFA
Lena Harhaj, CFA
Dan Henken, CFA
Jane Wyatt, CFA
John Leiviska, CFA
Sara DeWolfe

Real Estate and Equity
Matthew Richmond
Lowell Bolken, CFA
Joseph Betlej, CFA
James Seifert

Research and Trading
Erica Bergsland, CFA

Research
Matthew Kennedy
Joe Scanlan, CFA
Jon Thompson, CFA
Sean Timonen, CFA
Anthony Perala
Chris Gudmastad, CFA
Myles Reinecke, CFA
Josh Klaetsch, CFA
Michael Kagan
Michael Kelleher
Katie Brisson
Danielle Lardy, CFA
Nick Reichter

Trading
David Graetzer, CFA
Kaycee Brookshaw
Karen Maw

Alternatives, Mortgage, & Structured Credit
Sean O'Connell, CFA

Drew Smith, CFA
Andrew Peterson
Rich Krueger
Mike Samuel
Jim Ziegler
Stephen Thompson
Janet Mercer
Julie Lange
Theresa Jones
Michele Stohlberg
Jose Nevarez
John Malone
Brian Hennen
Lynette Pineda

Quantitative Strategies
Craig Stapleton, CFA

Merlin Erickson
Jeremy Gogos, PhD, CFA
Mike Anderson, CFA
Ken Dicke
Won Jung, CFA
Brian Hurd, CFA

Business Development
Steven Moen

Amy Theuninck
David Serposs
John Messing, CFA
Brianne Hamm
Tammy Dunning

Client Service and Reporting
Craig Stapleton, CFA

Miranda Gudmundson
Ann Stanina
Victoria Watson
Mollie Gabrys-Lake
Tim Andree

Compliance
Mike Steinert, JD

Alyssa Ballis
Karie Gunderson
Kathryn Zettler

Legal
Jennifer Wolf, JD

Robin Lenarz, JD
Jason Thibodeaux, JD
Jeremy Wheeler, JD
Kathleen Posus
Marnie Schaffer
Amber Collins
Melissa Pyka
Joe Avechuco
Kris Robinson

As of 09/21/18.

Total Return Fixed Income Team and Process

Collaborative approach with talented and diverse individuals

Portfolio Management Team: Top Down Asset Allocation

Thomas Houghton, CFA
Lead Portfolio Manager
Experience: 25 years

Lena Harhaj, CFA
Portfolio Manager
Experience: 21 years

Daniel Henken, CFA
Portfolio Manager
Experience: 15 years

Research Team: Bottom Up Sector Specialists

Credit

Mike Anderson, CFA
Real Estate (REIT)
Experience: 18 years

Michael Kagan
Jr. Corporate Analyst
Experience: 1 year

Matthew Kennedy
Banking and Consumer Cyclicals
Experience: 15 years

Anthony Perala
Utilities, Transportation and Food/Beverage
Experience: 4 years

Nick Reichter
Technology, Media and Telecom
Experience: 9 years

Joseph Scanlan, CFA
Energy, Auto and Basic Materials
Experience: 20 years

Sean Timonen, CFA
Insurance, Healthcare and Capital Goods
Experience: 20 years

Jon Thompson, CFA
Municipal and Esoteric ABS
Experience: 21 years

Securitized

Danielle Lardy, CFA
Sr. Structured Analyst
Experience: 10 years

Katie Brisson
Jr. Structured Analyst
Experience: 9 years

Risk and Analytics Group

Erica Bergsland, CFA
Head of Risk/Analytics
Experience: 36 years

Ken Dicke
Quantitative Analyst
Experience: 17 years

Trading Desk

Dave Graetzer, CFA
Head of Fixed Income Trading
Experience: 33 years

Kaycee Brookshaw
Fixed Income Trader
Experience: 22 years

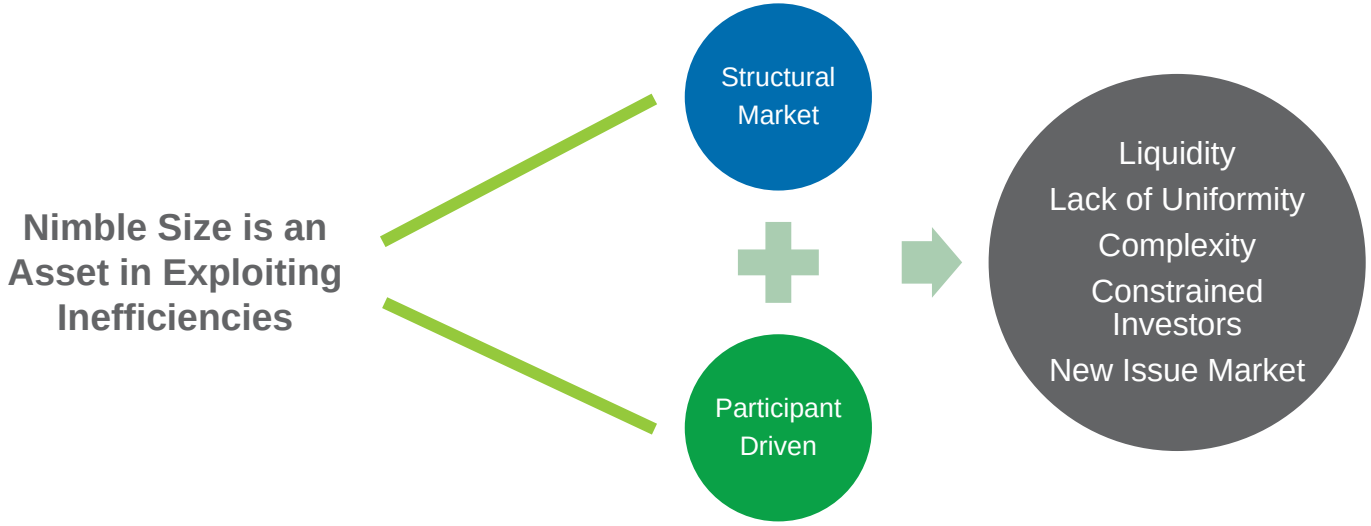
Fixed Income investment philosophy – our six core beliefs

- Complexity of financial markets necessitate a team approach
- We believe fixed income markets are inefficient
- We believe fixed income indices are fatally flawed
- Long-term viewpoints drive outperformance
- Fundamental research is critical in reducing behavioral influences
- To effectively grow client assets, we need to protect them first

Denotes key differentiators.

Market Inefficiencies, Create Active Opportunities

We use **active management** to exploit **dislocations and mispricing** in fixed income markets. Technical factors often **create opportunities** where securities trade above or below intrinsic values.



Portfolio managers may use some or all of the techniques and processes described above. Investing involves many inherent risks. Investments can and do lose value, including the potential loss of the entire investment.

