

Growth Functional Category Biennial Structure Review*

** Select portions of this presentation have been redacted pursuant to California Government Code Sections 54956.81 and 54957.5(a) and will be reviewed in closed session.*

Equity: Public/Private Committee

November 5, 2020

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LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Table of Contents

| Title | Slide No. | Title | Slide No. |
|--|-----------|---|-----------|
| Role of Growth | 3 | Initiatives – Strategic | 27 |
| Structure Review – Background | 5 | In-House Co-Investment and Secondary Performance | 28 |
| Growth Portfolio Composition | 6 | Co-Inv. & Secondaries Parameters – Proposed Changes | 29 |
| Growth Performance | 8 | ██████████ | 30 |
| Market Environment / Themes | 9 | Growth: Next Steps | |
| Environmental, Social and Governance Factors | 10 | Initiatives – Strategic | 35 |
| Global Equity | | Conclusion | 36 |
| Role of Global Equity and Structure | 12 | Advance to Board | 37 |
| Recent Performance | 13 | Appendices | |
| Performance Pre-Global Structure | 14 | Growth Equity Investment Guidelines | 39 |
| U.S. Growth / Large Cap Outperform | 15 | Private Equity Investment Guidelines | 41 |
| U.S. Small Cap Manager Peer Universe | 16 | Liquidity Analysis | 44 |
| Activist Managers | 17 | Universe Comparison | 45 |
| Evaluation | 18 | Glossary of Terms | 46 |
| Initiatives – Strategic | 19 | StepStone Allocation Model Assumptions | 47 |
| Private Equity | | 2019-2020 Private Equity Commitments | 48 |
| Role and Objectives of Private Equity | 21 | 2021-2022 Potential Private Equity Re-Ups | 51 |
| Portfolio Structure | 22 | | |
| Private Equity Periodic Returns | 24 | | |
| Capital Allocation Request for 2021 | 25 | | |
| Evaluation | 26 | | |



Role of Growth

Growth¹

Global Equities

Private Equity

Growth

Growth investments are the primary driver of long-term total Fund returns

Global Equities

Within the Growth category, public equity is primarily expected to provide global market beta exposure with alpha (excess returns) as a secondary consideration.

Private Equity

Within the Growth category, private equity is expected to generate the highest performance at an acceptable level of risk.

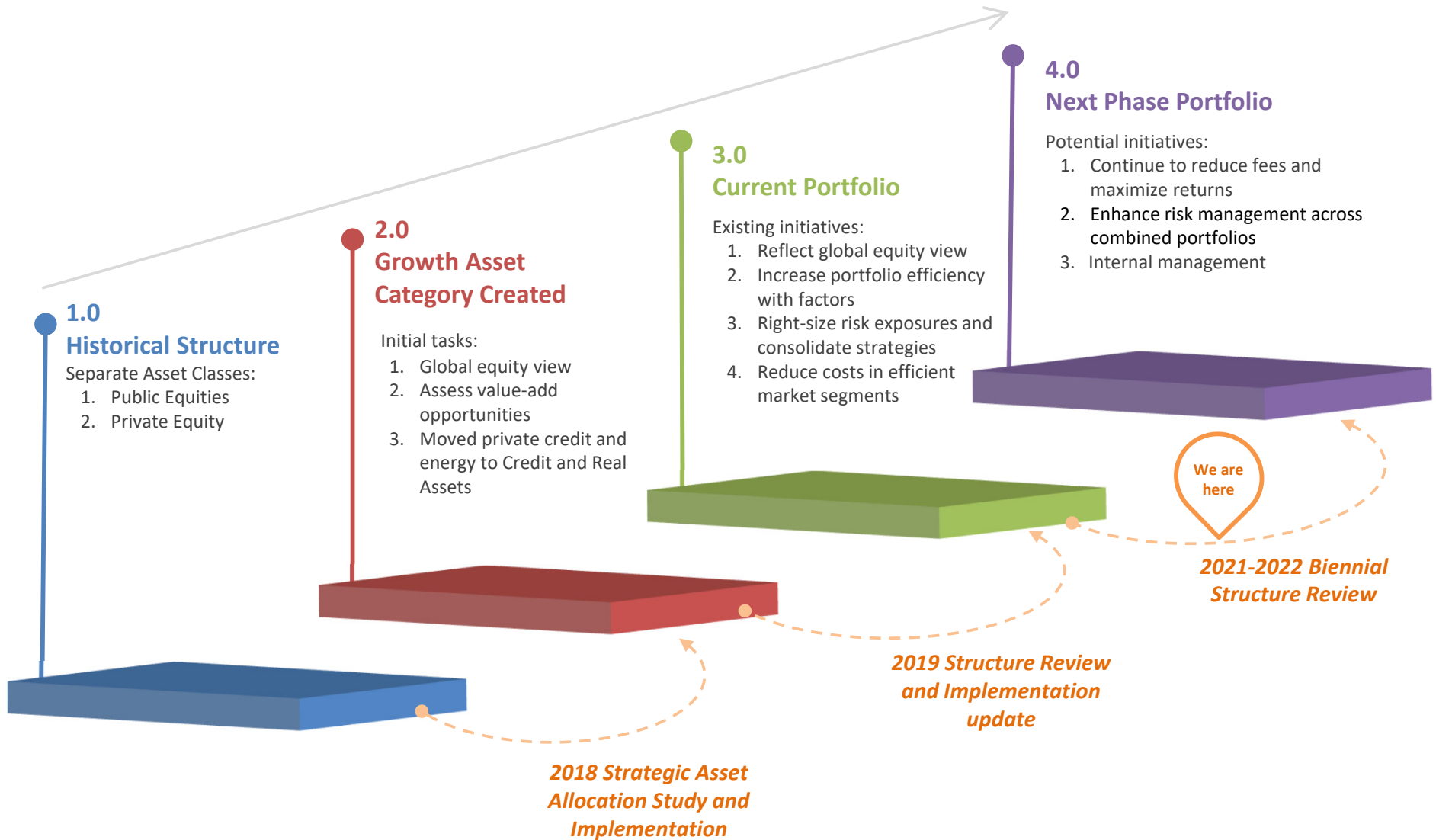
¹Opportunistic Real Estate sub-asset category was reviewed as part of the Real Assets Structure Review.

