



Chief Investment Officer Monthly Report

Jonathan Grabel – Chief Investment Officer

Board of Investments Meeting
August 9, 2023

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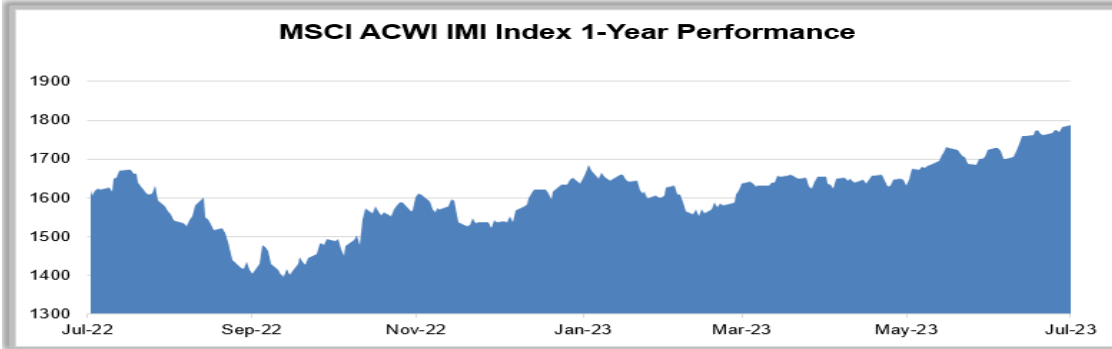


01 Market Environment

Global Market Performance as of July 31, 2023

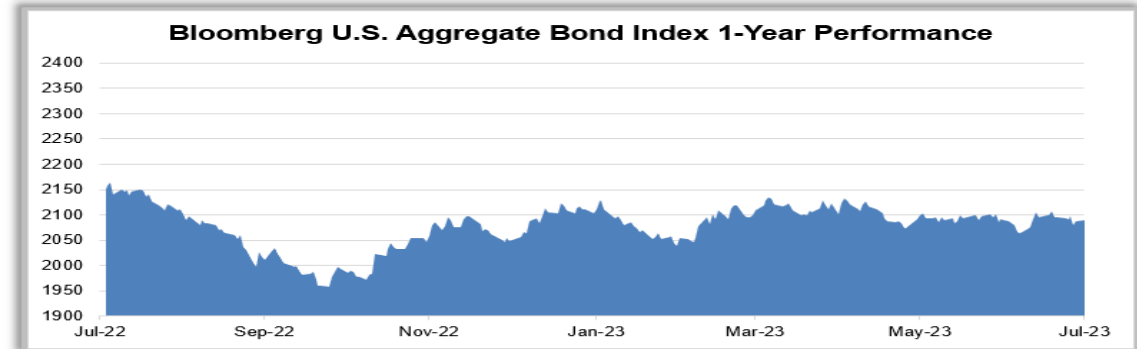


MSCI ACWI IMI Index (Global Equity Market)*							
Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
3.8	8.6	3.8	17.6	12.5	10.5	7.9	8.5



*Global Equity Policy Benchmark - MSCI ACWI IMI Index

Bloomberg U.S. Aggregate Bond Index**							
Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
-0.1	-1.5	-0.1	2.0	-3.4	-4.5	0.7	1.5

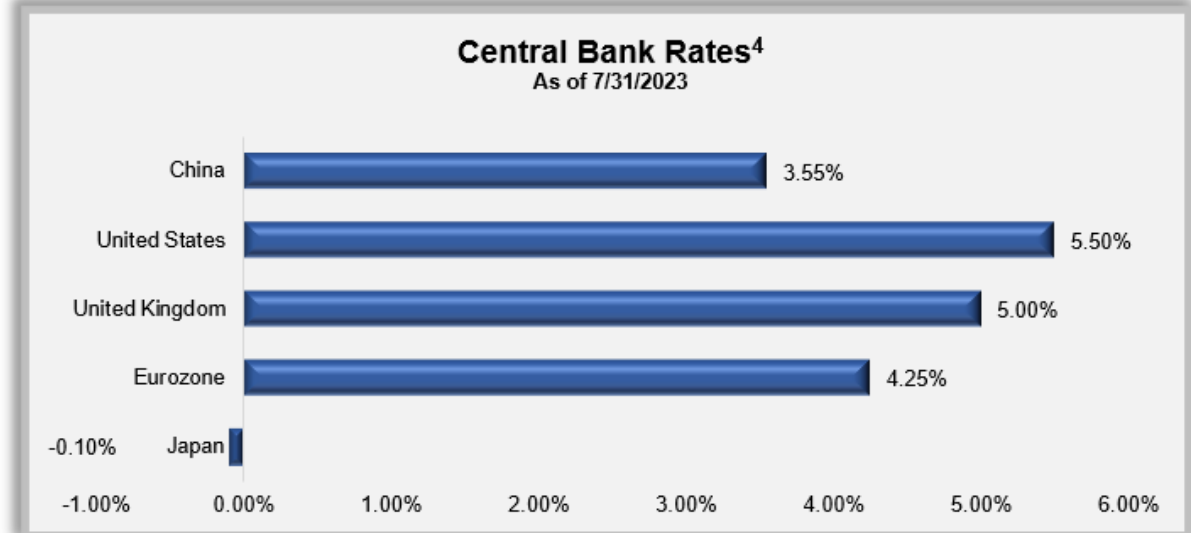
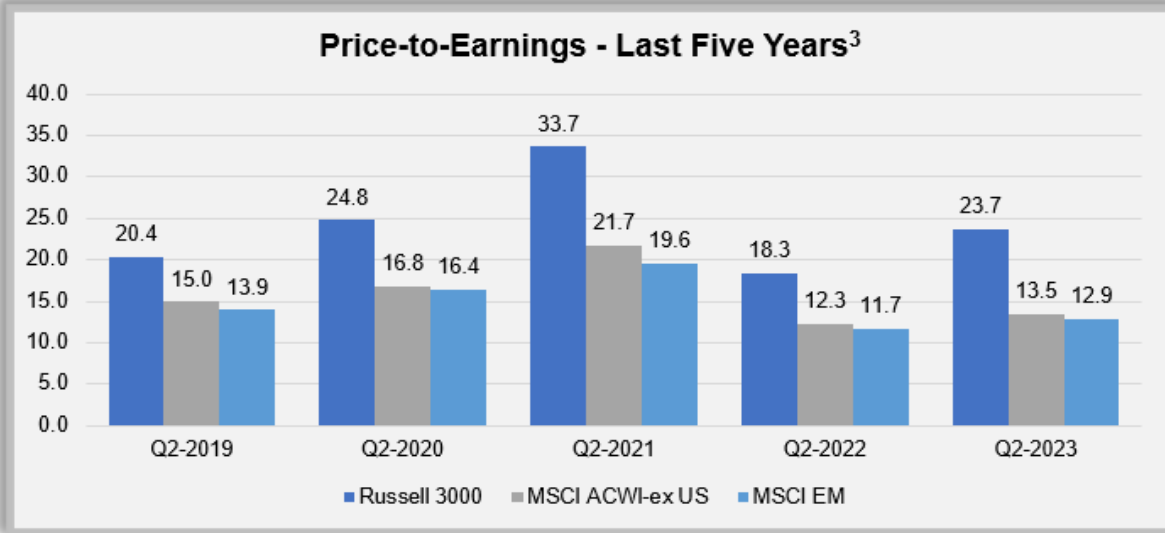
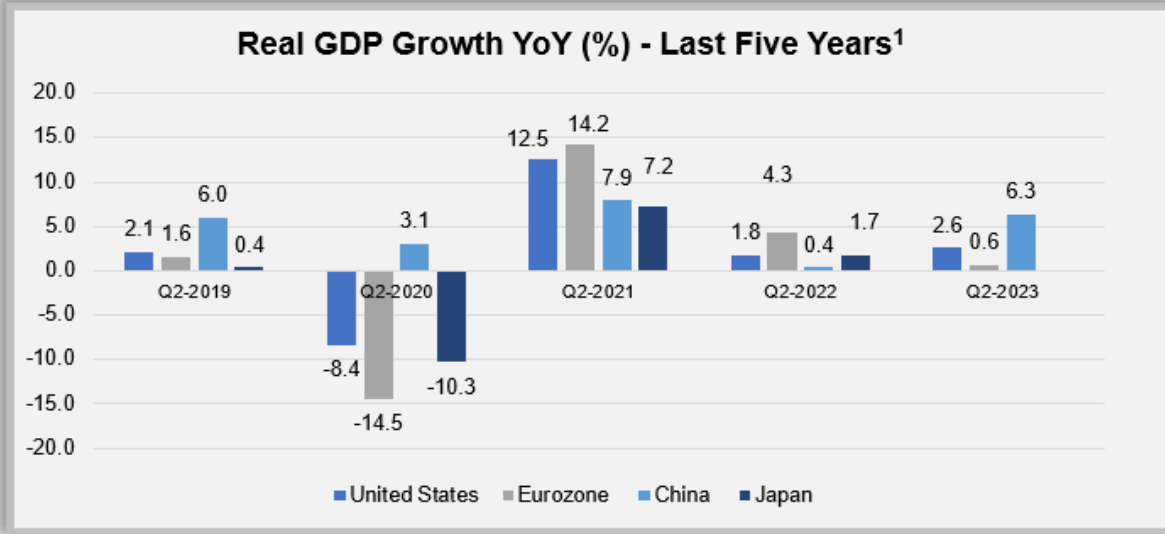


**Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

Market	Sub-Category	Index Name	1-Month	3-Month	FYTD	YTD	1 Y	3 Y	5 Y	10 Y
Equity	Global All Cap	MSCI ACWI IMI Total Return	3.8	8.6	3.8	17.6	12.5	10.5	7.9	8.5
	U.S. All Cap	Russell 3000 Total Return	3.6	11.1	3.6	20.3	12.6	13.1	11.4	12.1
	U.S. Large Cap	S&P 500 Total Return	3.2	10.5	3.2	20.6	13.0	13.7	12.2	12.7
	U.S. Small Cap	Russell 2000 Total Return	6.1	13.7	6.1	14.7	7.9	12.0	5.1	8.2
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	4.2	4.9	4.2	13.7	13.0	7.2	3.8	4.8
	Emerging Markets	MSCI Emerging Markets Total Return	6.2	8.4	6.2	11.4	8.3	1.5	1.7	3.5
Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	5.4	3.6	5.4	-0.6	-1.9	4.5	5.3	10.7
Fixed Income	U.S. Investment Grade Bonds	Bloomberg U.S. Aggregate Index	-0.1	-1.5	-0.1	2.0	-3.4	-4.5	0.7	1.5
	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	1.4	2.1	1.4	6.8	4.4	2.0	3.4	4.4
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	1.3	3.5	1.3	7.7	9.5	6.0	4.1	4.2
	U.S. Treasury Inflation Protected Securities	Bloomberg U.S. Treasury TIPS Total Return Index	0.1	-1.4	0.1	2.0	-5.4	-0.8	2.6	2.0
	U.S. 3 Month Treasury Bill	FTSE 3 Month Treasury Bill	0.5	1.3	0.5	2.9	4.1	1.5	1.6	1.0
Commodity	Commodity Prices Index	Bloomberg Commodity Index Total Return	6.3	4.3	6.3	-2.0	-7.9	18.0	6.5	-0.5
	Natural Resources	S&P Global LargeMidCap Commodity & Resources Index	6.9	2.1	6.9	1.6	10.1	20.6	9.3	6.2
Infrastructure	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	1.4	-1.7	1.4	4.1	-3.5	7.4	4.2	5.1
Real Estate	U.S. REITs	MSCI U.S. REIT Index	2.9	4.7	2.9	8.5	-5.7	8.5	5.0	6.6

Source: Bloomberg

Key Macro Indicators*



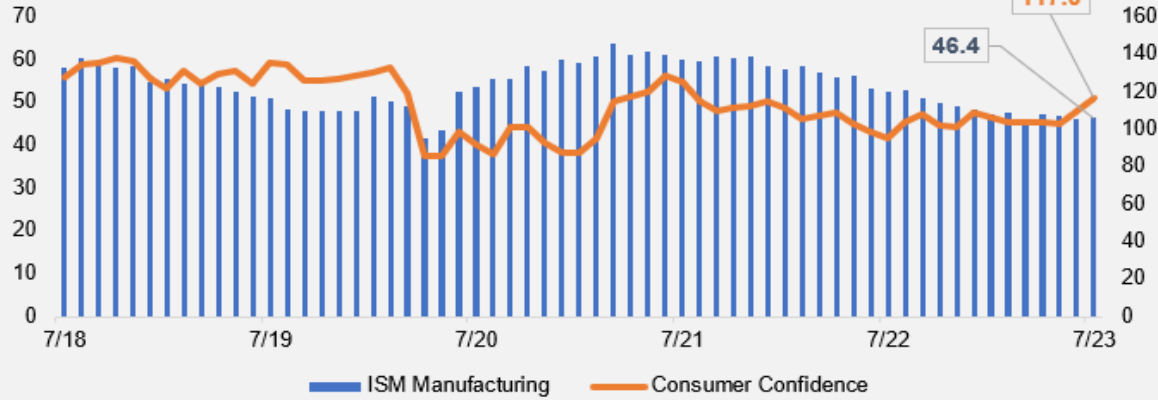
*The information on the "Key Macro Indicators" charts is the best available data as of 7/31/23 and may not reflect the current market and economic environment

Sources: 1. Bloomberg 2. St. Louis Federal Reserve 3. FactSet 4. FactSet

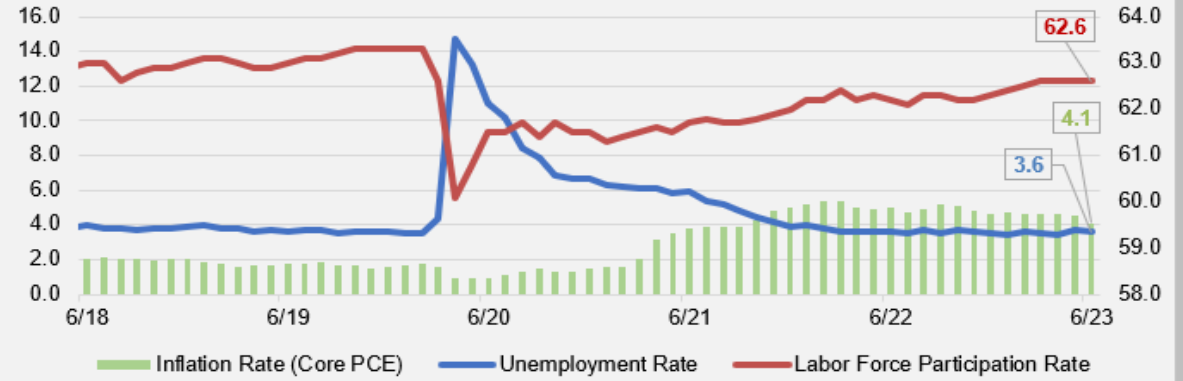
Key Macro Indicators*



Consumer Confidence & ISM Manufacturing¹ Last Five Years



U.S. Inflation, Unemployment, & Labor Force Participation² Last Five Years (%)