Benchmark Aware, Not Constrained

Benchmarks "reward" issuers that have significant outstanding debt.

Our Focus:
Fundamental analysis and **not benchmark weight**

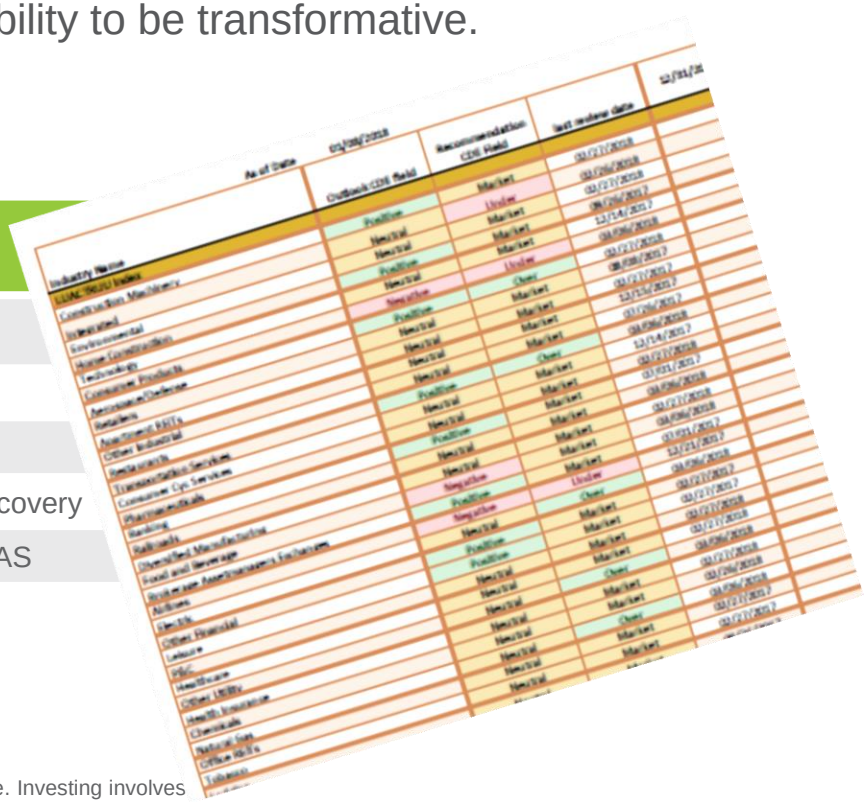
Our Results:
Avoidance of issuers in which we have a **negative credit view**, regardless of index weight

Pay close attention to **non-index eligible securities,** which can add **attractive value**

Long-Term Viewpoints Drive Outperformance

Long-term thematic and **secular trends** can **drive performance** for extended periods. As result, we **devote significant time** to researching and **identifying secular and market trends** that have the ability to be transformative.

Industry Evaluation Criteria	
Industry type (growth, cyclical, defensive, declining)	M&A
Level of competition	Position in credit cycle
Regulatory environment	Transformational risk
Activism	Historical default and recovery
	Sector weighting and OAS



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Sell Discipline

Our decision to reduce or eliminate exposure to a security will typically be the result of the following:

- **Relative value optimization,** either across sectors or within a particular sector.
- Feedback that conflicts with our investment thesis, this could be **price movement** or **credit metrics** that are substantially different from expectations.
- **Executable market price** is near or above our intrinsic value.
- Desire to maintain portfolio **characteristics within our risk framework** (e.g. liquidity or credit quality).

Portfolio managers may use some or all of the techniques and processes described above. Investing involves many inherent risks. Investments can and do lose value, including the potential loss of the entire investment.

Protect, then grow

Risk monitoring

Portfolio managers may use some or all of the techniques and processes described above.