Role of Growth



- Provides global market beta exposure to growth assets
- Seeks risk-adjusted returns to higher performing private capital assets

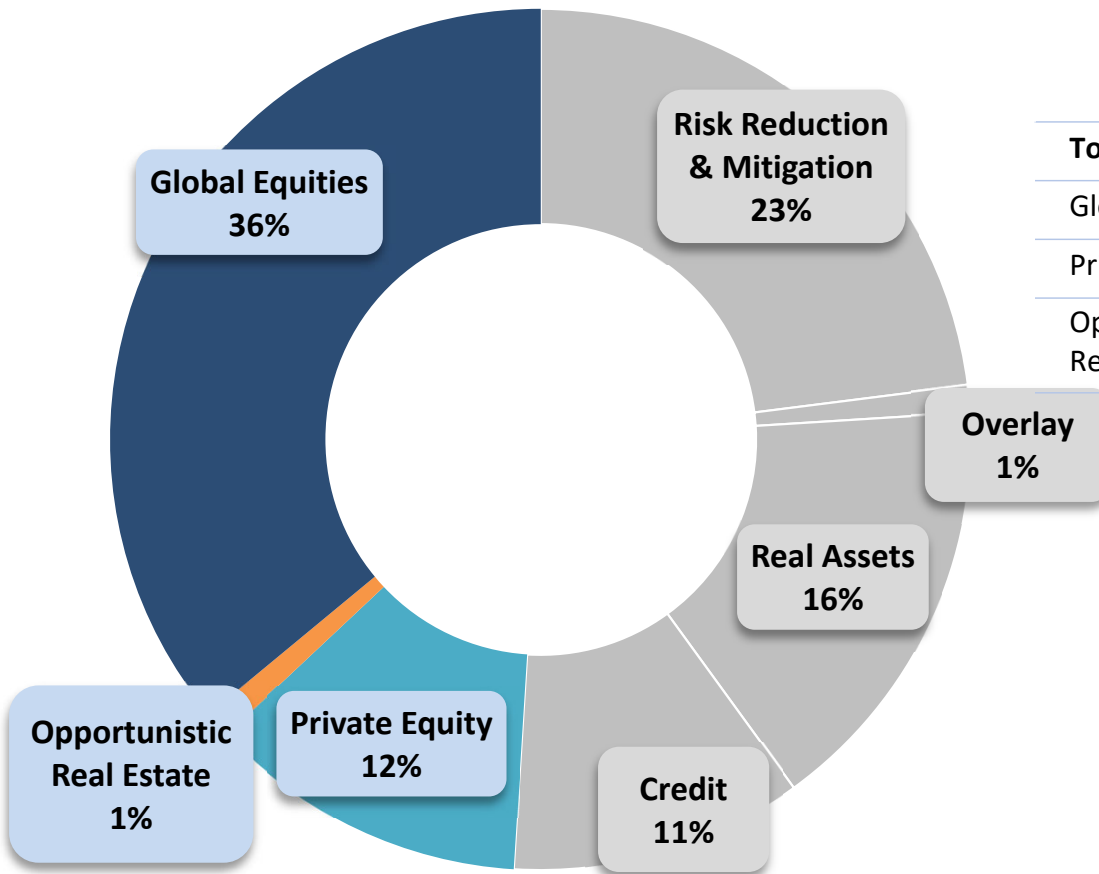
Structure Review – Background



Growth Portfolio Composition

Total Fund Asset Allocation*
as of September 30, 2020 Preliminary (\$ in millions)

| | % of Total | Final Target | Target Ranges | vs Target (%) | vs Target (\$) |
|---------------------------|--------------|--------------|---------------|---------------|----------------|
| Total Growth | 48.9% | 47.0% | +/- 7% | 1.9% | \$1,147 |
| Global Equity | 36.3% | 35.0% | +/- 7% | 1.3% | \$769 |
| Private Equity | 11.5% | 10.0% | +/- 3% | 1.5% | \$905 |
| Opportunistic Real Estate | 1.1% | 2.0% | +1%/-2% | -0.9% | -\$527 |



- Growth is overweight by 190 bps
- Largest overweight component is Private Equity by 150 bps or \$905 million

*Asset weights are preliminary as of September 30, 2020; Private Equity valuation reflect latest available and are adjusted for cash flows.



Growth Portfolio Composition - Sector Exposures

Data as of June 30, 2020

| Sector | LACERA Weights | | | Benchmark Weight | Difference |
|------------------------|----------------|----------------|--------------|------------------|------------|
| | Global Equity | Private Equity | Growth Total | | |
| Communication Services | 8.0% | 1.5% | 6.5% | 8.7% | -2.2% |
| Consumer Discretionary | 11.4% | 15.4% | 12.4% | 11.9% | 0.5% |
| Consumer Staples | 7.6% | 4.7% | 6.9% | 7.7% | -0.8% |
| Energy | 2.7% | 1.2% | 2.3% | 3.4% | -1.1% |
| Financials | 12.2% | 6.4% | 10.9% | 13.3% | -2.4% |
| Health Care | 12.6% | 12.5% | 12.6% | 12.9% | -0.3% |
| Industrials | 10.3% | 13.1% | 10.9% | 10.3% | 0.6% |
| Information Technology | 19.9% | 38.5% | 24.1% | 20.0% | 4.1% |
| Materials | 4.3% | 4.7% | 4.4% | 4.9% | -0.5% |
| Real Estate | 3.3% | 0.3% | 2.6% | 3.7% | -1.1% |
| Utilities | 2.8% | 0.3% | 2.2% | 3.2% | -1.0% |
| [Cash] | 0.8% | 0.0% | 0.7% | 0.0% | 0.7% |
| [Unassigned] | 4.2% | 1.3% | 3.6% | 0.1% | 3.5% |
| Total | 100% | 100% | 100% | 100% | 0% |

