

FULLER & THALER
ASSET MANAGEMENT, INC.



Presentation to: **City of New Haven Employee Retirement System**
Small-Cap Core

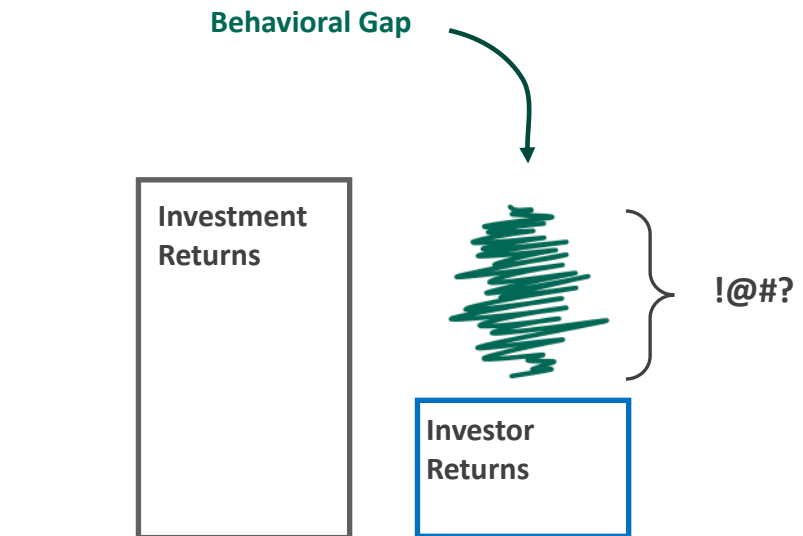
June 16, 2021

411 BOREL AVENUE, SUITE 300
SAN MATEO, CA 94402
650. 931.1500 WWW.FULLERTHALER.COM info@fullerthaler.com

The Behavioral Edge[®]

*/tə bæ'hāvərəl ej/
noun*

1. The combination of cognitive psychological theory and conventional finance used in an effort to capitalize on predictable investor misbehavior.



The Behavioral Edge[®] is a registered trademark of Fuller & Thaler Asset Management, Inc.

Fuller & Thaler Asset Management, Inc.



- Daniel Kahneman, PhD
 - Nobel Prize winner in 2002 for Economics
 - Board Member Emeritus

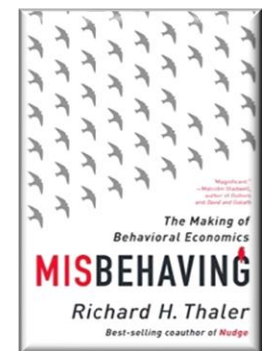
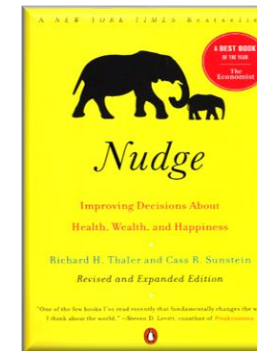
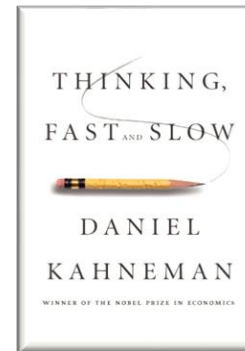


- Richard Thaler, PhD
 - Nobel Prize winner in 2017 for Economics
 - Chaired Professor at University of Chicago
 - “Father” of Behavioral Finance



- Russell Fuller, PhD, CFA
 - Chairman & Founder, Fuller & Thaler
 - Former Professor
 - Involved in the creation of all strategies

- Founded in 1993
 - San Francisco Bay Area
 - 100% controlled by key employees
- \$15.7 billion in Assets¹
- Experts in Applying Behavioral Finance to Stocks



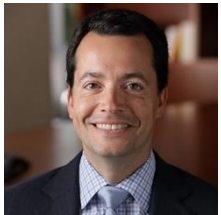
¹Assets managed and advised as of March 31, 2021

Nobel Prize® is a trademark of the Nobel Foundation.