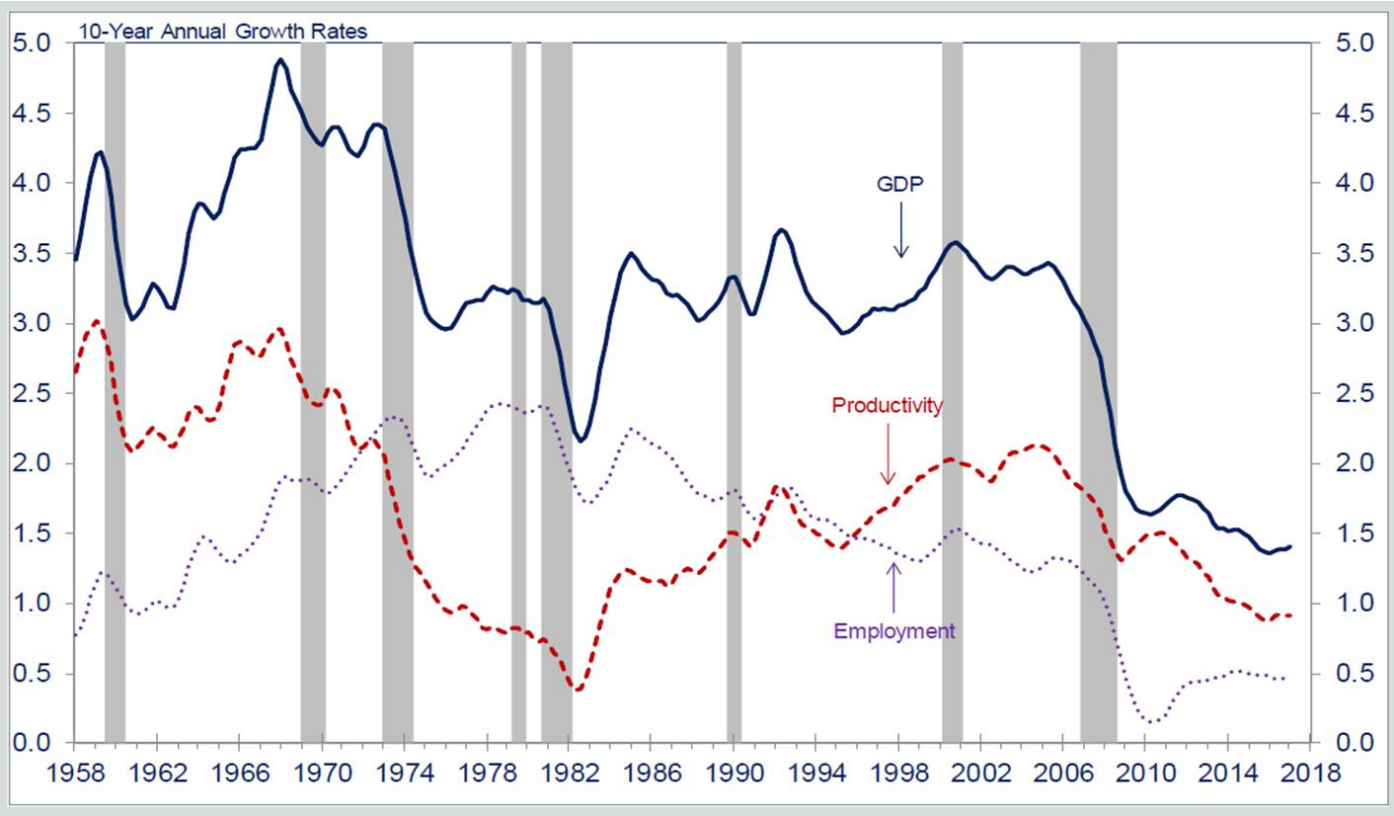
Market Overview and Outlook

A look at the economy and the markets

U.S.	Outlook
Economy	Growth decelerates, but remains modestly above trend; no recession imminent
Inflation	Realized inflation won't move up much beyond Fed target; inflation expectations anchored around 2%
Interest Rates	Curve will continue to flatten as Fed remains on tightening path
Corporate Sector	Current cycle continues as confidence and earnings outlook remain supportive; balance sheets and valuations stretched
Housing/Consumer	Home prices continue to rise; consumer balance sheet looks better than corporate balance sheet

Decomposition of real GDP

Long term growth is still facing headwinds



Source: Federal Reserve Bank of New Richmond.

Inflation

Core inflation and inflation expectations at Fed target

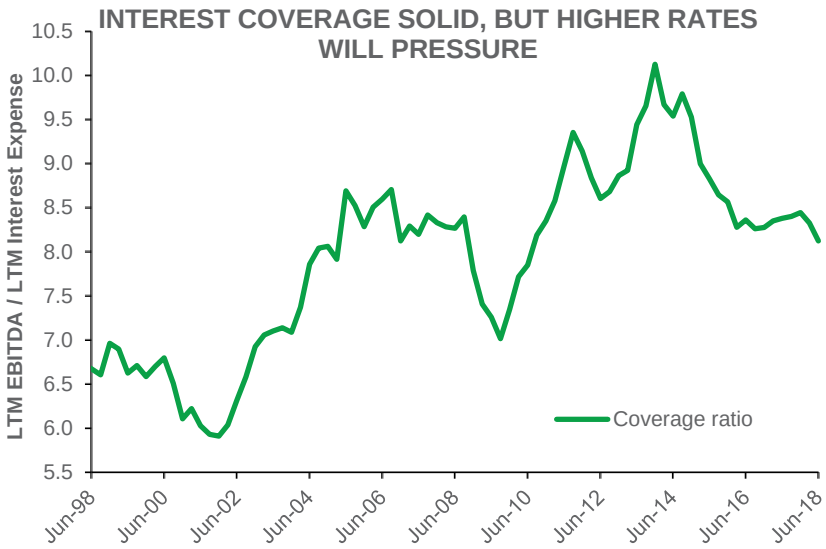
Source: Bloomberg.
*Fed target. As of 07/31/18. Personal Consumption Expenditure (PCE). Market Inflation Expectations: US Breakeven 5 Year Yield (Bloomberg).

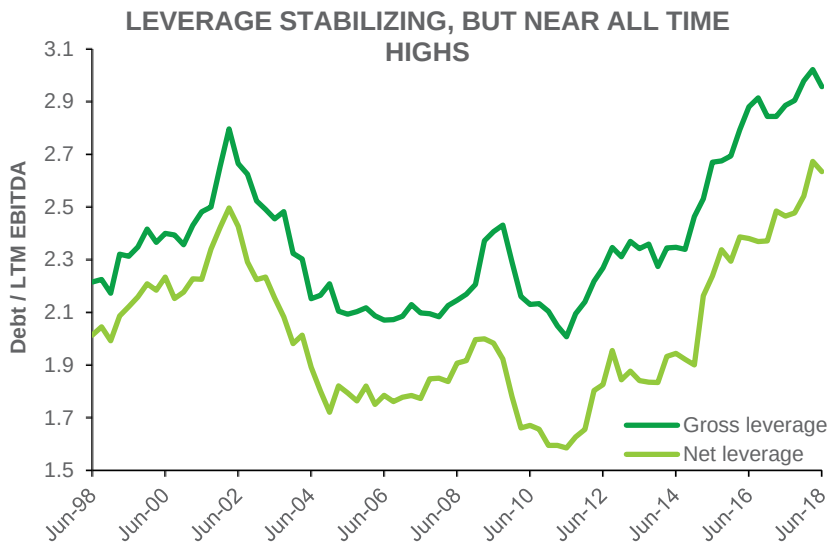
Risks to outlook

Market uncertainty catching up to policy uncertainty

- Fed reacts too aggressively to labor market strength.
- Protectionism/nationalism pressures global trade.
- Emerging market volatility spreads to developed markets.
- Domestic constitutional crisis.

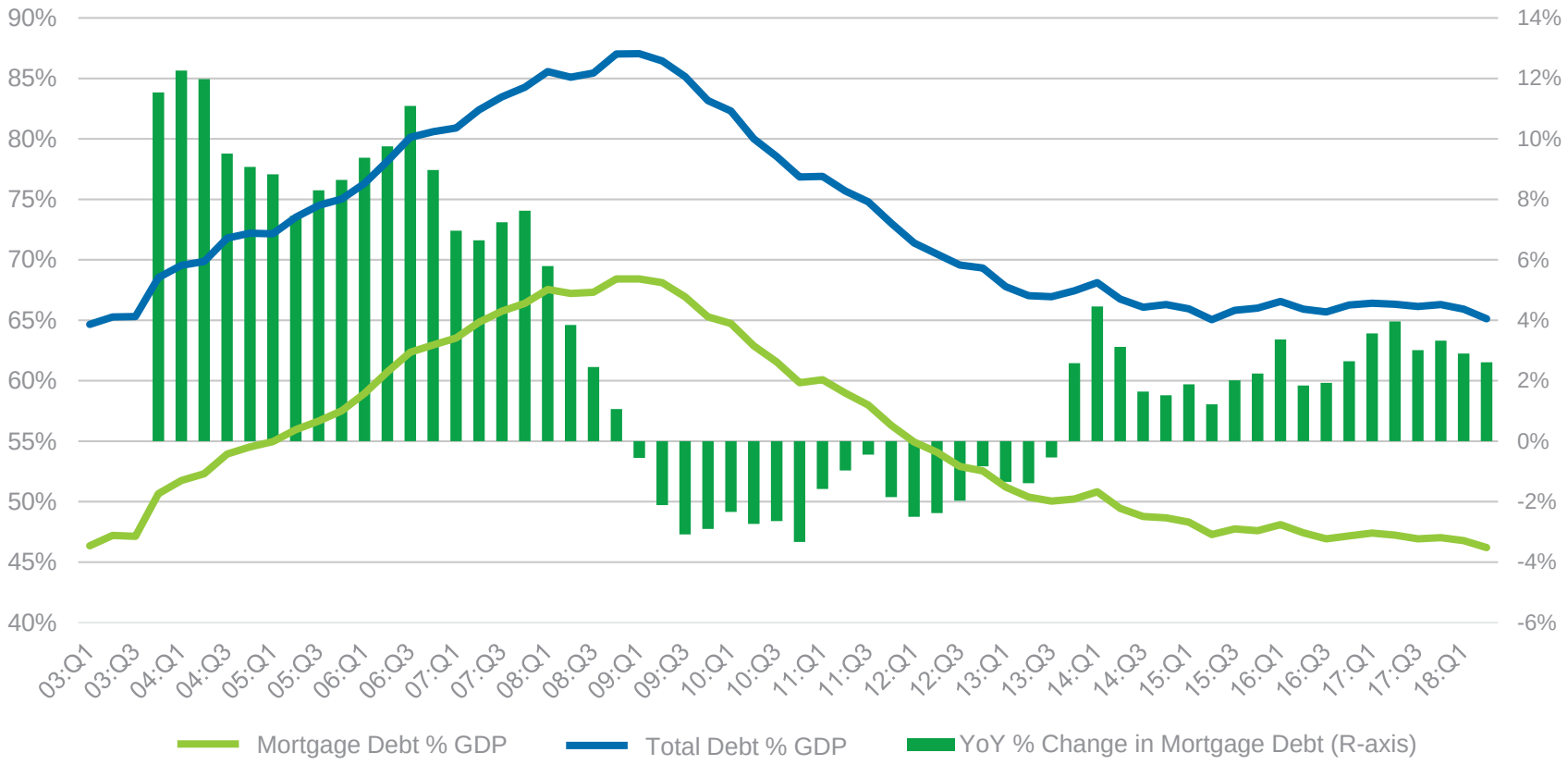
Corporate fundamentals: little room for error