Bloomberg Dollar Spot Index (BBDXY)³ Last One Year (%)



Total Debt to GDP⁴ Last Five Years



Sources: 1. Bloomberg 3. Bloomberg
2. Bloomberg 4. Office of Management and Budget; St. Louis Federal Reserve

*The information on the "Key Macro Indicators" charts is the best available data as of 7/31/23 and may not reflect the current market and economic environment

Market Themes and Notable Items to Watch



Recent Themes

- The Federal Reserve raised its key interest rate in July for the 11th time in 17 months
 - Raised to a target range of 5.25% to 5.5%
 - Highest level in 22 years
 - “Core inflation is still pretty elevated” and “we want core inflation to be coming down” said Fed Chair Jerome Powell
 - Powell noted that policymakers will take a “meeting by meeting” approach towards rates
- Fitch Ratings downgraded the United States’ long-term foreign currency issuer default rating one notch to AA+ from AAA, citing fiscal deterioration and the debt ceiling
- The U.S. 10-year Treasury yield ended July at 3.97%, after being 3.88% at the end of 2022, 1.52% at the end of 2021 and 0.93% at the end of 2020
- Global equities (MSCI All Country World Investable Market Index) increased 3.8% in July

What to Watch

- Interest rates and central bank actions
- Economic data and trends
 - Inflation, supply chains, and labor developments
- Macro conditions and geopolitical risks
- Environmental, social, and governance
 - Taskforce for Climate-related Financial Disclosures (TCFD) to fold into International Financial Reporting Standards International Sustainability Standards Board (ISSB); LACERA endorsed the TCFD in 2019 and is a member of the ISSB Investor Advisory Board
 - SEC issues revised guidance for public companies to report cybersecurity incidents

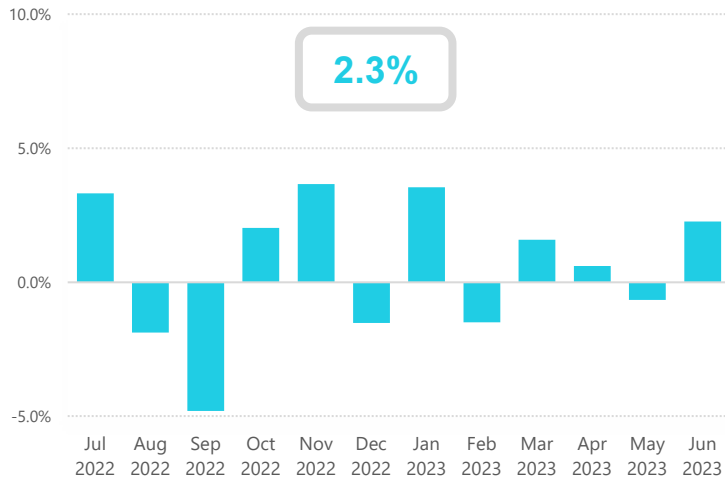


02 Portfolio Performance & Risk Updates

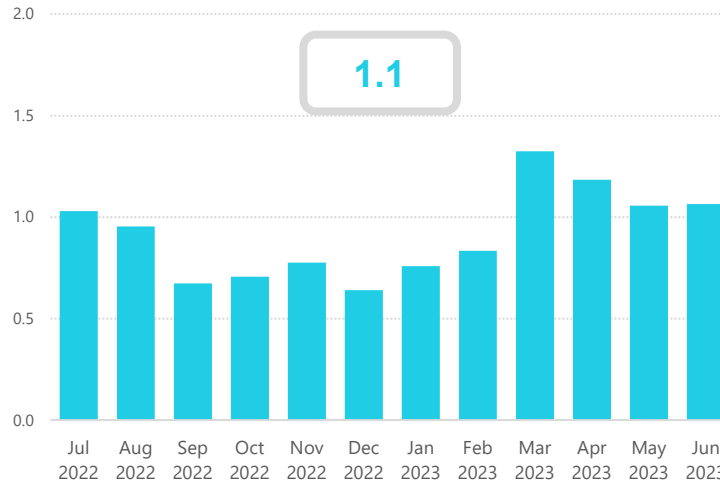
Total Fund Summary as of June 2023



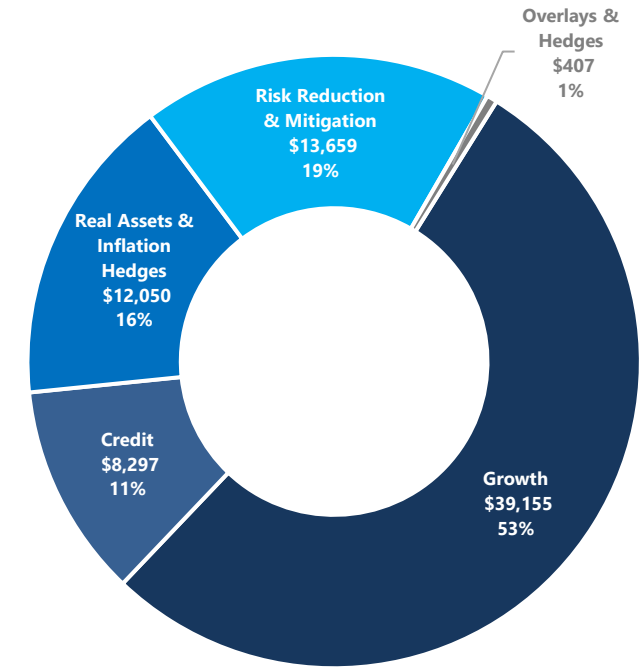
Monthly Return (net)



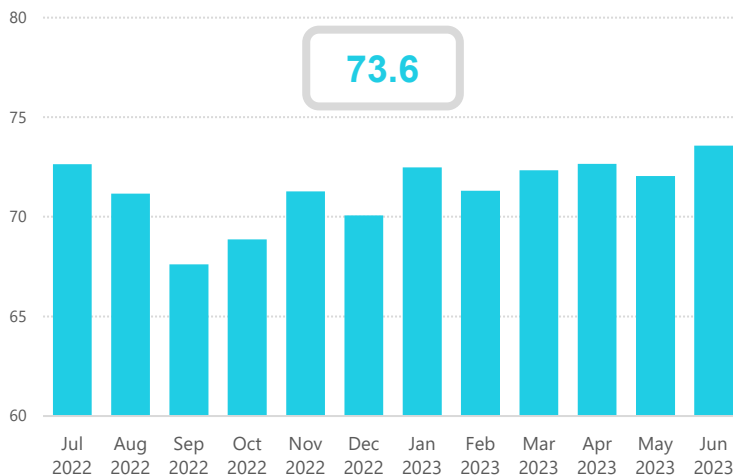
Sharpe Ratio (3-year annualized)



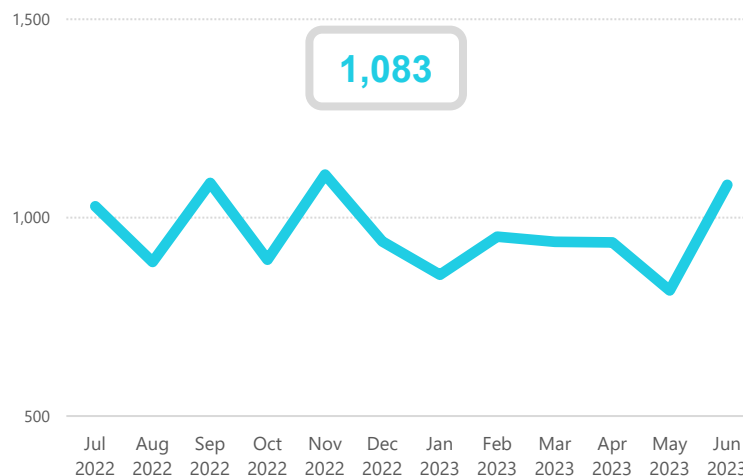
Asset Allocation (\$ millions)