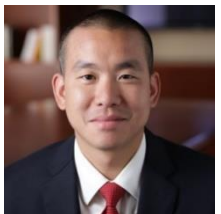
Portfolio Management



- Fred Stanske, CFA
 - Portfolio Manager of Small-Cap Core / Small-Cap Growth Strategy
 - 34 Years Industry Experience

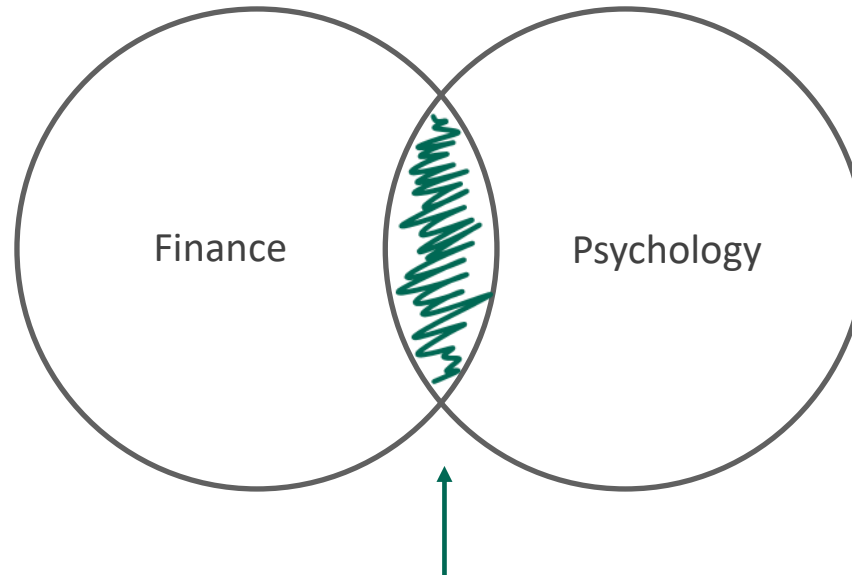


- David Potter, CFA
 - Portfolio Manager of Small-Cap Core / Small-Cap Value Strategy
 - 27 Years Industry Experience



- Ryam Lee, CFA
 - Analyst, Small-Cap Value Strategy
 - 13 Years Industry Experience

What is Behavioral Finance?



Behavioral Finance

Investors are human

- ✓ Use imperfect rules of thumb
- ✓ Have emotions
- ✓ Make flawed assumptions

→ Investors are biased

What is Behavioral Finance?

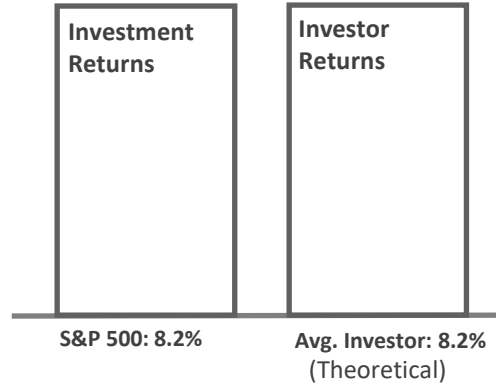
Traditional Finance

Investors are rational

- Accurate forecasting
- No emotions
- Unbiased judgment

→ Markets are efficient

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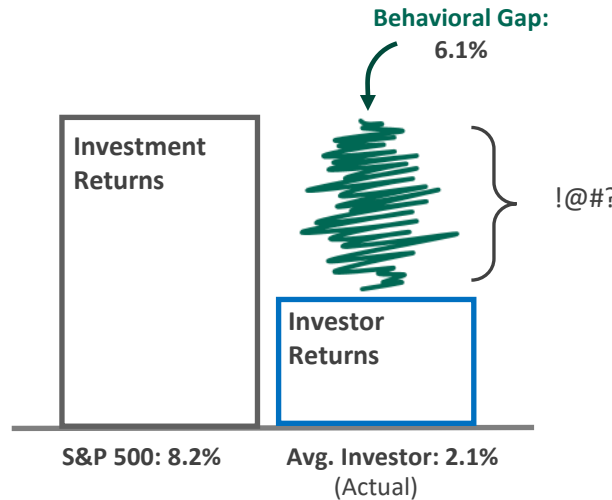
Behavioral Finance

Investors are human

- Use imperfect rules of thumb
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→ Investors are biased

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Source: DALBAR, Inc. Average investors returns are based on an analysis by DALBAR Inc., which utilizes the net aggregate of mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/15.