Sector Exposure Commentary

- In the Private Equity portfolio, Information Technology is overweight versus its benchmark and has driven outperformance. In the aggregate Equity portfolio, the Information Technology overweight stands at 4.1%
- Staff is being intentional and thematic in its relative overweight in the technology sector in the Private Equity portfolio as technology-led disruption is likely to continue to permeate every sector

Growth Performance

| <i>Period Ending 9/30/2020 Net-of-Fees</i> ¹ | <i>3-Month</i> | <i>YTD</i> | <i>1 -Year</i> | <i>Since Incep</i> |
|---|----------------|---------------|----------------|--------------------|
| GROWTH ² | 7.37 | 1.19 | 8.61 | 8.85 |
| <i>Growth Custom BM</i> | <i>10.28</i> | <i>2.16</i> | <i>9.16</i> | <i>10.12</i> |
| <i>Excess Return</i> | <i>(2.91)</i> | <i>(0.97)</i> | <i>(0.54)</i> | <i>(1.27)</i> |
| GLOBAL EQUITY | 7.54 | (0.15) | 8.62 | 8.35 |
| <i>Global Equity Custom BM</i> | <i>8.11</i> | <i>0.48</i> | <i>9.57</i> | <i>8.50</i> |
| <i>Excess Return</i> | <i>(0.57)</i> | <i>(0.63)</i> | <i>(0.95)</i> | <i>(0.15)</i> |
| PRIVATE EQUITY - GROWTH | 7.60 | 4.87 | 7.99 | 9.31 |
| <i>Private Equity - Growth Custom BM</i> | <i>20.39</i> | <i>2.87</i> | <i>3.20</i> | <i>13.52</i> |
| <i>Excess Return</i> | <i>(12.79)</i> | <i>2.00</i> | <i>4.79</i> | <i>(4.21)</i> |
| OPPORTUNISTIC REAL ESTATE | 0.00 | 4.25 | 5.50 | 3.65 |
| <i>Opportunistic Real Estate Custom BM</i> | <i>(1.02)</i> | <i>2.49</i> | <i>4.36</i> | <i>5.27</i> |
| <i>Excess Return</i> | <i>1.02</i> | <i>1.76</i> | <i>1.14</i> | <i>(1.62)</i> |

Performance Commentary

- Underperformance across Growth is due to the volatility of the Private Equity benchmark in Q2 2020
- Short term Private Equity performance measured against a public benchmark is less meaningful

¹ Preliminary net-of-fee returns as of September 30, 2020; Private Equity valuation reflect latest available and are adjusted for cash flows.

² Growth Functional Asset category inception is April 1, 2019



Market Environment / Themes

COVID-19 continues to be topical

- Market uncertainty and volatility
- Lingering effects on different sectors - positive impact on technology sector and negative impacts on travel, leisure, and hospitality sectors
- Different rate of recovery for countries will impact future economic growths
- Impact of rapid global debt increase

Increased Political Risk

- U.S. election and subsequent policies
- Heightened geopolitical tensions

Investment Themes

- Cautious on U.S. market as indices reach new historical levels
- Continue to diversify regional exposures as well as factor risk exposures
- Further enhance risk management capabilities

Environmental, Social, and Governance Factors

LACERA Mission Statement

“We Produce, Protect and Provide the Promised Benefits”

Environmental, Social, and Governance (ESG) Principles

- Advance Investment Beliefs by articulating LACERA’s view on sound governance
- Advocate practices in line with the Corporate Governance Principles

Present and Forward-Looking Initiatives

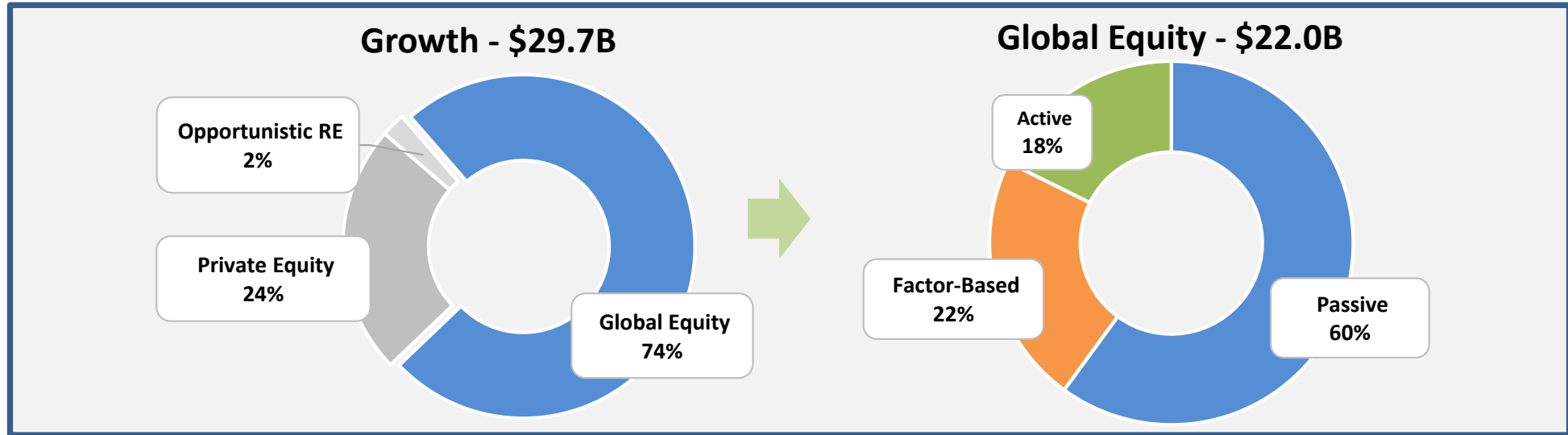
- Increased tools and resources dedicated to ESG engagement and monitoring with investment managers and general partners
- Utilizing ESG lenses and analytics to evaluate investment merits and reporting
- Increasing the transparency of reporting to foster visibility into ESG considerations
- Implement Manager Score Card Report for Public Markets into private equity
- Systematic roll out of operational due diligence questionnaire dedicated to ESG evaluation and diversity and inclusion efforts
- Work with organizations comprised of like-minded investors

