



BLACK KNIGHT ASSET MANAGEMENT (BKAM) is a Washington, DC-based fixed income investment manager. BKAM's core specialty is the design and management of stable value funds. The firm offers both commingled stable value vehicles and separately managed accounts tailored to the needs of individual plan sponsors.

Black Knight Asset Management provides high caliber investment products for the defined benefit and defined contribution markets. Our investment professionals have over 75 years of combined investment experience and have managed large pools of Stable Value and Core Fixed Income assets for institutional clients.

Our investment team has a proven record of success, transforming a fund ranked last in its peer group into one ranked in the top three. A minority-owned company, Black Knight combines innovative investment strategies with decades of professional experience to bring superior value added to client portfolios.



THE STABLE VALUE ASSET CLASS

Stable value funds are a critical component of a comprehensive defined contribution plan lineup, and their prevalence illustrates their value to plan participants. According to the Stable Value Investment Association, stable value funds hold on average a third of plan assets in plans that offer them.

The appeal of stable value funds lies in their distinct risk/return profile. Stable value funds typically provide yields similar to those of intermediate-term bonds with risk similar to that of cash. Historically, stable value funds have outperformed money market and short-term bond funds over most interest rate scenarios. This departure from the typical risk/return equation is what sets stable value apart as a separate asset class, one that requires the expertise of an investment manager specializing in stable value.

Stable value's unique risk/return profile makes it an important option for conservative plan participants but also for more aggressive participants, who can use stable value funds to diversify their portfolios and complement equity allocations.

INVESTMENT PROCESS

Stable value funds typically pursue three objectives: to preserve principal, to provide daily liquidity at book value (a dollar in, a dollar out), and to generate a competitive return. BKAM's process to achieve these objectives includes the following steps:

- 1.** Experience has shown us that sustained superior performance in stable value begins with fund design and persists with discipline. We begin the investment process by identifying appropriate benchmarks and establishing investment guidelines that incorporate explicit parameters for each risk factor.
- 2.** We believe that consistency, always relevant to successful retirement investing, is even more important in a stable value context given its conservative profile. In our pursuit of consistent attractive returns, we allocate risk across multiple alpha-generating strategies. By seeking excess returns from multiple sources and prioritizing those sources, we can potentially enhance return while managing risk through effective diversification.
- 3.** The selection of benefit-responsive insurance company contracts is the step that firmly distinguishes stable value portfolio management from traditional fixed income management. This step requires a deep understanding of issuer credit quality, contract terms, exclusions, and pricing. Our decades of experience analyzing and negotiating these contracts and our relationships with multiple issuers are key elements of our stable value expertise.
- 4.** Once the stable value portfolio is designed and constructed, daily portfolio monitoring commences. Monitoring of the investment environment, issuer credit quality, portfolio cash flow patterns and the impact of prior decisions leads to adjustments to keep the portfolio optimally oriented towards its investment objectives. Control processes ensure that the portfolio remains in compliance with investment guidelines and designated limits.