Three Possible Sources of Alpha



The Behavioral Edge[®]

Idea: Understand how *other investors make mistakes* in analyzing information.

Challenge: Finding the mistakes.

Philosophy

Investors make **mistakes**.
We look for them.

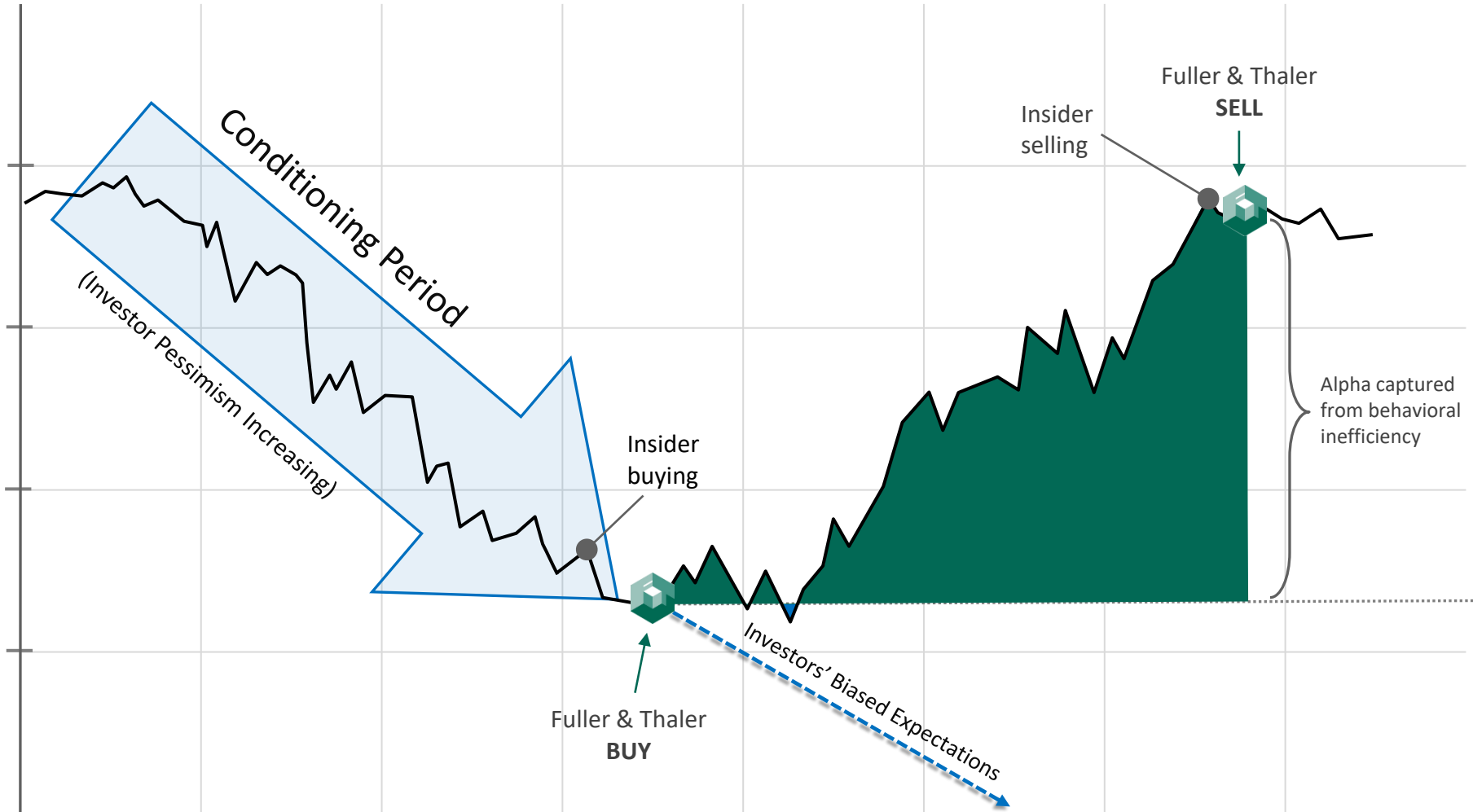


Over-react (e.g., panic)