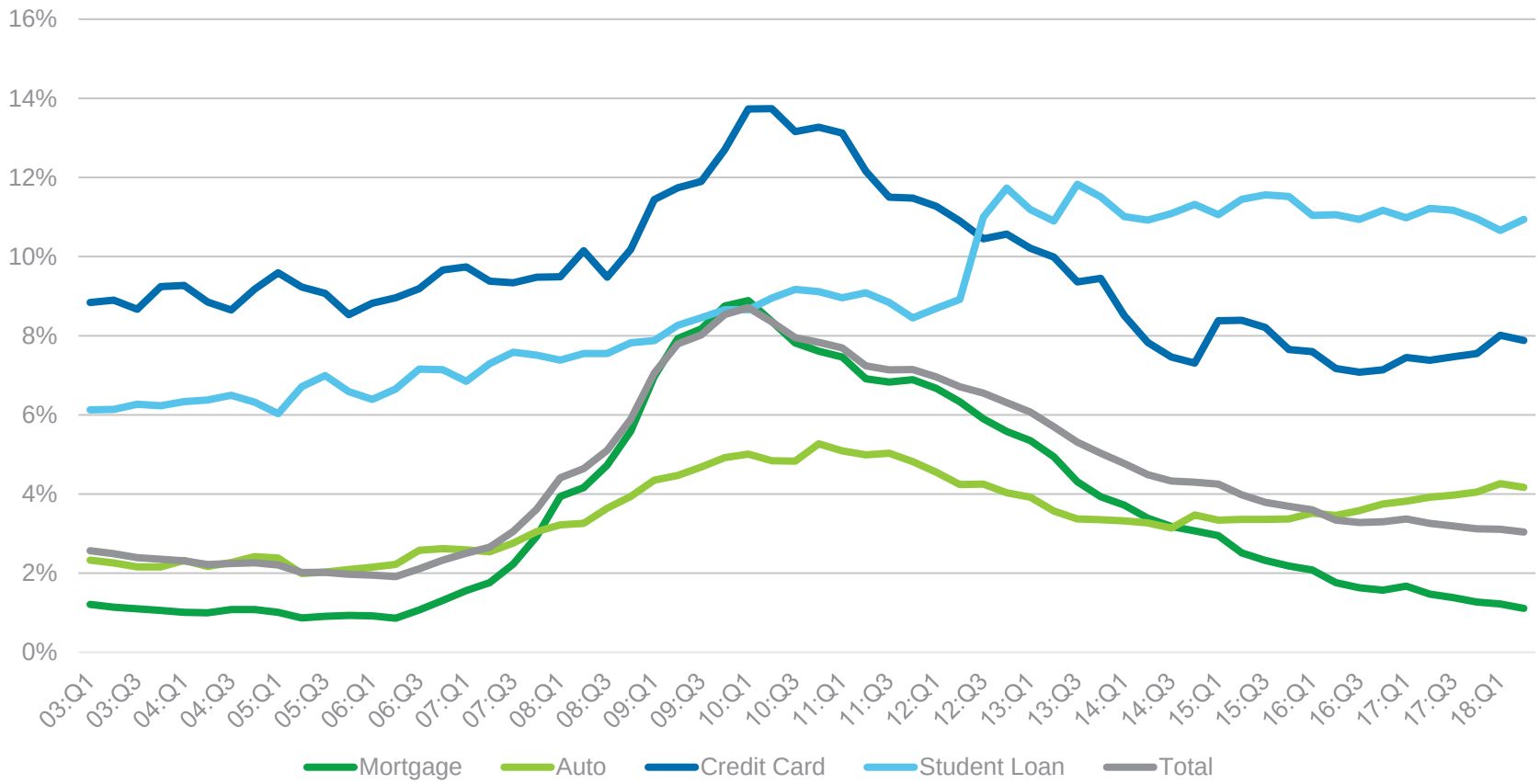
Source: BofA Merrill Lynch Global Research. As of 06/30/18.