Total Market Value (\$ billions)



Cash (\$ millions)

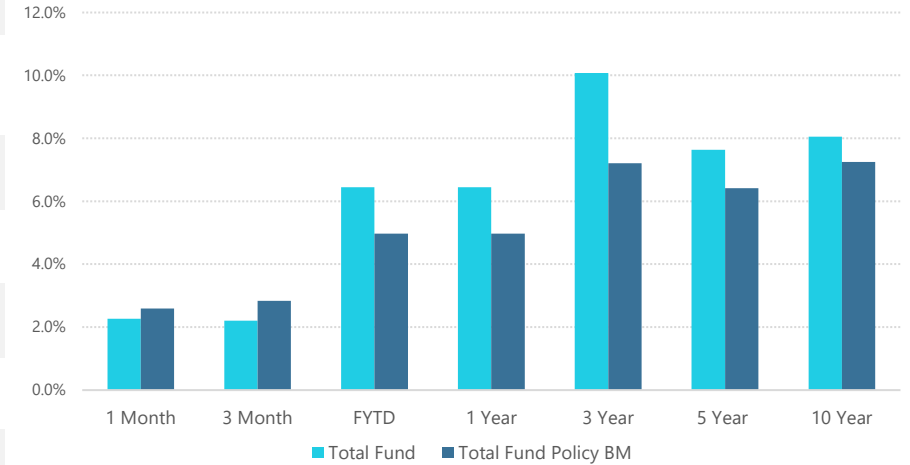


Historical Net Performance as of June 2023



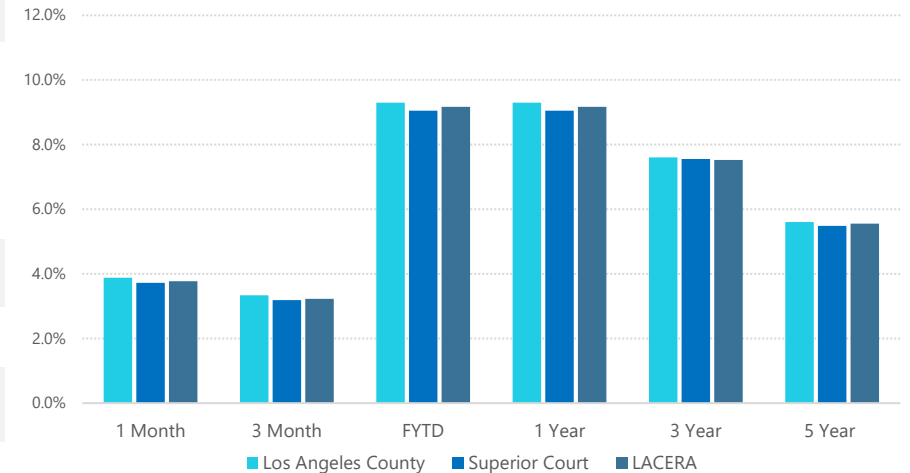
LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	73,569	100.0%	100.0%	2.3%	2.2%	6.4%	6.4%	10.1%	7.6%	8.1%
Total Fund Policy BM				2.6%	2.8%	5.0%	5.0%	7.2%	6.4%	7.3%
7% Annual Hurdle Rate				0.6%	1.7%	7.0%	7.0%	7.0%	7.0%	7.0%
Growth	39,155	53.2%	53.0%	3.6%	4.2%	10.2%	10.2%	15.5%		
Growth Policy BM				4.3%	5.8%	8.0%	8.0%	12.5%		
Credit	8,297	11.3%	11.0%	1.3%	2.4%	7.7%	7.7%	6.8%		
Credit Policy BM				0.4%	1.8%	6.0%	6.0%	2.4%		
Real Assets & Inflation Hedges	12,050	16.4%	17.0%	1.3%	-1.2%	0.1%	0.1%	9.6%		
Real Assets & Inflation Hedges Policy BM				1.5%	-2.1%	-0.6%	-0.6%	8.9%		
Risk Reduction & Mitigation	13,659	18.6%	19.0%	-0.2%	-1.2%	-0.2%	-0.2%	-1.7%		
Risk Reduction & Mitigation Policy BM				0.1%	-0.3%	0.0%	0.0%	-2.6%		
Overlays & Hedges	407	0.6%		8.4%	31.1%	51.6%	51.6%			



OPEB Master Trust

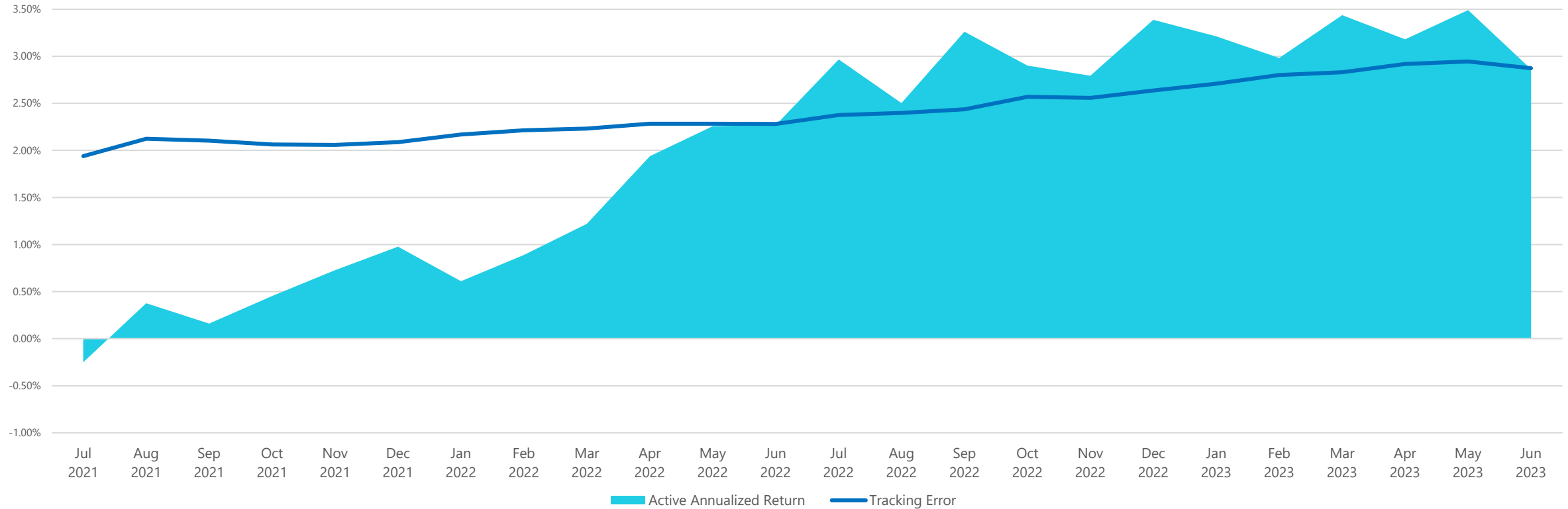
	Market Value (\$ millions)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
OPEB Master Trust	3,092			3.9%	3.3%	9.3%	9.3%	7.6%	5.6%
Los Angeles County	3,009	97.3%	—	3.9%	3.3%	9.3%	9.3%	7.6%	5.6%
Superior Court	67	2.2%	—	3.7%	3.2%	9.0%	9.0%	7.6%	5.5%
LACERA	16	0.5%	—	3.8%	3.2%	9.2%	9.2%	7.5%	5.5%
LACERA Master OPEB Trust Fund	3,084		100.0%	3.8%	3.3%	9.1%	9.1%	7.6%	5.6%
OPEB Master Trust Policy Benchmark				3.1%	2.8%	8.2%	8.2%	7.3%	5.2%
OPEB Growth	1,469	47.6%	47.5%	5.9%	6.0%	16.3%	16.3%	11.2%	7.9%
OPEB Growth Policy Benchmark				5.7%	6.0%	15.0%	15.0%	10.6%	7.4%
OPEB Credit	587	19.0%	19.0%	2.2%	2.4%	10.7%	10.7%	3.4%	2.8%
OPEB Credit Policy Benchmark				1.7%	2.3%	8.8%	8.8%	3.2%	2.8%
OPEB Real Assets & Inflation Hedges	616	20.0%	20.0%	3.3%	0.5%	-2.5%	-2.5%	8.5%	3.9%
OPEB RA & IH Policy Benchmark				0.4%	-1.8%	-2.3%	-2.3%	8.5%	3.9%
OPEB Risk Reduction & Mitigation	413	13.4%	13.5%	-0.2%	-0.8%	0.3%	0.3%	-2.8%	1.1%
OPEB RR & M Policy Benchmark				-0.2%	-0.8%	-1.3%	-1.3%	-3.3%	0.7%