Under-react (e.g., don't pay attention)

Investment Process for Over-reaction – “Value”

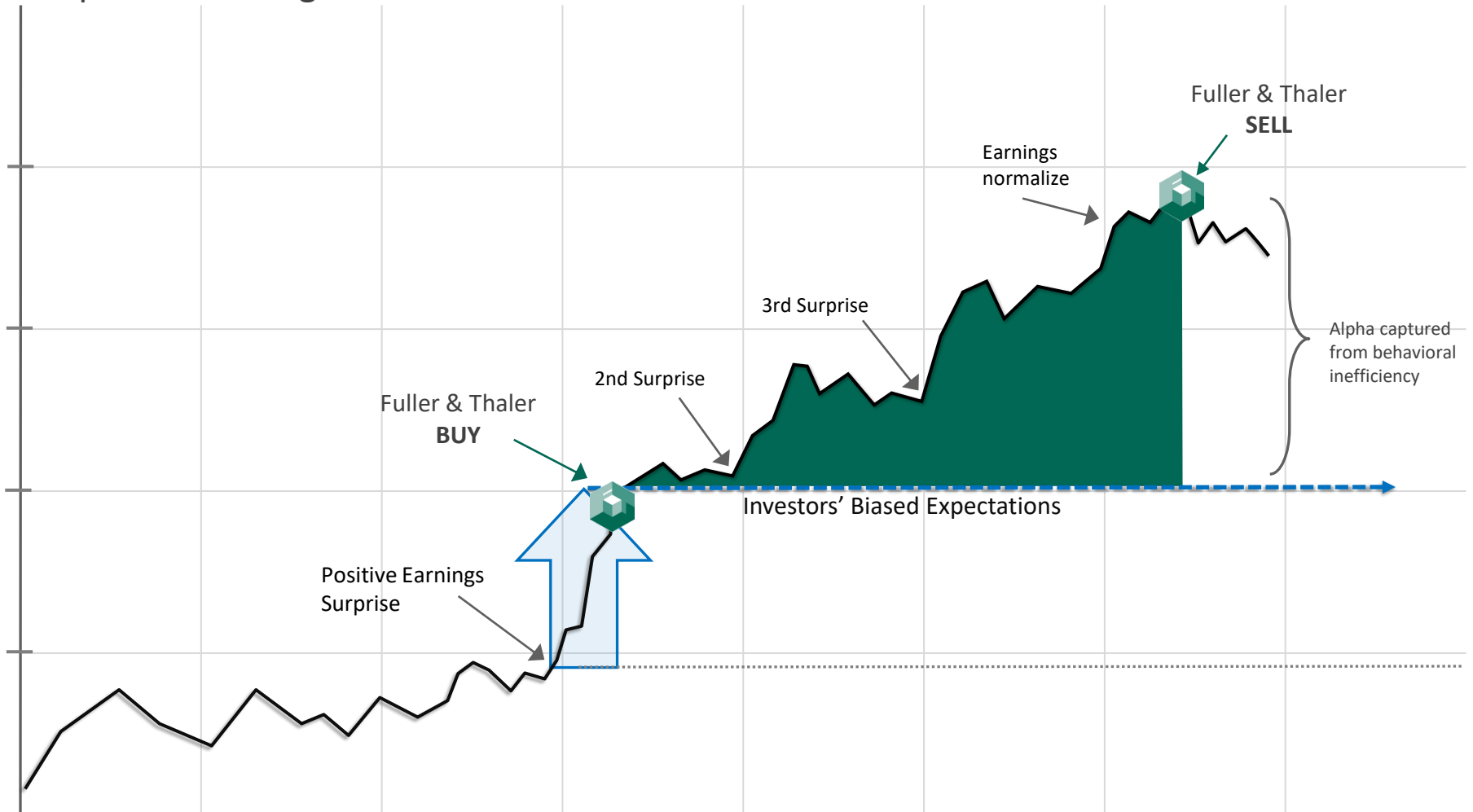
When conditioned by a history of bad news, investors often **over-react**.



All charts provided herein are for informational purposes and should not be relied upon when making any investment decision. Provided solely for illustrative purposes. Actual results may vary.