Household debt



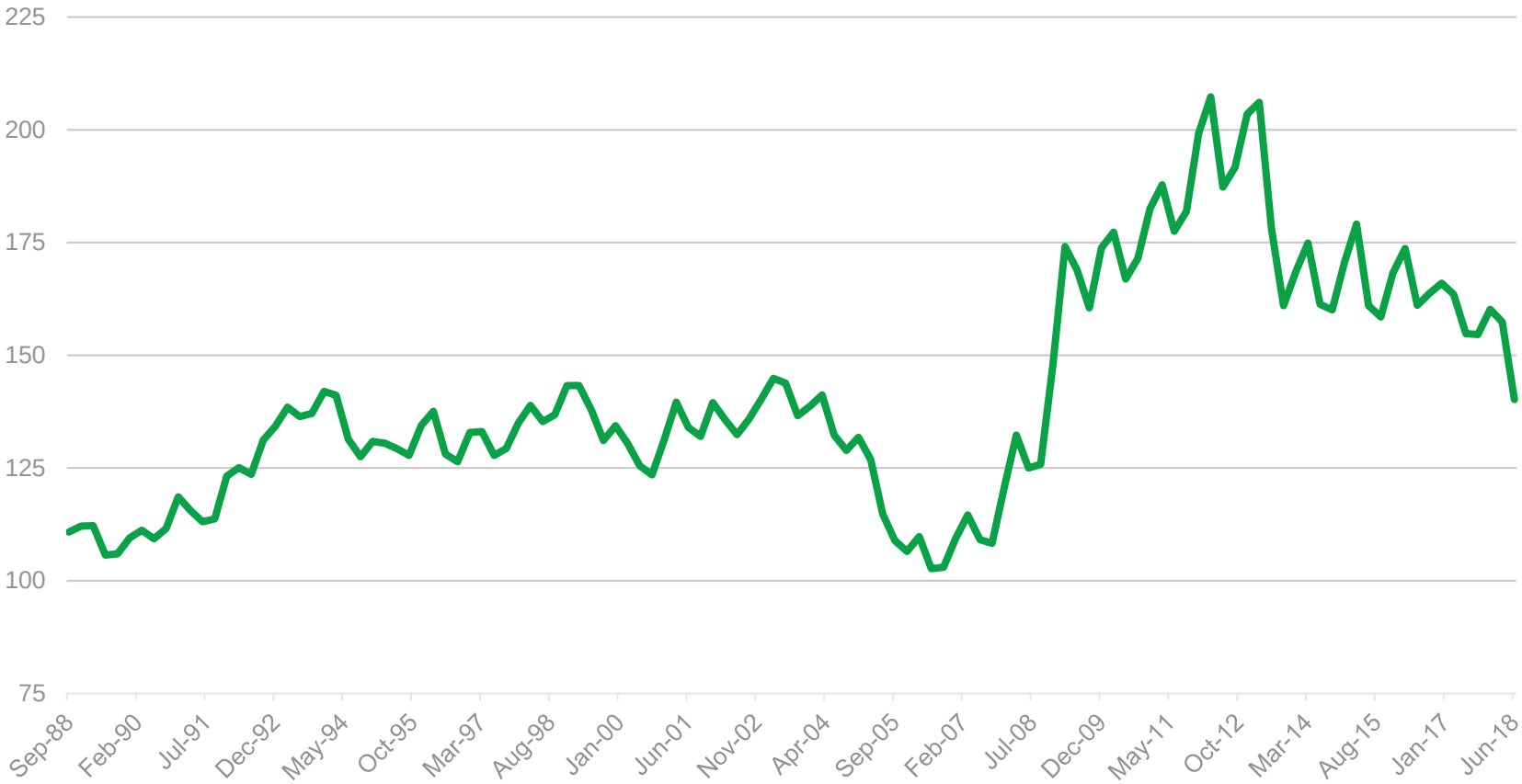
As of 06/30/18.
Source: Federal Reserve Bank of New York.

Percent of balance 90+ days delinquent by loan type



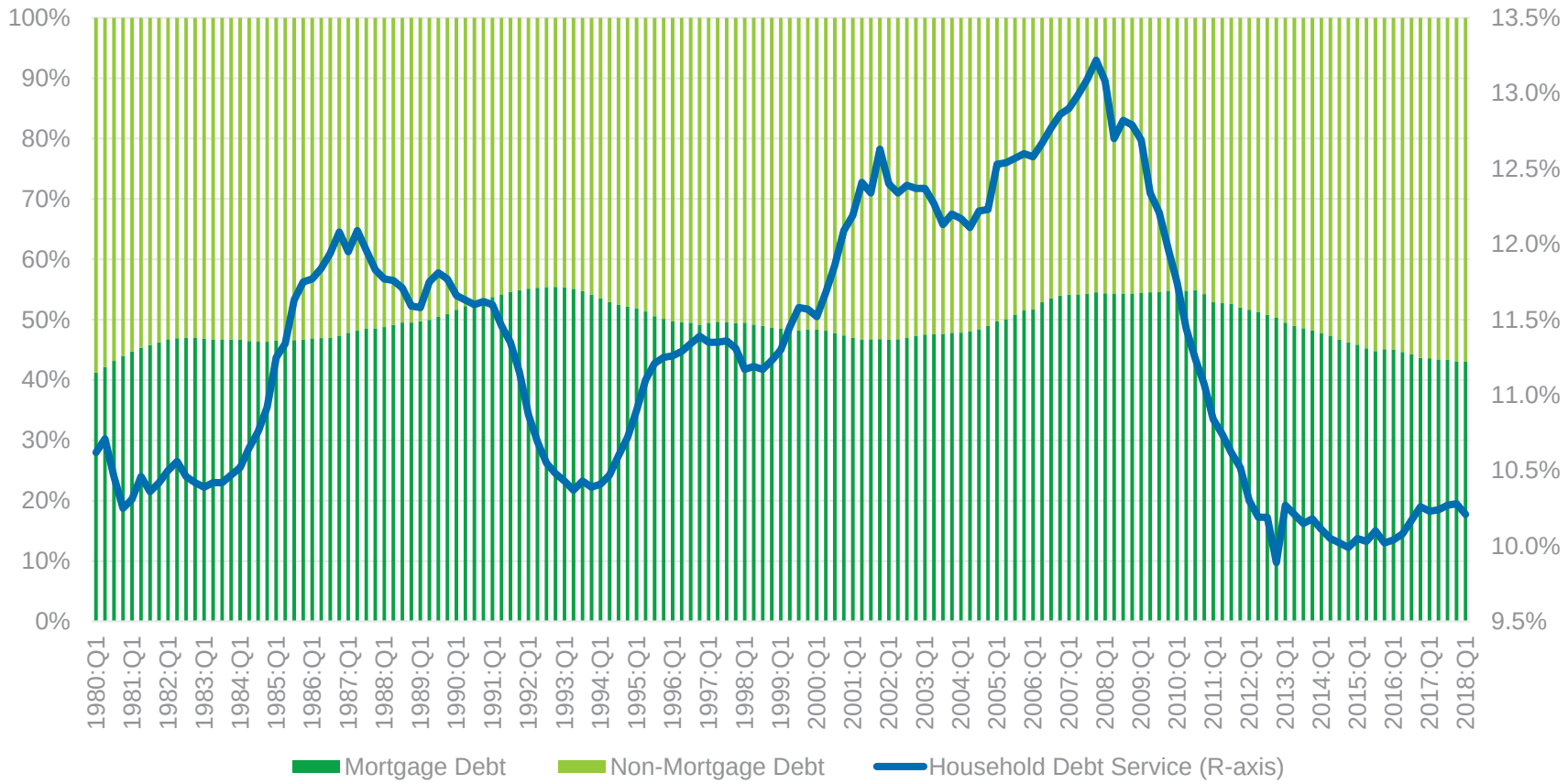
As of 06/30/18.
Source: Federal Reserve Bank of New York.