Global Equity



Role of Global Equity and Structure

| (as of September 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|------------------------|---------------------------------|----------------|--------------------|
| Global Equity | \$22.0 | 74.2% | 36.3% |



| (% of total Fund) | Target Allocation | Allocation Ranges |
|--|-------------------|-------------------|
| Global Equity | 35% | 28-42% |
| Breakdown by Strategies (% of Global Equity) | | |
| | Target Allocation | Allocation Ranges |
| Passive | 60% | 40% - 80% |
| Factor-Based | 15% | 0% - 30% |
| Active | 25% | 10% - 40% |

- Global Equity primarily provides global market beta exposure with alpha (excess returns) as a secondary consideration
- Slight overweight in Global Equity due to market recovery since March low
- Passive and Factor-based allocations reflect efforts to improve portfolio efficiency
- Active strategies, which collectively have small cap and value biases, have struggled recently versus a broad market that favored growth oriented large cap stocks.

Data from the 2018 Board-approved asset allocation study and 2019 Global Equity Structure Review.

Asset weights and performance are based on preliminary report as of September 30, 2020 and may be subject to revisions.



Recent Performance

| (as of September 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|------------------------|---------------------------------|----------------|--------------------|
| Global Equity | \$22.0 | 74.2% | 36.3% |

April 2019 - September 2020

| | Returns (%) | | | Risk Metrics | | | |
|----------------------------------|---------------|---------------|---------------------|-----------------------|-----------------|---------------|-----------------|
| | YTD 2020 | 1-Year | Since April 2019 | Tracking Error (%) | Sharpe Ratio | Up Capture | Down Capture |
| Global Equity (Gross) | 0.01 | 8.84 | 8.55 | 1.09 | 0.34 | 99.8% | 99.7% |
| Global Equity (Net) | (0.14) | 8.62 | 8.35 | 1.10 | 0.33 | 99.4% | 99.9% |
| Benchmark ¹ | 0.48 | 9.57 | 8.50 | -- | 0.34 | -- | -- |
| Difference: Net-Benchmark | (0.62) | (0.95) | (0.15) | | | | |

See Appendix E – Glossary of Terms for definitions

- Global Equity structure was adopted in April 2019
- Performance needs more time to be evaluated as several changes, including funding of factor strategies, were implemented recently
- Currency hedge detracting year-to-date performance due to recent U.S. dollar weakness

¹The benchmark for Global Equity portfolio since July 2019 is the MSCI ACWI IMI Index. The benchmark from April 2019 to June 2019 is 80% MSCI ACWI IMI and 20% MSCI World ex-U.S. IMI currency hedged.

Total Fund transitioned to functional category in April 2019. As a result, Global Equity portfolio inception date is April 2019.

Performance is based on preliminary report as of September 30, 2020 and may be subject to revisions.



Performance Pre-Global Structure

| (as of September 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|------------------------|---------------------------------|----------------|--------------------|
| Global Equity | \$22.0 | 74.2% | 36.3% |

- Prior to April 2019, the equity portfolio was structured with separate U.S. and Non-U.S. portfolios
- U.S. strategies have underperformed due to value and small cap tilt
- Non-U.S. strategies have consistently outperformed
- Currency hedge has been beneficial since program inception in 2010

Performance as of March 31, 2019

| U.S. Equity Portfolio ¹ | Annualized Return (%) | | | |
|------------------------------------|-----------------------|--------------|--------------|--------------|
| | 1-Year | 3-Year | 5-Year | 10-Year |
| U.S. Equity (Gross) | 7.1 | 12.8 | 9.9 | 15.8 |
| U.S. Equity (Net) | 7.0 | 12.7 | 9.8 | 15.7 |
| Russell 3000 Index | 8.8 | 13.5 | 10.4 | 16.0 |
| Difference: Net-Index | (1.8) | (0.8) | (0.6) | (0.3) |

Performance as of March 31, 2019

| Non-U.S. Equity Portfolio ¹ | Annualized Return (%) | | | |
|--|-----------------------|------------|------------|------------|
| | 1-Year | 3-Year | 5-Year | 10-Year |
| Non-U.S. Equity (Gross) | (0.8) | 10.0 | 5.2 | 10.7 |
| Non-U.S. Equity (Net) | (1.0) | 9.7 | 4.9 | 10.5 |
| Custom Hedged Index ² | (1.8) | 9.1 | 4.5 | 10.1 |
| Difference: Net-Index | 0.8 | 0.6 | 0.4 | 0.4 |