Investment Process for Under-reaction – “Growth”

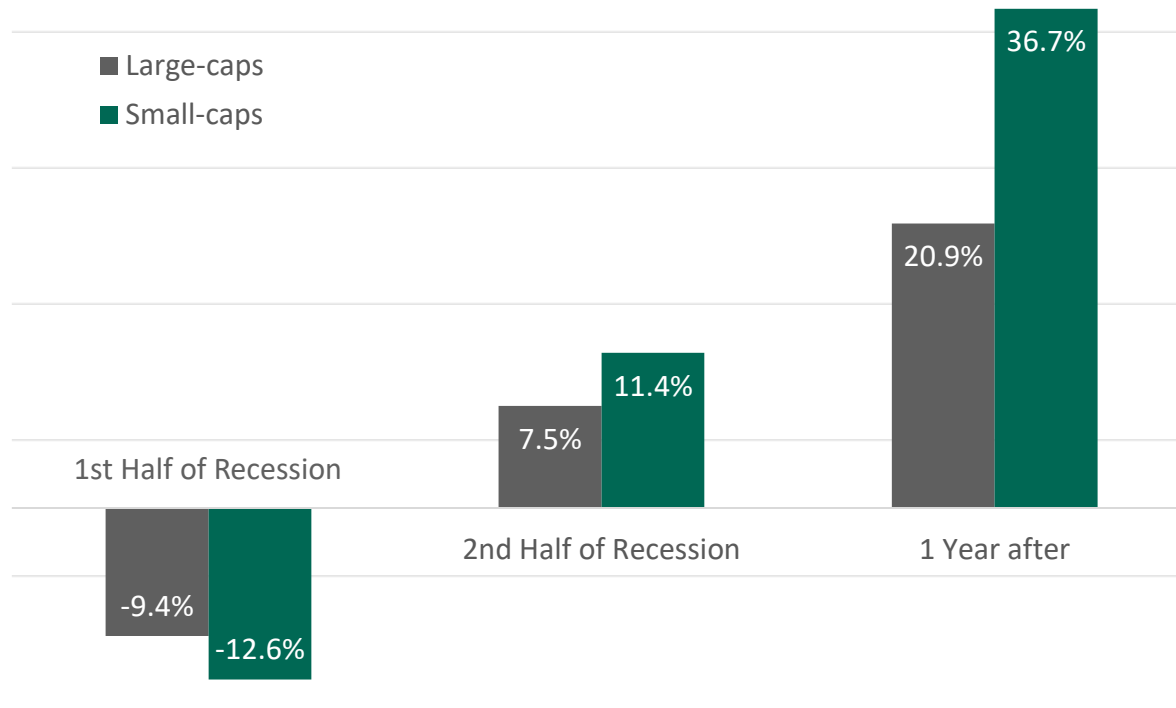
When anchored to old forecasts, investors **under-react** to higher-than-expected earnings.