Housing affordability index



As of 06/30/18.
Source: National Association of Realtors, Bloomberg.

Household debt service as percent of disposable personal income



As of 06/30/18.
Source: The Federal Reserve Board.

Portfolio Review

Portfolio Strategy

- Remain overweight corporates, but biased towards shorter duration
  - Favor banking, insurance, secured airline debt
  - Remain underweight TMT, consumer non-cyclical, capital goods
- Maintain/increase exposure to consumer in the securitized sectors
  - Favor residential ABS, CMO
  - Remain overweight CMBS
  - Remain underweight Agency MBS
- Maintain shorter duration profile
  - Floating rate debt remains attractive

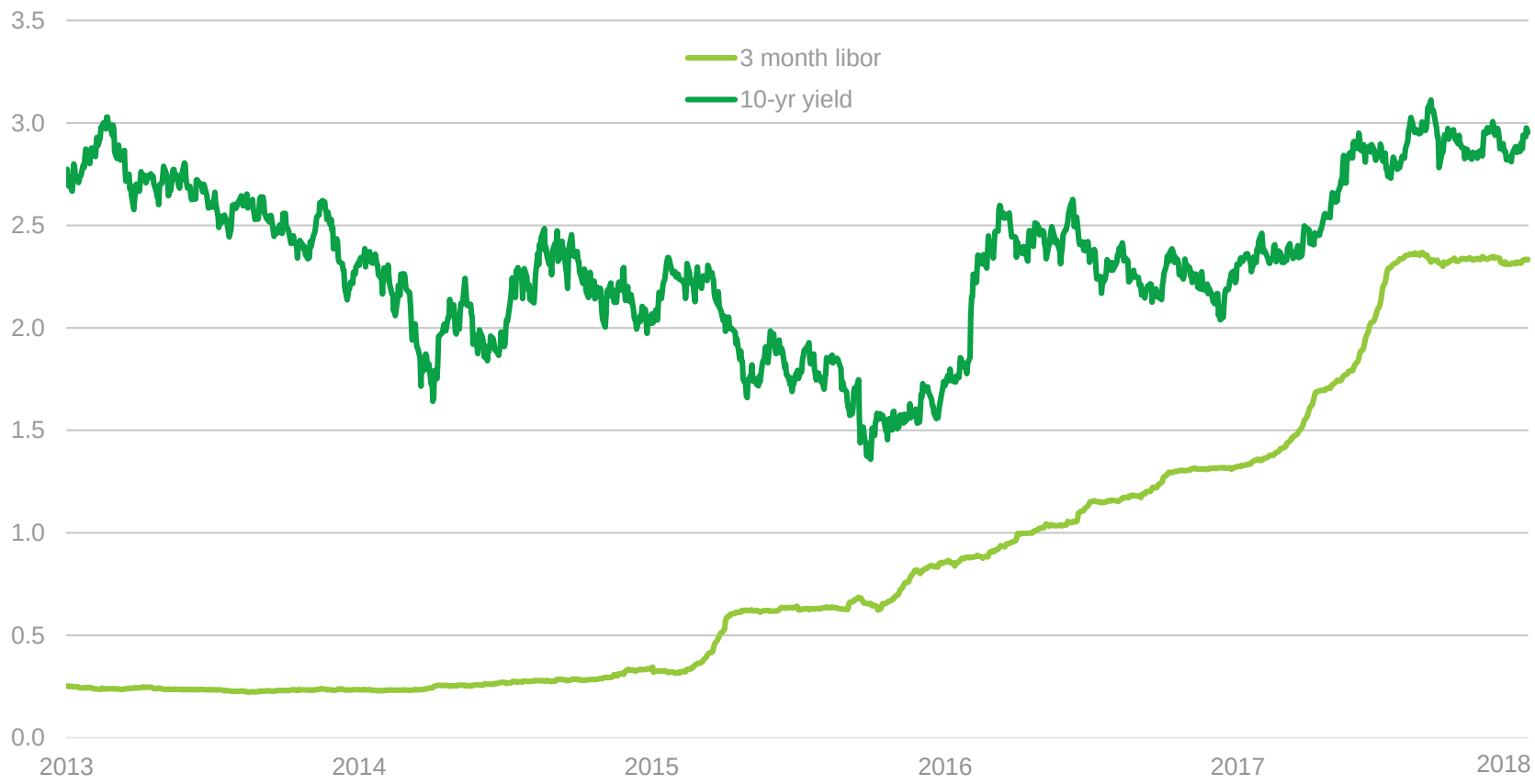
Portfolio analytics

ERF of the City of Dallas vs. Bloomberg Barclays U.S. Aggregate Bond Index

	ERF of the City of Dallas	Benchmark	Difference
Corporate	**43.5**	**25.0**	**18.5**
Financial Institutions	**16.1**	**8.1**	8.0
Banking	12.7	5.9	6.8
REITs	0.8	0.6	0.2
Insurance	1.8	1.1	0.7
Other Financial	0.8	0.5	0.3
Industrial	**19.1**	**15.1**	4.0
Consumer Cyclical	2.2	1.8	0.4
Transportation	5.9	0.6	5.3
Energy	3.8	2.3	1.5
Communications	0.9	2.2	-1.3
Consumer Non-Cyclical	3.1	4.1	-1.0
Technology	1.2	2.1	-0.9
Other Industrial	1.9	2.0	-0.1
Utility	**8.3**	**1.8**	6.5
Government Related	**4.4**	**1.0**	**3.4**
Securitized	**28.6**	**30.7**	**-2.1**
MBS Passthrough	16.8	28.2	-11.4
ABS	4.2	0.5	3.7
CMBS	6.9	1.9	5.0
CMO	0.7	0.0	0.7
Covered	0.0	0.1	-0.1
Treasuries	**23.1**	**37.8**	**-14.7**
Cash Equivalent	**0.3**	**0.0**	**0.3**

Source: Bloomberg Barclays. Sector weightings by percentage as of 08/31/18. Slight discrepancies may appear due to rounding.