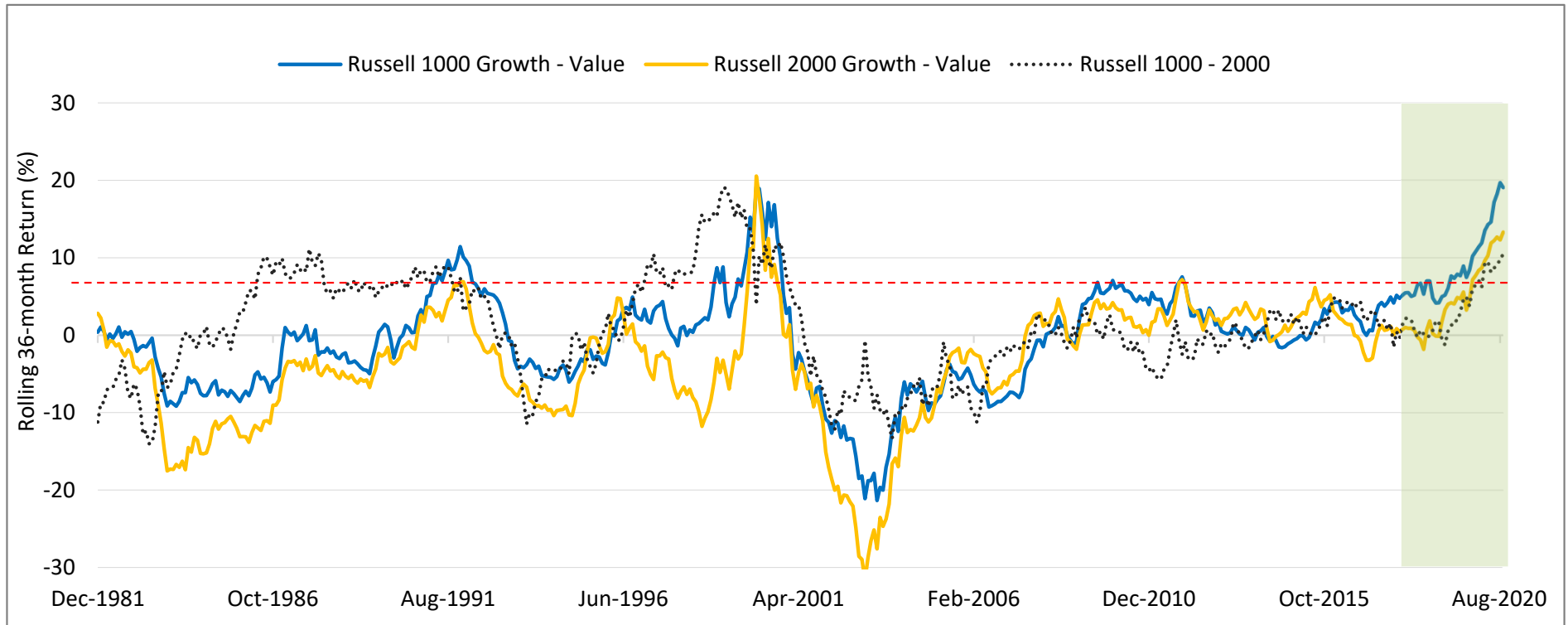
¹Equity portfolio transitioned into single global equity portfolio on April 1, 2019.

²MSCI ACWI ex-U.S. IMI Custom Hedged Index.



U.S. Growth/Large Cap Outperform

| (as of September 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|------------------------|---------------------------------|----------------|--------------------|
| Global Equity | \$22.0 | 74.2% | 36.3% |



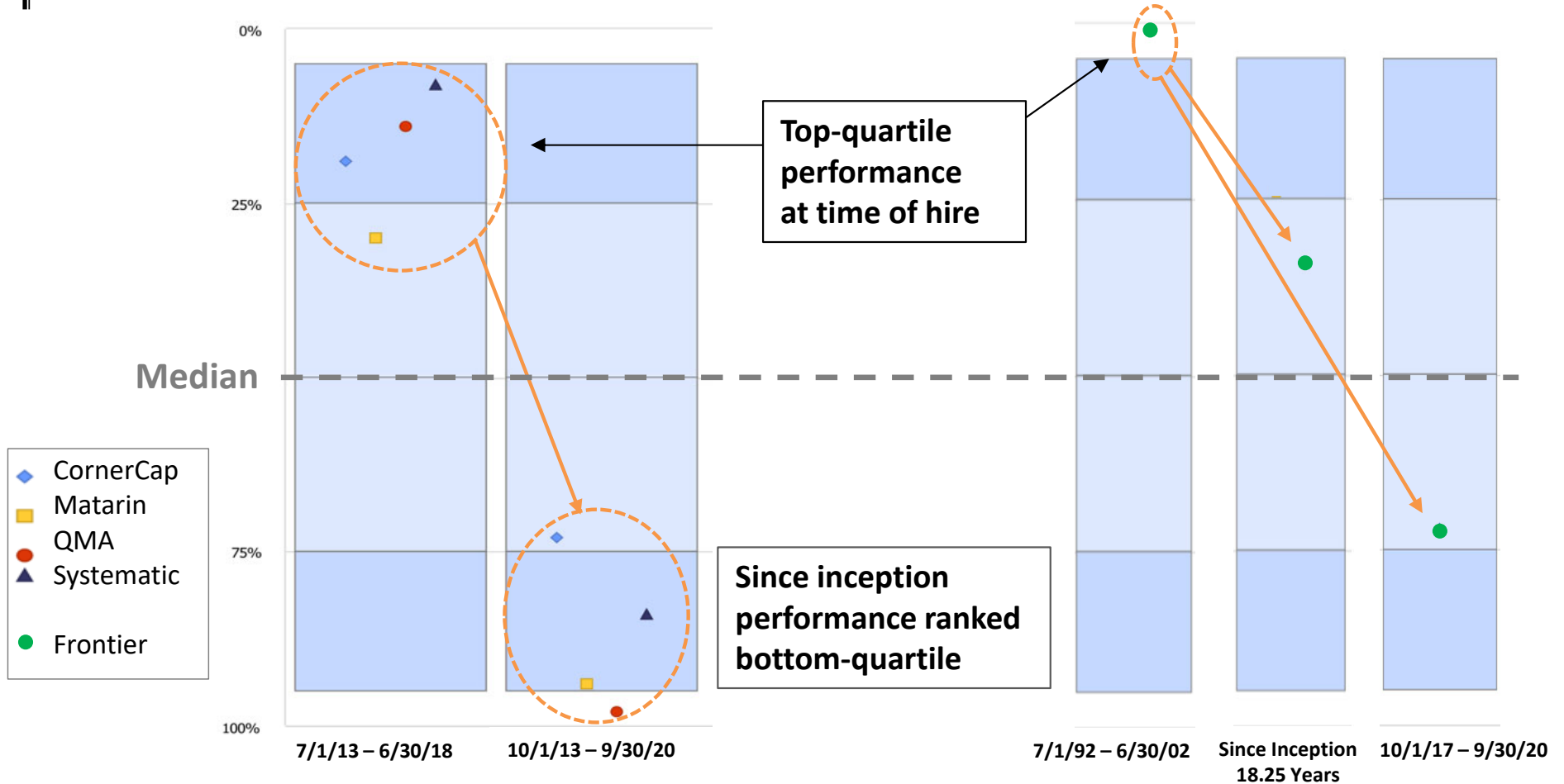
- Market in recent years characterized by
 - U.S. large cap stocks outperforming small cap stocks
 - U.S. growth stocks outperforming value stocks **near historical highs**