Small-Caps Beat Large-Caps in Recoveries

Historically Small-Caps have outperformed Large-Caps coming out of downturns

Average Performance around Recessions



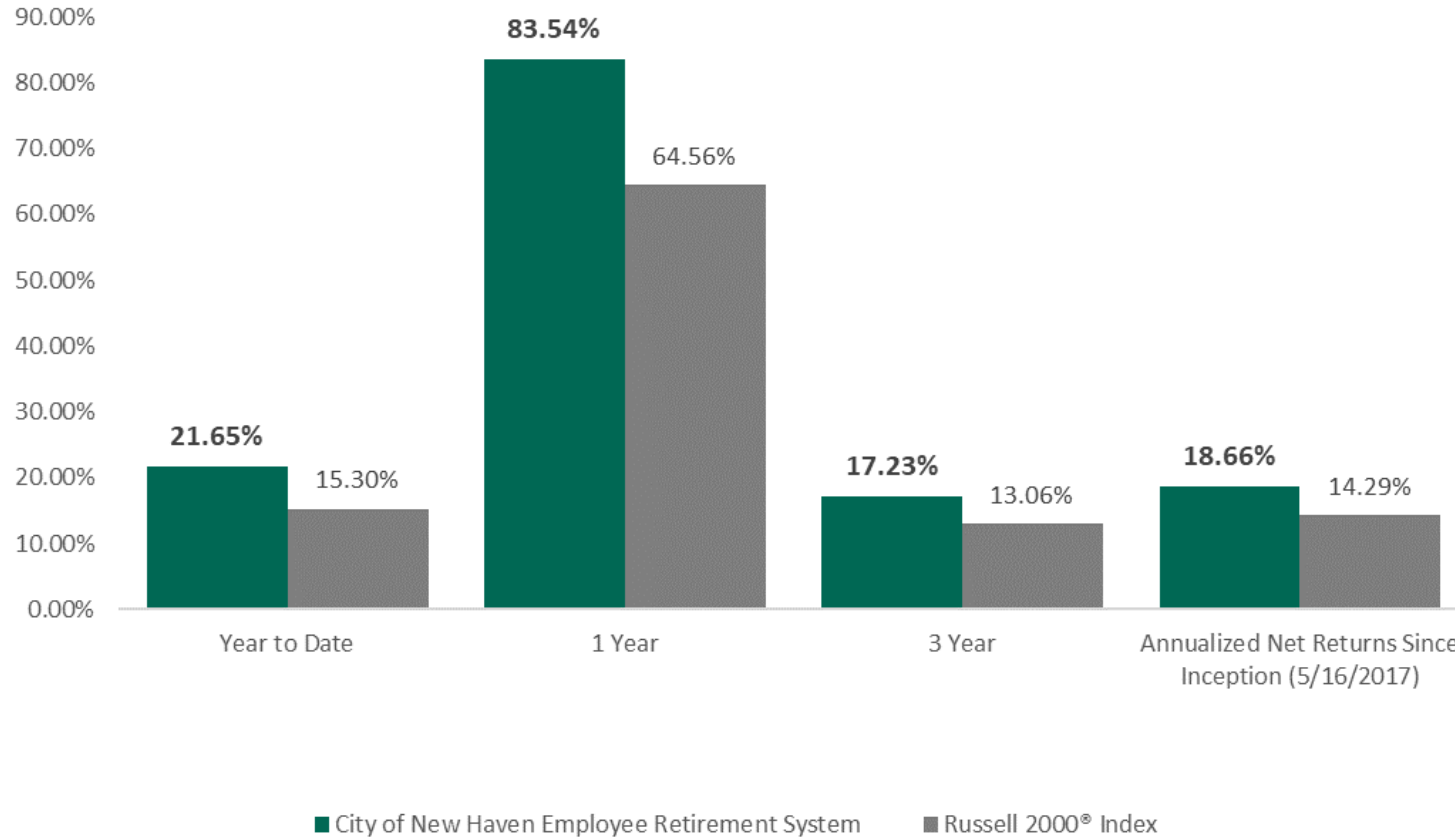
Source: Jefferies SMID-Cap Strategy: Thoughts & Observations research published May 11, 2020. Analysis of 22 bear markets since 1948 and 15 recessions since 1926. The small- and large-cap universes are defined by the Center for Research in Security Prices (CRSP) and Jefferies as follows: Mega: 70% - \$28.2 Billion, Large/Mid: 85% - \$9.85 Billion, and Small: \$98% - \$1.22 Billion. Breakpoints are as of March 31, 2020. Information is based on sources that Fuller & Thaler believes reliable; however, Fuller & Thaler does not guarantee the accuracy of the data from those sources. Past performance does not guarantee future results.

Summary

- Behavioral Finance
 - Pioneers & recognized experts
 - Successful 25+ year track-record investing
 - Repeatable process that is a potential source of alpha
- Process: Buy when other investors make behavioral mistakes
 - Buy when investors over-react to bad news (e.g., panic)
 - Buy when investors under-react to good news (e.g., don't pay attention)
- Results:
 - Returns since inception higher than benchmark

City of New Haven Portfolio Returns

Net of Fees as of May 31, 2021



■ City of New Haven Employee Retirement System ■ Russell 2000® Index

Key Professional Biographies

Daniel Kahneman, PhD, Board Member Emeritus - Dr. Kahneman was the Eugene Higgins Professor of Psychology and is Professor Emeritus of Psychology and Public Affairs at the Woodrow Wilson School, Princeton University. Dr. Kahneman has also taught at the University of California, Berkeley, the University of British Columbia, and the Hebrew University. His awards include the Distinguished Scientific Contribution Award and the Outstanding Lifetime Contribution Award of the American Psychological Association, the Warren Medal of the Society of Experimental Psychologists, the Hilgard Award for Career Contributions to General Psychology, the Presidential Medal of Freedom and the 2002 Nobel Prize® in Economic Sciences. Dr. Kahneman received his BA in psychology and mathematics from the Hebrew University, Jerusalem, and his PhD in psychology from the University of California, Berkeley.