Performance Based Risk as of June 2023



Active Return vs. Tracking Error^{1,2,3}



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
June 2023	10.1%	7.2%	2.9%	2.9%

¹ Rolling 36 months.
² Active return equals the difference in return between a portfolio and its benchmark.
³ Tracking error (or active risk) measures the volatility of active returns.

Total Fund Forecast Risk as of June 2023*



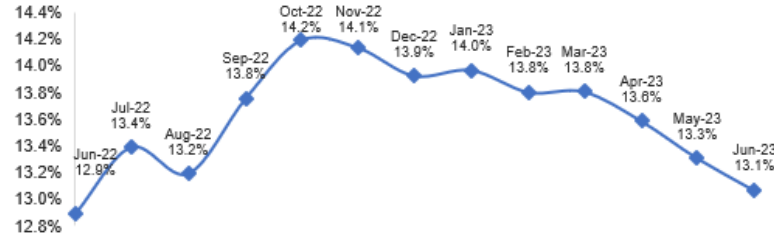
TOTAL FUND RISK

13.1%

BENCHMARK RISK

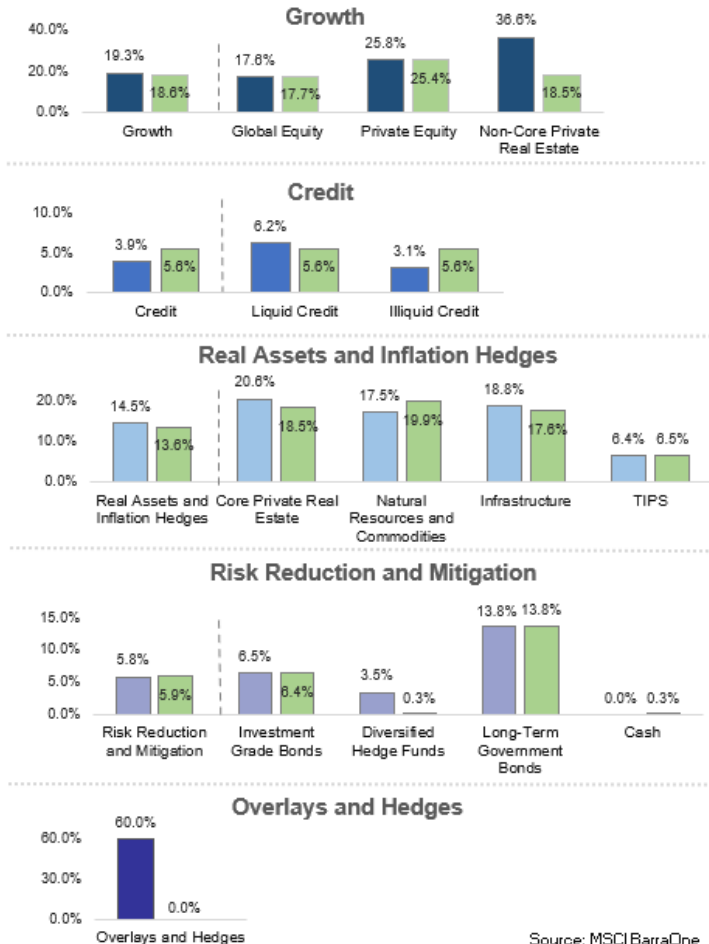
12.4%

Forecasted Total Fund Risk Trend

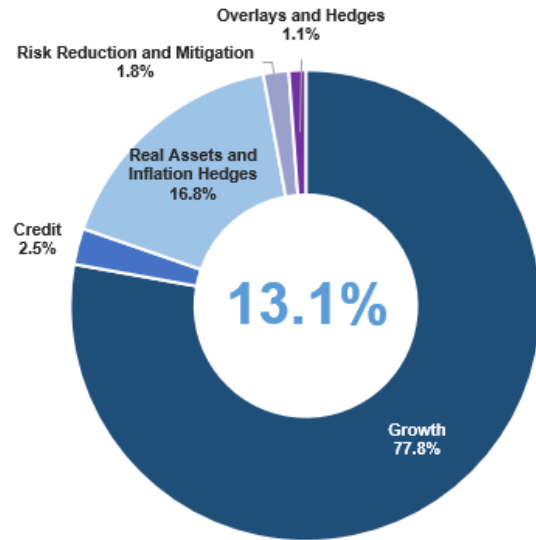


Subcategory Risk¹

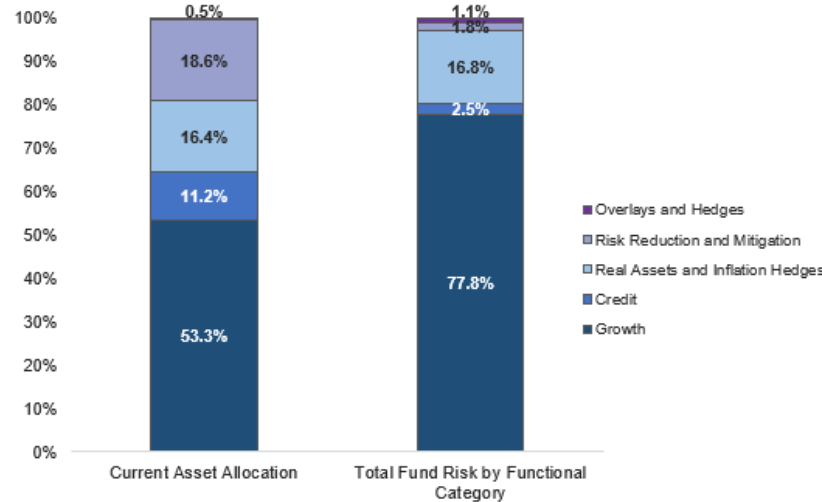
¹ Subcategory risk is on the left bar and benchmark risk is on the right bar.