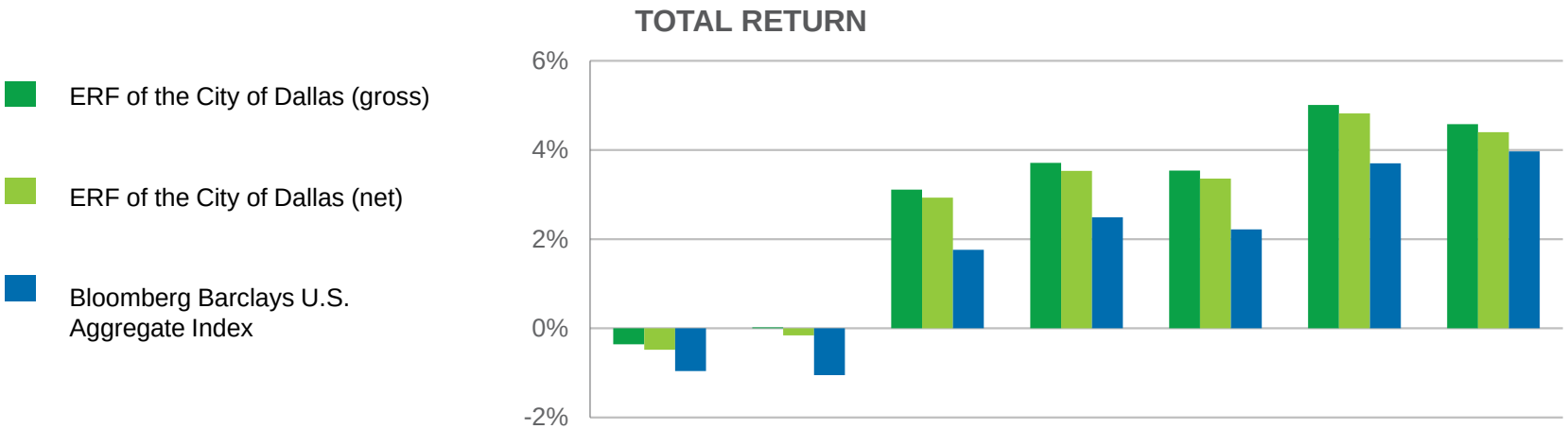
Three Month LIBOR spikes relative to longer dated Treasury rates



Source: Bloomberg. As of 09/13/18.

Performance

Employees' Retirement Fund of the City of Dallas



	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception*
ERF of the City of Dallas (gross)	-0.36%	0.02%	3.11%	3.71%	3.54%	5.01%	4.58%
ERF of the City of Dallas (net)	-0.48%	-0.16%	2.93%	3.53%	3.36%	4.82%	4.40%
Bloomberg Barclays Capital U.S. Agg Index	-0.96%	-1.05%	1.76%	2.49%	2.22%	3.70%	3.97%
Excess Return – Net of Fees	0.48%	0.89%	1.17%	1.04%	1.14%	1.12%	0.43%

As of 08/31/18.
Past performance is not indicative of future results. Source: Securian Asset Management, Inc. Returns for periods greater than one year are annualized.
*Inception date of 05/31/07.
Minor discrepancies may appear due to rounding.

Performance Attribution

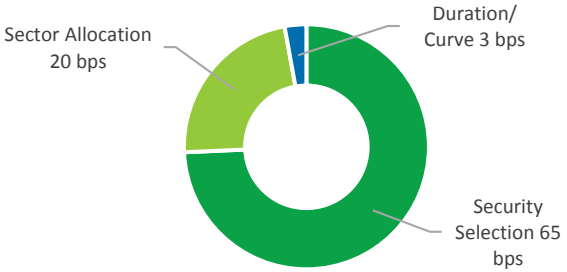
ERF of the City of Dallas excess return (basis points) versus Bloomberg Barclays U.S. Aggregate Bond Index

Category	2013	2014	2015	2016	2017	2018 YTD
Yield Curve	**-23.5**	**3.3**	**5.5**	**2.8**	**22.3**	**26.2**
Asset Allocation	**54.7**	**9.0**	**1.5**	**84.3**	**68.7**	**3.8**
Treasury	17.6	4.7	2.0	4.8	7.2	3.8
Corporate	29.8	-1.3	-4.2	57.8	56.2	-8.1
Structured Securities	4.4	4.6	-1.2	8.8	5.8	3.0
Government Related/Other	2.8	1.0	5.0	13.0	-0.4	5.0
Security Selection	**78.8**	**74.5**	**47.7**	**85.0**	**32.1**	**29.8**
Treasury	-0.8	-0.5	-4.4	1.1	-14.2	-2.4
Corporate	51.6	64.0	24.9	73.4	42.6	30.5
Structured Securities	17.5	10.5	17.6	11.2	5.8	6.7
Government Related/Other	10.6	0.5	9.7	-0.6	-2.0	-5.1
Various Residual	**-6.1**	**5.2**	**9.1**	**32.3**	**13.1**	**0.2**
Portfolio Excess Return	**104.0**	**92.0**	**63.9**	**204.4**	**136.2**	**59.9**
Bloomberg Barclays Credit Excess Return	226.0	-18.2	-169.4	442.0	335.0	-155.1

Source: FACTSET/Bloomberg Barclays POINT. As of 08/31/18. Slight discrepancies due to rounding. Past performance is no guarantee of future results.

Appendix

Core Fixed Income Strategy Profile

	Core Fixed Income (Full Duration)
Performance Objective	+50 basis points (net of fees) over Bloomberg Barclays U.S. Aggregate Bond Index
Tracking Error Target vs. Benchmark	125-150 basis points
Sources of Excess Return	
Focus	U.S. Multi-Sector
Investable Universe	Benchmark sectors only When allowed, limited opportunistic allocation and derivatives
Duration	+/- 10% of benchmark duration
Maximum Sector/Industry Exposure	Greater of 10% or 2.5x Benchmark
Maximum Issuer Exposure	500 basis points
Average Issuer Exposure	~50 basis points[1]
# of Issuers	Typically 100 – 150[1]
Active Risk Threshold	300 basis points*

*For illustrative purposes only. Note that the risk thresholds shown here are intended as a basis for discussion among the investment team. They are not intended to be absolute limits in a portfolio. All risk thresholds are subject to change. There can be no guarantee that this objective will be achieved. 1 Subject to change (excludes Treasuries and MBS Passthroughs).