Richard H. Thaler, PhD, Nobel Laureate - Dr. Thaler was awarded the 2017 Nobel Prize® for Economic Sciences and is a Founder and Principal at Fuller & Thaler Asset Management. He is actively involved in setting strategic direction and enhancing the research and investment processes at Fuller & Thaler. He has been affiliated with the firm since 1998 and has been in the financial industry since 1978. Dr. Thaler is the Charles R Walgreen Distinguished Service Professor of Behavioral Science, Economics and Finance at the Booth School of Business of the University of Chicago. He has also taught at Cornell and MIT and is considered one of the leading scholars in the field of behavioral finance and economics. Dr. Thaler's published books on behavioral finance include *The Winner's Curse: Paradoxes and Anomalies of Economic Life*, *Quasi-Rational Economics*, *Nudge: Improving Decisions About Health, Wealth, and Happiness*, and *Misbehaving: The Making of Behavioral Economics*. His awards include the Nicholas Moldovsky Award from the CFA Institute. Dr. Thaler received a BA from Case Western University, and an MA and PhD degrees in Finance from the University of Rochester. He is an owner of the firm and a member of the Board of Directors.

Russell J. Fuller, CFA, PhD, Chairman and President - Dr. Fuller is a Founder of Fuller & Thaler and oversees its research and investment activities. He is a pioneer of behavioral finance and provides insights and advice on the behavioral investment processes at Fuller & Thaler. His five decades long experience spans academic research to investment management. Prior to establishing Fuller & Thaler, he worked at two investment management firms, and began his investment career as a security analyst with a brokerage firm that later merged with Paine Webber. In the academic field, his last position was Chairman of the Finance Department at Washington State University. He has also held positions at the University of British Columbia, Canada, and the University of Auckland, New Zealand. Dr. Fuller has published an investment textbook and numerous journal articles. He has served on the editorial board for the Financial Analysts Journal and is currently on the advisory board for the Journal of Portfolio Management. Dr. Fuller received the Graham & Dodd award from the Association for Investment Management and Research for his paper entitled "Predictability Bias." He has served on the Board of Directors of the CFA Society of San Francisco and in 2006 was presented with their Distinguished Member Award in appreciation of his leadership and dedication to the financial community. Dr. Fuller received a BA, MBA and PhD (in finance) from the University of Nebraska, and he holds the Chartered Financial Analyst designation. He is an owner of the firm and Chairman of the Board of Directors.

Key Professional Biographies

Frederick W. Stanske, CFA, Partner and Portfolio Manager - Mr. Stanske is responsible for managing the Small-Cap Core, Small-Cap Growth and Micro-Cap disciplines at Fuller & Thaler and has ultimate decision-making authority for all investment aspects of his strategies. He has been with the firm since 1996 and has been in the financial industry since 1987. Prior to joining the firm, he spent over ten years as an analyst and portfolio manager at Farmers Insurance Group and then at Fisher Investments. Earlier in his career, Mr. Stanske worked in the corporate sector as an analyst. He received a BS from the University of Denver and an MBA from the University of Chicago. Mr. Stanske is a member of the CFA Institute and the CFA Society of San Francisco. He holds the Chartered Financial Analyst designation. Mr. Stanske is an owner of the firm and a member of the Board of Directors.