Functional Category Contributions to Total Fund Risk

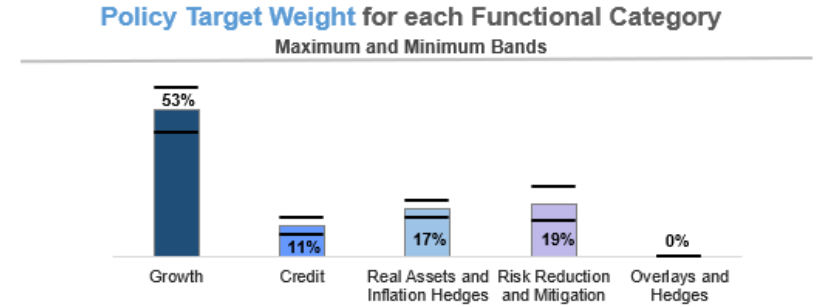
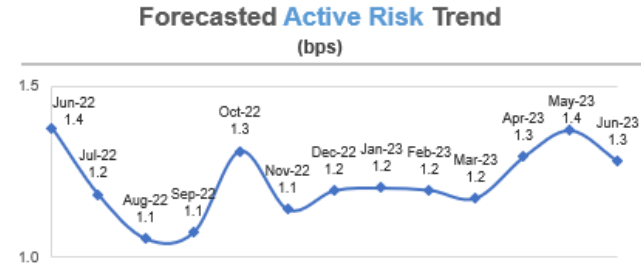
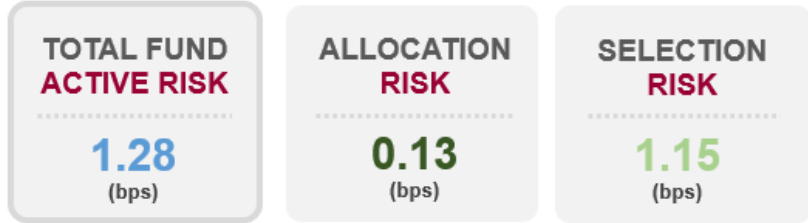


Total Fund Asset Allocation Capital-based versus Risk-based

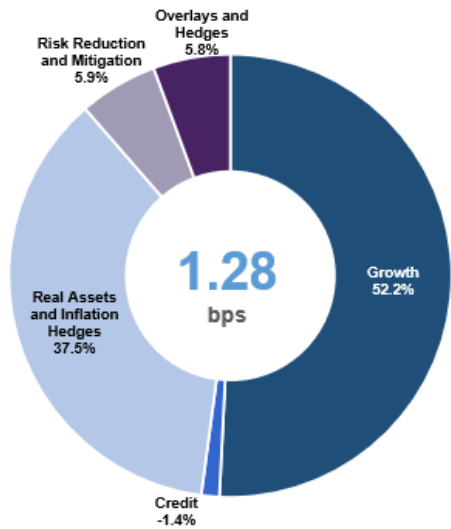


Source: MSCI BarraOne
* Real estate and private equity data used is as of 3/31/2023.

Total Fund Forecast Active Risk as of June 2023*



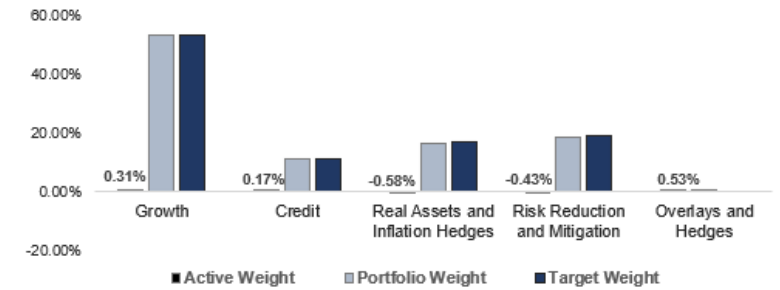
Functional Category Contributions to Active Risk



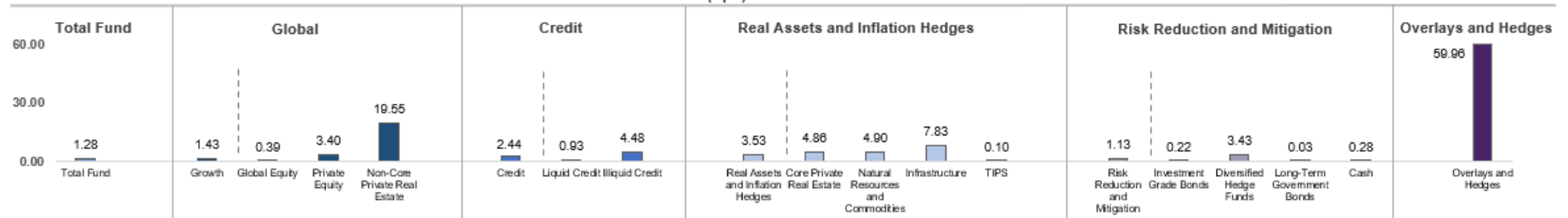
Active Risk Attribution (bps)



Active Weights for each Functional Category



Subcategory Active Risk (bps)

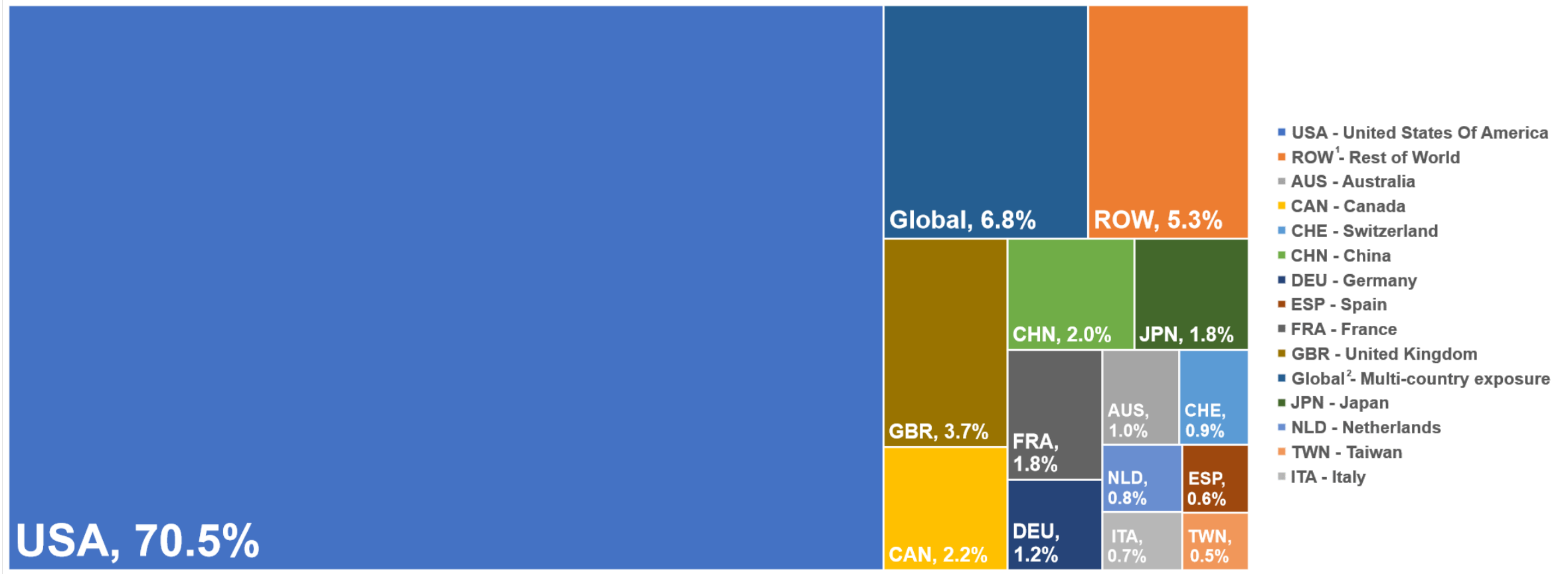


Source: MSCI BarraOne

* Real estate and private equity data used is as of 3/31/2023.