Russell 1000 index represents the top 1,000 U.S. stocks by market cap and is a proxy for large cap stocks. Russell 2000 index represents the 2,000 smallest cap U.S. stocks and is a proxy for small cap stocks.



U.S. Small Cap Manager Peer Universe

| (as of September 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|------------------------|---------------------------------|----------------|--------------------|
| Global Equity | \$22.0 | 74.2% | 36.3% |



- May indicate lack of persistence in U.S. active management
- Re-evaluate the role of past performance during manager searches

Source: State Street, eVestment. As of September 30, 2020.

* eVestment U.S. Small Cap Core Equity (QMA, Systematic, Matarin, and Corner Cap) and U.S. Small-Mid Cap Core Equity (Frontier) peer universe.

** Excess return peer ranking versus Russell 2000 Index (QMA, Systematic, Matarin, and Corner Cap) and Russell 2500 Index (Frontier).



Activist Managers

| (as of September 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|------------------------|---------------------------------|----------------|--------------------|
| Global Equity | \$22.0 | 74.2% | 36.3% |

| | Returns (%) | | | | | Since Inception Date | 3-Year Sharpe Ratio |
|------------------------------|---------------|--------------|--------------|-------------------|--------------------|----------------------------|---------------------------|
| | YTD 2020 | 1-Year | 3-Year | Since Nov-2016 | Since Inception | | |
| JANA (Net) | (4.8) | 7.1 | 8.3 | 16.1 | 16.2 | Oct-2016 | 0.26 |
| S&P 500 Index | 5.6 | 15.1 | 12.3 | 14.7 | 13.8 | | 0.60 |
| Difference: Net-Index | (10.4) | (8.0) | (4.0) | 1.4 | 2.4 | | |
| Cevian (Net) | (6.2) | (0.1) | (0.4) | 4.2 | 3.6 | Oct-2016 | (0.11) |
| MSCI Europe Index | (8.8) | (0.8) | (0.6) | 5.7 | 4.7 | | (0.14) |
| Difference: Net-Index | 2.7 | 0.7 | 0.2 | (1.5) | (1.1) | | |
| Symphony (Net) | (3.0) | 17.5 | 16.1 | 17.7 | 17.7 | Nov-2016 | 0.54 |
| MSCI Japan Small Cap Index | (1.5) | 6.6 | 2.4 | 6.0 | 6.0 | | 0.05 |
| Difference: Net-Index | (1.5) | 10.9 | 13.7 | 11.7 | 11.7 | | |

- Activist managers met objectives of the mandates at the time of hire: 1) excess returns, 2) uncorrelated returns, and 3) benefit passive indices holdings
- Activist managers have sustained periods of volatility which may not be additive to the portfolio on a risk-adjusted basis
- Activist strategies should be reconciled with corporate governance program

Performance is based on preliminary report as of September 30, 2020 and may be subject to revisions.



Evaluation

| (as of September 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|------------------------|---------------------------------|----------------|--------------------|
| Global Equity | \$22.0 | 74.2% | 36.3% |

What has Worked:



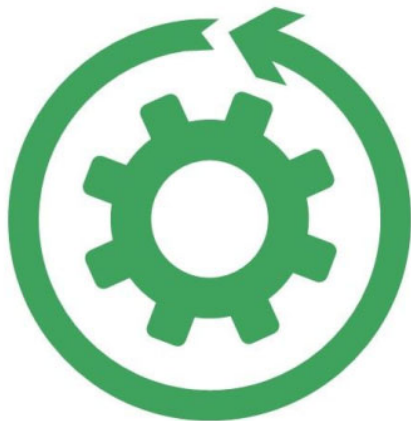
Non-U.S. Portfolio

Active managers in Non-U.S. portfolio have outperformed

Lower Volatility

Better alignment to benchmark and fee savings from reduction of overweight exposures and allocation to lower cost strategies

Areas for Refinement:



U.S. Active Management

Review implementation of active management

Activist Management

Evaluate fit of activist managers within portfolio

Currency Hedge

Evaluate role of currency hedge within portfolio

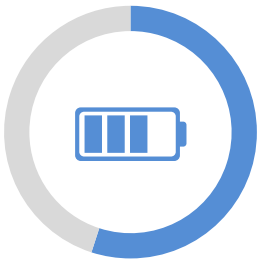
Initiatives - Strategic

| (as of September 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|------------------------|---------------------------------|----------------|--------------------|
| Global Equity | \$22.0 | 74.2% | 36.3% |



Completed

- Simplified portfolio structure
- Fee reduction of approximately 38% compared to five years ago (5 bps per year fee savings)¹



In-Process

- Continue to review internal management
- Integrate risk analytics platform
- Continue to build out Emerging Manager Program



Upcoming

- Align portfolio risks and exposures closer to benchmark
- Meketa and staff presentations on the following topics:
 - Review of active management
 - Evaluation of new portfolio management tools
 - Assessment of manager search process
 - Analysis of the role of activist managers
 - Study of currency hedging program