David M. Potter, CFA, Partner and Portfolio Manager - Mr. Potter is the Portfolio Manager responsible for the Small-Cap Core, Small-Cap Value and Mid-Cap Value strategies at Fuller & Thaler and has ultimate decision-making authority for all investment aspects of his strategies. He has been with the firm since 2005 and has been in the financial industry since 1994. Prior to joining Fuller & Thaler, he was a Vice President at Goldman Sachs. Previously, he was an Associate Director at Scotia Capital Markets. Mr. Potter received his BA (honors) in Economics and Finance from McGill University in Montreal and MBA (honors) in Finance from the University of Chicago. He holds the Chartered Financial Analyst designation and is a member of the CFA Society of San Francisco. Mr. Potter is an owner of the firm and a member of the Board of Directors.

Ryam Lee, CFA, Analyst – Mr. Lee is an analyst on the Mid-Cap Value and Small Cap Value strategies. He has been with the firm since 2017 and has been in the financial industry since 2008. Prior to joining Fuller & Thaler, he was an analyst at McCarthy Capital. Previously, he worked in corporate development at a commodity management firm and business valuation at an independent valuation firm. Mr. Lee received his BA (honors) in Economics and Finance from Creighton University and an MBA in Accounting, Economics, and Finance from the University of Chicago Booth School of Business. He holds the Chartered Financial Analyst designation and is a member of the CFA Society of San Francisco.

Yining Tung, CFA, FRM, Partner, Head of Risk Management and Investment Process Analyst – Ms. Tung is responsible for firm-wide risk management and equity process research at Fuller & Thaler. She has been with the firm since 2004 and has been in the financial industry since 1997. Prior to joining the firm in 2004, she served as an analyst at the Asset Management Systems Group of RCM Capital Management as well as an analyst within the research department of BARRA Inc. She received a BA in Economics from National Taiwan University, an MBA in Finance from the University of California at Irvine and an MA in Economics from New York University. Ms. Tung holds the Chartered Financial Analyst designation and is certified as a Financial Risk manager. She is an owner of the firm and a member of the Board of Directors.

G. Ed Stubbins, CFA, Partner - Mr. Stubbins is a partner and behavioral finance product specialist at Fuller & Thaler. He is responsible for the firm's behaviorally driven equity portfolios. Mr. Stubbins was the Director of Alternative Strategies for Symphony Asset Management, LLC in San Francisco, CA where he was responsible for the firm's hedge fund strategies. Prior to that, he was Vice President at Pacific Investment Management Company (PIMCO) in Newport Beach, CA. Mr. Stubbins was also a Director at Prudential Capital Group where he was responsible for managing a credit portfolio. He has also held positions with Merrill Lynch and Honeywell, Inc. Mr. Stubbins has industry experience since 1993 and is a CFA Charterholder. He holds a bachelor's degree in Chemical Engineering from North Carolina State University and an MBA in Analytical Finance and Accounting from the Kellogg School of Management at Northwestern University. He is also a member of the CFA Society of San Francisco. Mr. Stubbins is an owner of the firm and a member of the Board of Directors.

Disclosure Statement

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The Russell 2000® Index is an unmanaged index, which measures the performance of the small-cap segment of the U.S. equity universe. The Index is a subset of the Russell 3000® Index companies representing approximately 10% of the total market capitalization of the Russell 3000® Index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell Index related marks are owned by FTSE Russell.

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Please refer to the firm's Form ADV, Part 2A for the fee schedule. Gross-of-Fees returns reflect deduction of transaction costs and without provision for federal or state income taxes (except ADR's which are net of withholding taxes), advisory fees, custodial or other fees. Net-of-Fees returns are netted down from Gross-of-Fees returns by the actual advisory fees. Both Gross- and Net-of-Fees returns include the reinvestment of all dividend and interest income. The U.S. Dollar is the currency used to express performance. The historical results of the comparative index includes the reinvestment of dividends but does not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would decrease indicated historical performance. In comparing a strategy's performance to any market index, prospective investors should note the following differences: indices are generally more diversified and represent only unmanaged results of long investment; a strategy may not be as diversified, more volatile, and is actively managed. The performance of an investment may vary depending on various factors, including the timing of cash flows. Unless otherwise noted, Fuller & Thaler is the source of all illustrations, performance data, and portfolio characteristics. Information is derived using currently available data from independent research resources that are believed to be accurate. The potential for profit is accompanied by the possibility of loss. Past performance is not indicative of future results.

A complete list and description of Fuller & Thaler's composites are available upon request.