Geographic Exposures by AUM

Total Fund as of June 2023* Ex-Overlays and Hedges



AUM = Assets under management.

Geographic exposure is based on the domicile country of a given security/asset.

* Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real Estate and Private Equity data used is as of 3/31/2023.

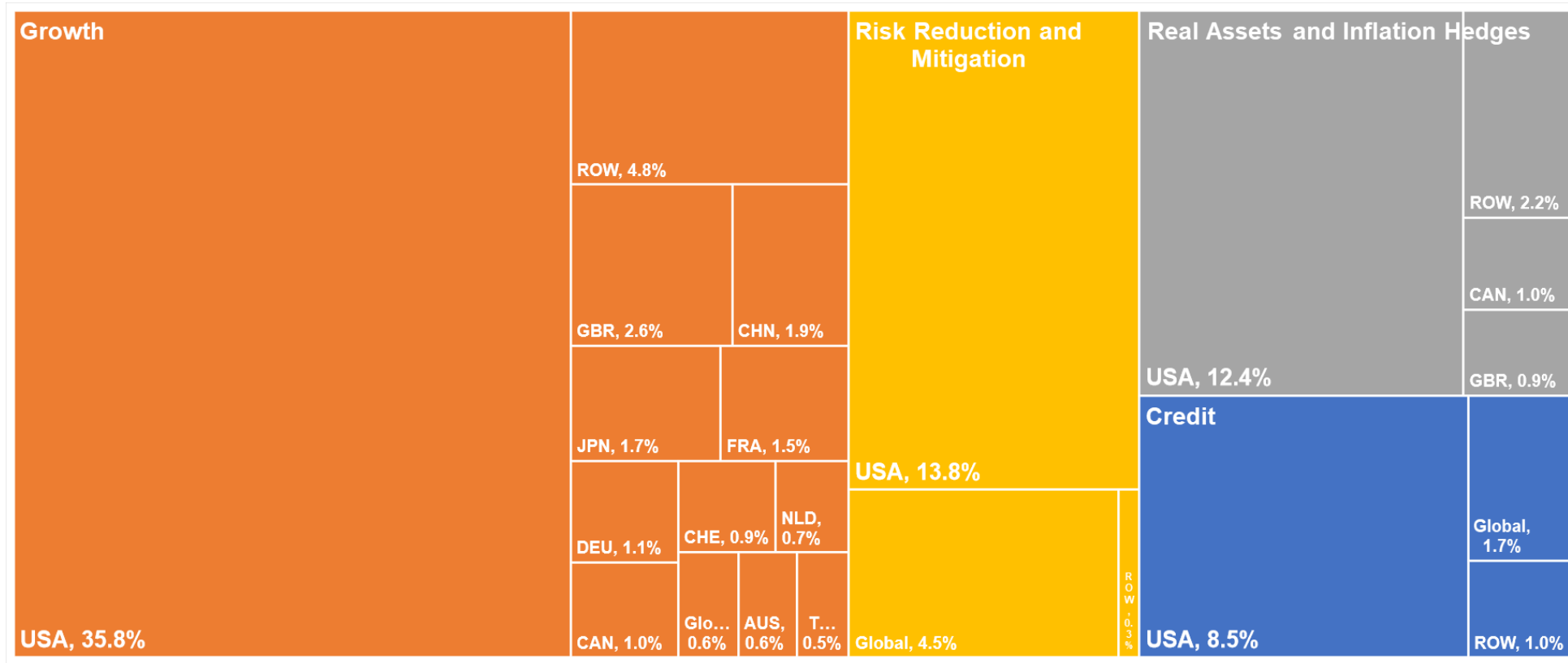
¹ "ROW - Rest of World" is sum of countries with weights below 0.5%.

² Global represents investments made in regions where specific country allocations are not available.

SOURCE: MSCI BarraOne

Geographic Exposures by AUM

Functional Categories as of June 2023* Ex-Overlays and Hedges



AUM = Assets under management.

Geographic exposure is based on the domicile country of a given security/asset.

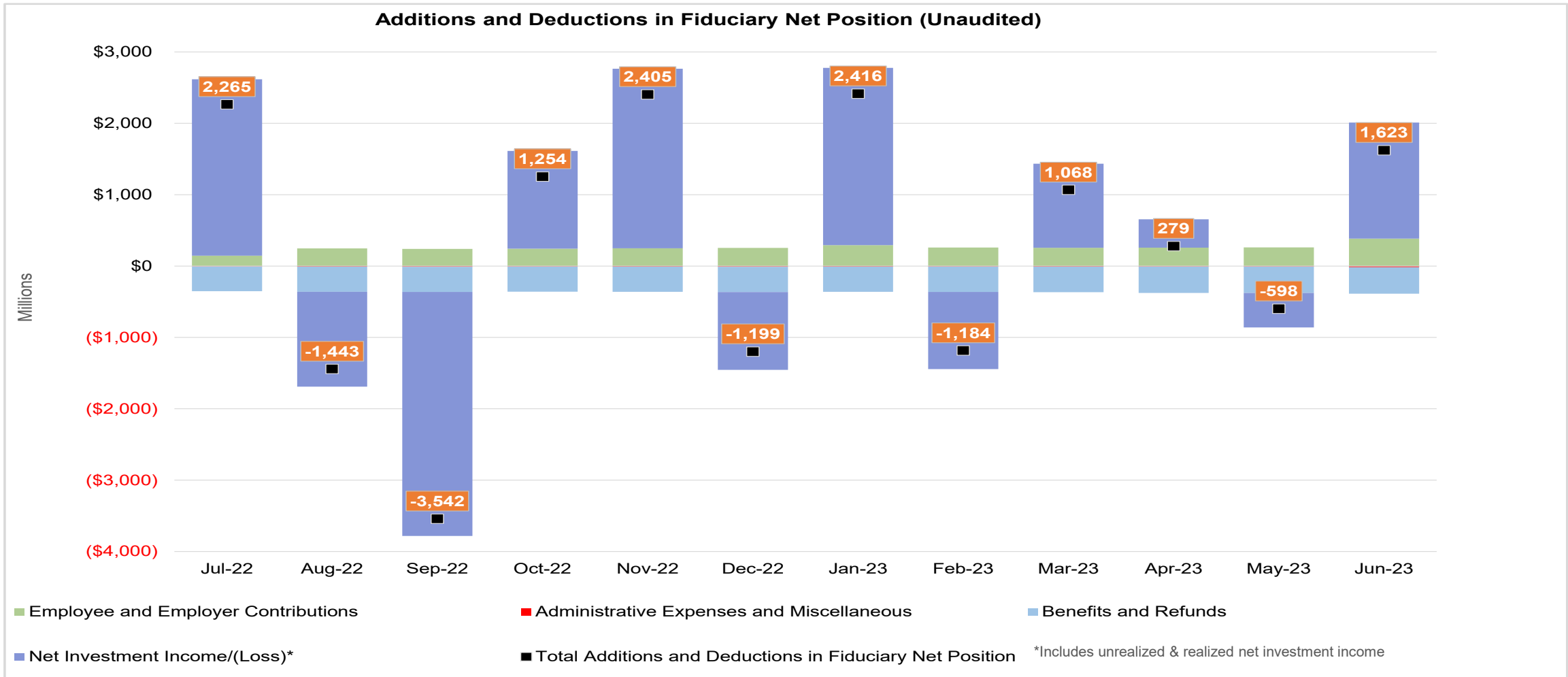
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SOURCE: MSCI BarraOne

Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-21	2	10	\$13.8 billion
FY-22	7	5	(\$2.5 billion)
FY-23	5	7	\$3.3 billion