Portfolio Statistics

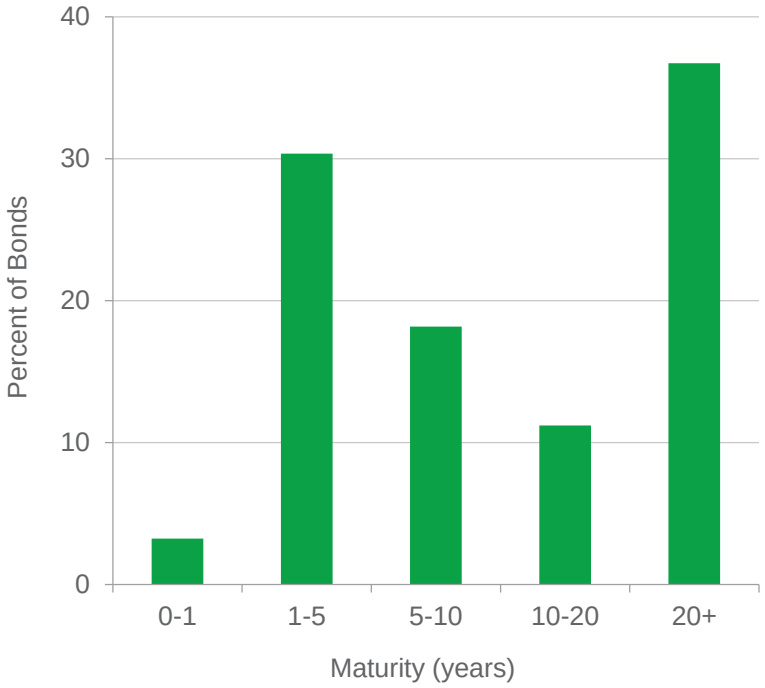
ERF of the City of Dallas vs. Bloomberg Barclays U.S. Aggregate Bond Index

Quality Breakdown	ERF of the City of Dallas	Benchmark
AAA/Treasury/Agency	49%	73%
AA	6%	3%
A	14%	11%
BBB	30%	13%
Below Investment Grade	1%	0%

As of 08/31/18.

Portfolio Statistics

Employees' Retirement Fund of the City of Dallas



Portfolio Profile	
Total holdings	254
Annual turnover	115%
Average life (years)	9.8
Effective duration (years)	5.5
Average coupon	3.7
Average credit quality	AA-

As of 08/31/18.

David Kuplic, CFA

President and Chief Executive Officer

Senior Vice President and Chief Investment Officer, Securian Financial Group

As President of Securian Asset Management, David provides strategic investment leadership to Securian Asset Management. He also serves as Chief Investment Officer for Securian Financial Group and President of Securian Funds Trust group of funds offered through variable insurance contracts. David joined Securian Asset Management in 2004 and was named Executive Vice President in 2007, and President in 2017.

David holds an MBA in finance from Indiana University. He is a CFA Charterholder, and a member of the CFA Institute and CFA Society of Minnesota. He serves on the Board of Directors and Investment Committee of Allina Health in Minnesota, the Board of the Ordway Theater in St. Paul, Minnesota, and the Board of Carlson Funds at the University of Minnesota.

Professional experience

- Ameriprise Financial
  Vice President & Senior
  Portfolio Manager
- Piper Jaffray
  Vice President, Fixed Income Research
- U.S. Bank
  Assistant Vice President, Treasury
- Active in the investment industry
  since 1984

Degrees and designations

- Master of Business Administration in Finance
  Indiana University
- Bachelor of Science in Business
  Minnesota State University-Mankato
- Senior Management Committee Member of
  Securian and Securian Asset Management
- Chartered Financial Analyst

John Messing, CFA

Vice President – Institutional Solutions

John maintains relationships with clients from across the firm including corporate and public pension funds, Taft-Hartley, sub-advisory and life and health companies. John works closely with client management teams and investment committee members to communicate portfolio activity on behalf of Securian AM. Prior to joining Securian AM, John worked in the Financial Management division of Securian Financial Group, including roles in the Financial Reporting, Corporate Tax and Fund Pricing groups.

John is a CFA charterholder and a member of the CFA Institute and CFA Society of Minnesota.

Professional experience

- Securian Financial Group
  Fund Pricing Accountant
  Premium Tax Analyst
  Financial Reporting Analyst
- Active in the investment industry since 2000

Degrees and designations

- Bachelor of Arts
  University of St. Thomas
- Chartered Financial Analyst

Thomas Houghton, CFA

Senior Vice President and Lead Portfolio Manager - Total Return

As Senior Vice President and Lead Portfolio Manager, Tom is the lead portfolio manager for all fixed income total return strategies at Securian Asset Management. Tom has focused on fixed income investments throughout his career, having held positions in portfolio management, fixed income analysis and trade desk management.

Tom is a CFA Charterholder, and is a member of the CFA Institute and CFA Society of Minnesota.

Professional experience

- Securian Asset Management
  Senior Investment Officer, Public Corporate Bonds
  Head of Fixed Income Trading
- American Express Financial Advisors
  Senior Securities Analyst, Public Corporate Bonds
- Active in the investment industry since 1993

Degrees and designations

- Master of Business Administration University of Minnesota
- Bachelor of Science, Business Administration and Accounting University of Minnesota
- Chartered Financial Analyst

Daniel Henken, CFA

Vice President and Portfolio Manager

Dan manages fixed income assets for Securian Asset Management's total return strategies. Dan has extensive experience researching investment grade and high yield corporate bonds. His responsibilities include fundamental industry and company analysis of current and prospective holdings, along with specific trade recommendations. In addition, Dan covers the technology, media and telecommunications sectors for all strategies within Securian Asset Management.

Dan is a CFA Charterholder, and is a member of the CFA Institute and CFA Society of Minnesota.

Professional experience

- Securian Financial Services Inc.
  Senior Investment Consultant
- Capital Formation Strategies Inc.
  Principal
- Strong Capital Management/Wells Capital Management
  Regional Analyst
- Active in the investment industry since 2003

Degrees and designations

- Master of Business Administration with an emphasis in Investment Management
  University of Wisconsin—Milwaukee
- Bachelor of Arts in Business
  Ripon College
- Chartered Financial Analyst

Lena Harhaj, CFA

Investment Officer & Portfolio Manager, Total Return

Lena has extensive fixed income market experience, including a strong background with residential and non-residential structured securities. As a member of the Securian Asset Management Fixed Income Total Return Group, she is primarily responsible for the mortgage-backed and asset-backed positions for all fixed income total return strategies at Securian Asset Management. Lena also co-manages the SecurianAM Mortgage Securities and SecurianAM Money Market strategies.

Lena is a CFA Charterholder, and is a member of the CFA Institute and CFA Society of Minnesota.

Professional experience

- Securian Asset Management
  Total Return Portfolio Analyst
  Sr. Investment Analyst, Structured Finance
  Performance Analyst
  Reporting Specialist
  Investment Technician
- Active in the investment industry since 1997

Degrees and designations

- Bachelor of Science in Finance
  University of Minnesota
- Chartered Financial Analyst

Disclosures

Index descriptions

The “core” PCE price index is defined as personal consumption expenditures (PCE) prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends. S&P 500 is represented by the S&P 500, which is an index consisting of 500 large cap common stocks which together represent approximately 80% of the total U.S. stock market. It is a float-adjusted market-weighted index (stock price times float-adjusted shares outstanding), with each stock affecting the index in proportion to its market value.

The Consumer Price Index (CPI) is a measure of the average change over time in prices paid by urban consumers for a market basket of consumer goods and services. The measure is calculated by the U.S. Bureau of Labor Statistics.

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