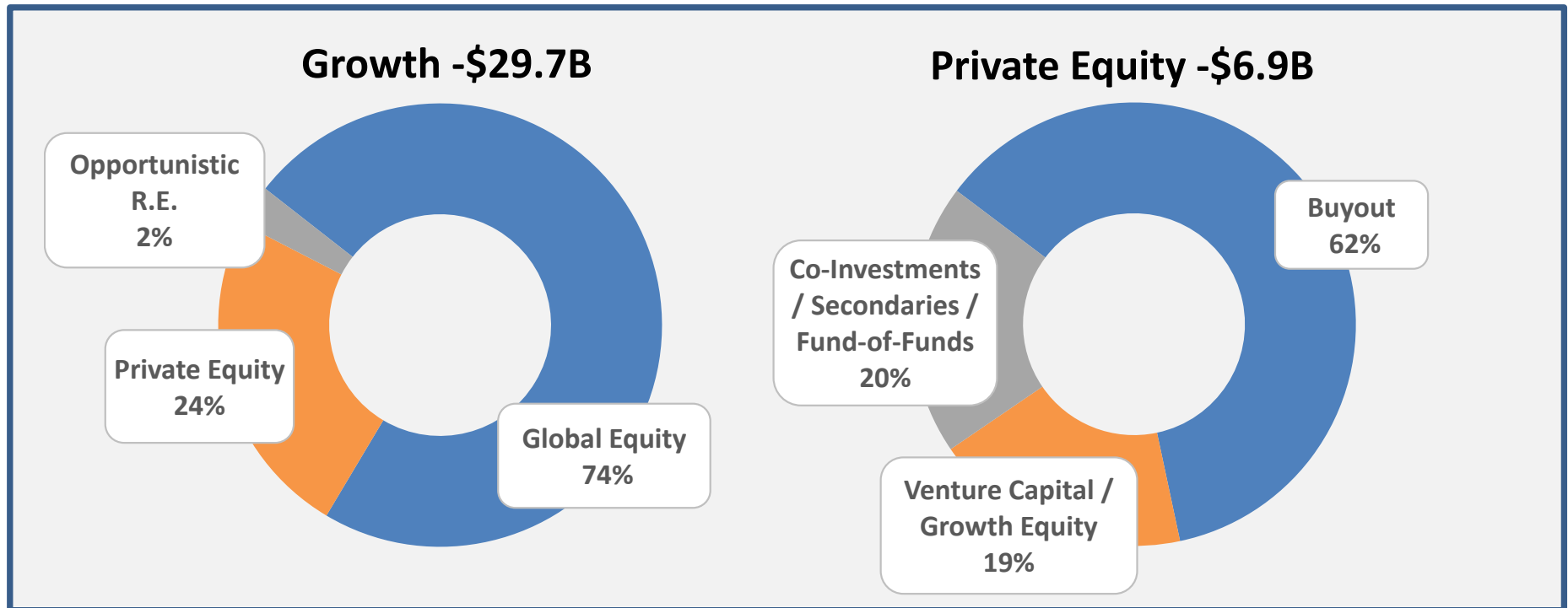
¹Effective annualized fees based on comparison of 2015 and 2020 quarterly performance book numbers. If compared to 2016, which is the highest fee level within the past 5 years, the fee savings would be approximately 9 bps per year or 50% fee reduction.

Private Equity



Role and Objectives of Private Equity¹

| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |



- Growth investments are the primary driver of long-term total Fund returns
- Within the Growth category, Private Equity is expected to generate the highest performance at an acceptable level of risk
- The target return for Private Equity is 200 basis points over the MSCI ACWI IMI² Index, net of all fees

¹Private Equity market value data as of June 30, 2020. Global Equity value as of September 30, 2020.

²Morgan Stanley Capital International, All Country World Index, Investable Market Index.



| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

Portfolio Structure by Investment Type

| <i>As of 6/30/2020</i> | Active GPs | Market Value | Outstanding Commitments | Exposure | % of NAV | Current Range | Proposed Range |
|----------------------------|------------|----------------|-------------------------|-----------------|-------------|---------------|----------------|
| Buyouts Sub-Total | 42 | \$4,245 | \$3,719 | \$7,964 | 62% | 50% - 85% | 50% - 85% |
| VC/Growth Equity Sub-Total | 22 | \$1,295 | \$732 | \$2,027 | 19% | 15% - 30% | 15% - 30% |
| Co-Inv/FoF/Sec Sub-Total | 8 | \$1,350 | \$543 | \$1,893 | 20% | 10% - 25% | 10% - 25% |
| Grand Total | 72 | \$6,890 | \$4,994 | \$11,884 | 100% | | |