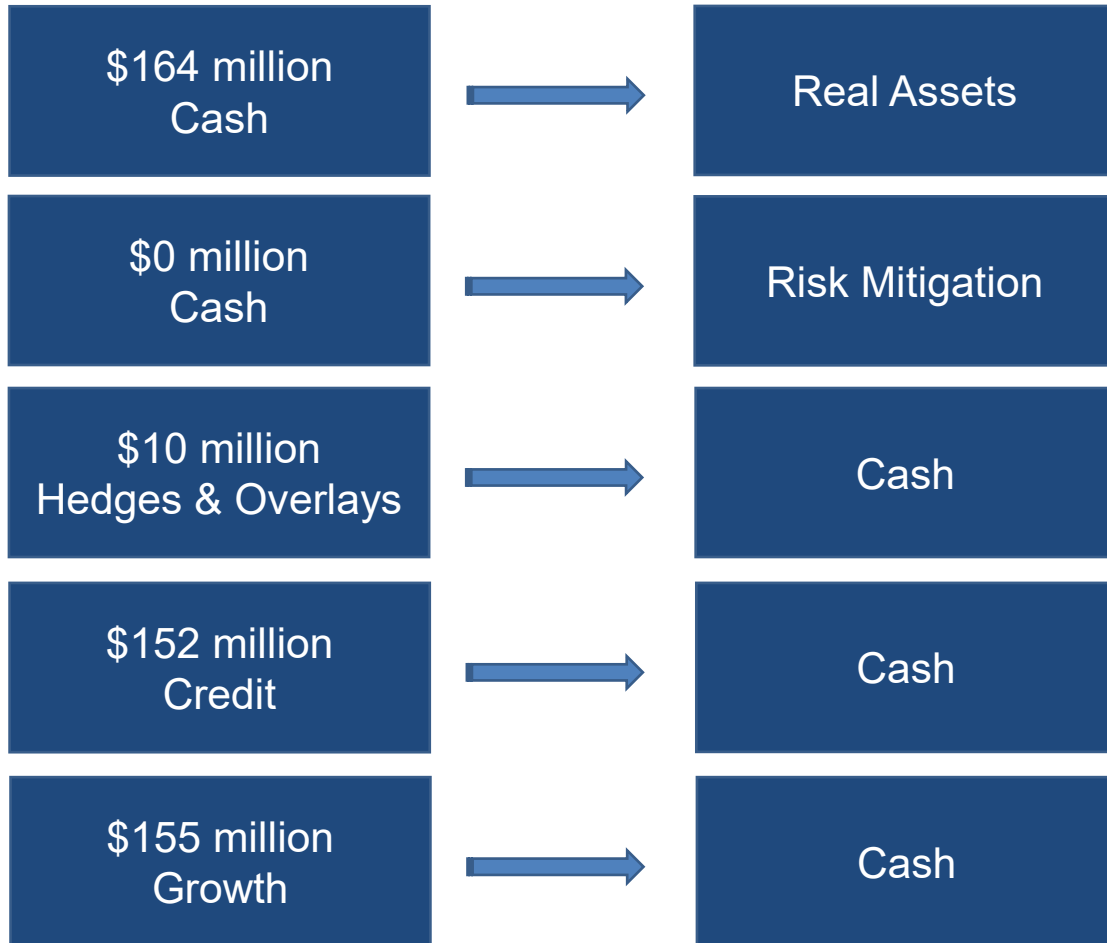
03 Portfolio Structural Updates

Portfolio Structural Updates



Portfolio Movements

Rebalancing Activity



Hedges & Overlays

Monthly Activity

Program	June Return	June Gain/(Loss)	Inception ¹ Gain/(Loss)
Currency Hedge ²	-0.4%	\$9.6 Million	\$1.4 Billion
Cash/Rebalance Overlay ³	3.7%	\$61.8 Million	\$347.1 Million

¹ Currency and overlay program inception dates are 8/2010 & 7/2019, respectively.

² LACERA's currency hedge program's 1-month return is calculated monthly whereas the monthly gain/loss amount for the same period is the net realized dollar amount at contract settlement over three monthly tranches.

³ LACERA's overlay program's 1-month return includes interest earned on the cash that supports the futures contracts.

Current Search Activity

Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	BOI Review
Real Assets Emerging Manager Program Search	✓	✓	Anticipated Q3 2023
Commercial Real Estate Brokers Search	✓	✓	Anticipated Q3 2023



04 Key Initiatives & Operational Updates

Notable Initiatives and Operational Updates



Key Initiative Updates

- The 2024 Strategic asset allocation study is underway
- The Investment Division is adhering to the 2023 Work Plan and Strategic Initiatives approved at the January 2023 BOI
- BOI Offsite preparations are underway

Operational Updates

- Operational due diligence review in progress
- Annual contract compliance and LACERA T.I.D.E. initiatives are in progress

Team Searches and Vacancies

- Working on launching new searches
 - 2 – Principal Investment Officer
 - 2 – Senior Investment Officer
 - 2 – Financial Analyst-III
 - Financial Analyst-II
 - 1 search in progress
 - 4 completed

Manager Meetings¹

Investments July Meetings

(Total Fund & OPEB)

174

¹ Total count of external meetings with investment professionals and/or service providers.



Updates

GGV Capital Partners (Private Equity) – is among four U.S. venture capital firms that received letters from the House Select Committee on the Chinese Communist Party inquiring about their investments in Chinese tech startups. LACERA is an existing limited partner in several GGV funds dating back to 2014. Staff is monitoring the situation and will provide updates to the Board as appropriate.

Acadian (Global Equities) – Fanesca Young, Senior Vice President, Lead Portfolio Manager, Equity Strategies, will take on an expanded role as Director, Equity Portfolio Management with an effective date of August 1, 2023. As part of her new responsibilities, Fanesca will join the Senior Investment Leadership Team (SILT).

Capital Group (Global Equities) – Announced that after 12 years at Capital Group and a total of 28 years in the industry, Michael Bowman, Senior Vice President, Relationship Manager, retired from Capital Group effective June 30, 2023.

Global Alpha (Global Equities) – Hired Sabrina Lacroix as Senior Compliance Officer. She will support David Savignac, CCO and Portfolio Manager, in the compliance function with future plans to assume the role of CCO from David later this year.



05 **Commentary**

Staff Chart of the Month

Air Travel Revenues Remains Strong in the U.S. and Europe





06 Appendix

Quiet Period for Search Respondents



Real Assets Emerging Manager Program Discretionary Separate Account Manager Search

- ✓ BlackRock Investments, LLC
- ✓ ACRES Capital
- ✓ Aether Investment Partners
- ✓ Cloverlay
- ✓ ORG Portfolio Management
- ✓ Barings
- ✓ Belay Investment Group
- ✓ Encore Enterprises, Inc.
- ✓ Stable
- ✓ Cambridge Associates
- ✓ GCM Grosvenor
- ✓ The Townsend Group
- ✓ Cypress Creek Partners
- ✓ Hamilton Lane Advisors
- ✓ Neuberger Berman Group
- ✓ Wafra Inc.
- ✓ Artemis Real Estate Partners
- ✓ Hawkeye Partners, LP
- ✓ Astarte Capital Partners
- ✓ Bentall Green Oak
- ✓ Clear Sky Advisers
- ✓ Clear Investment Group
- ✓ Poverni Sheikh Group
- ✓ Trilogy
- ✓ Stepstone
- ✓ Oak Street
- ✓ White Deer

Commercial Real Estate Brokers Search

- ✓ CBRE
- ✓ Cushman & Wakefield
- ✓ Eastdil
- ✓ JLL
- ✓ Newmark