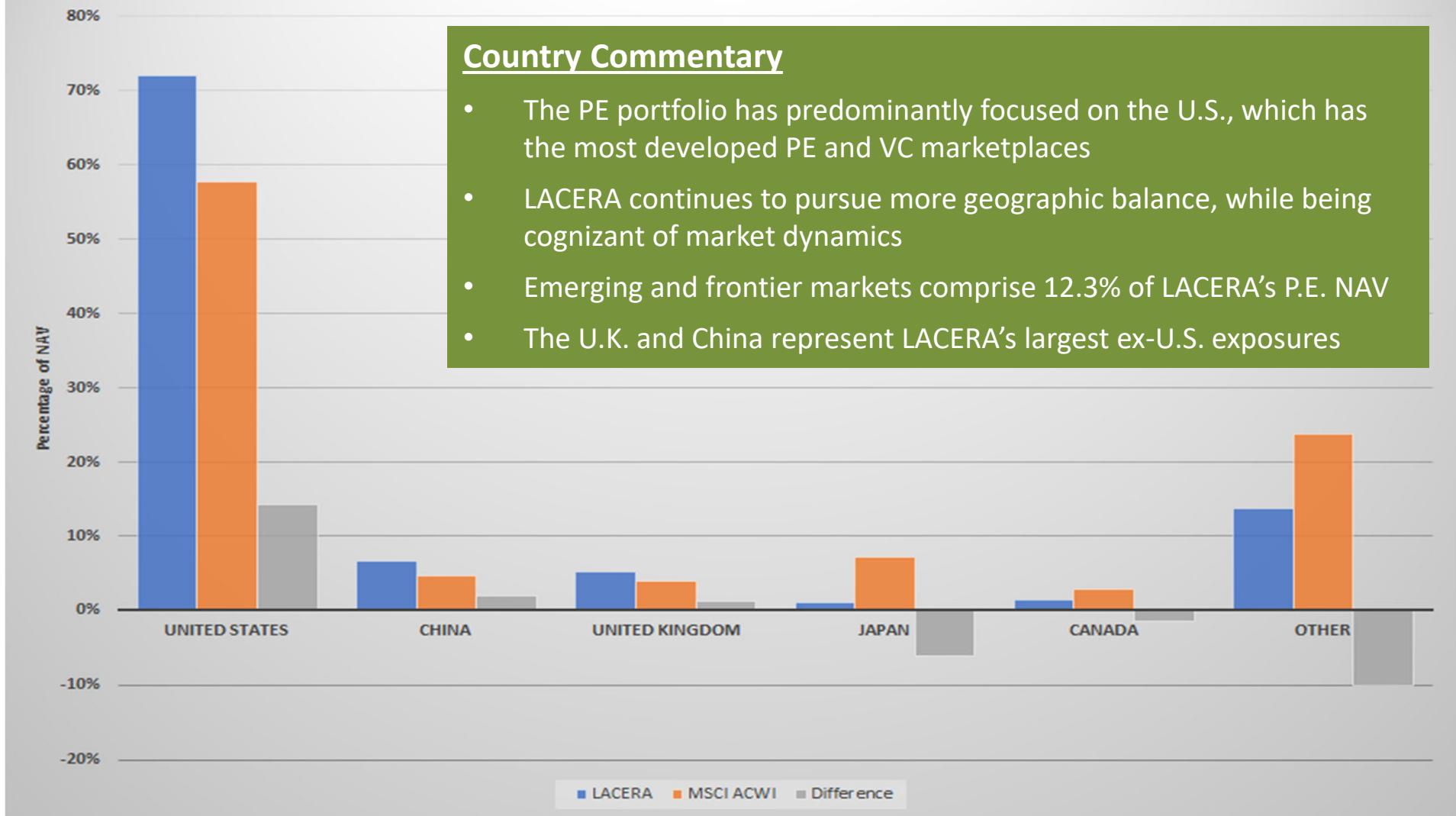
Portfolio Structure Commentary

- All investment strategies are within range; no proposed changes to the current range
- International exposure stands at 28% within target range of 20%-45%
- As one of the active components of the Growth portfolio, staff will continue to identify equity exposures that are either unavailable, mispriced, or difficult to find in the public markets
- An added benefit of LACERA's increased emphasis on in-house co-Investment and secondaries are the fee savings. Co-Investments are generally entered into on a no-fee, no carry basis while secondaries typically have a lower fee base than primary fund commitments
- Staff is seeking to increase its allocation to in-house co-investments, secondaries, and other alternative structures which can enhance returns, reduce risks, or minimize costs

Portfolio Structure – Country Weights

| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

LACERA PE NAV¹ versus MSCI ACWI² by Country



¹Based on March 31, 2020 values.

²Morgan Stanley Capital International, All Country World Index.



Private Equity Periodic Returns^{1,2}

| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

LACERA Private Equity has exceeded its performance objectives across all periods

- Given the 10-year terms of illiquid Private Equity investments, the 5-Year and 10-Year performance numbers carry the most weight
- In the 5-Year period, Private Equity outperformed its policy benchmark by 460 bps
- In the 10-Year period, Private Equity outperformed the benchmark by 430 bps

| Year | LACERA IRR | MSCI ACWI + 200 bps |
|------|------------|---------------------|
| 1 | 7.9% | 3.2% |
| 3 | 13.7% | 7.6% |
| 5 | 12.7% | 8.1% |
| 10 | 15.4% | 11.1% |

¹Based on June 30, 2020 values.

²PE IRR is a dollar-weighted return which calculates the rate of return that will set the present values of all cash flows to the value of the initial investment. This methodology differs from Global Equity's time-weighted return which measures the compound rate of growth in a portfolio.



Capital Allocation Request for 2021

| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

LACERA'S Plan Level Target Allocation Status Projected December 31, 2020 (\$MM)

| | |
|-------------------------|----------|
| Total Fund Value | \$59,864 |
| Net Asset Value (PE) | \$6,330 |
| Allocation % | 10.6% |
| Target Allocation | 10.0% |
| Target Allocation Range | 7%-13% |

Recommendation

- Maintain the current \$1.6 billion (+/-20%) commitment level. Revisit the commitment pace after 2021 strategic asset allocation exercise

StepStone Pacing Model: 2021 - 2026 PROJECTIONS¹ (\$MM)

| Calendar Year | New Commitments | PE Draw-downs | PE Distributions | PE Market Value | Total Portfolio Value ² | PE Allocation |
|---------------|-----------------|---------------|------------------|-----------------|------------------------------------|---------------|
| 2021 | \$1,600 | \$1,363 | \$1,301 | \$6,911 | \$62,787 | 11.0% |
| 2022 | \$1,600 | \$1,446 | \$1,429 | \$7,502 | \$65,948 | 11.4% |
| 2023 | \$1,600 | \$1,519 | \$1,592 | \$8,055 | \$69,296 | 11.6% |
| 2024 | \$1,600 | \$1,553 | \$1,812 | \$8,468 | \$72,765 | 11.6% |
| 2025 | \$1,600 | \$1,570 | \$2,046 | \$8,695 | \$76,377 | 11.4% |
| 2026 | \$1,600 | \$1,582 | \$2,209 | \$8,785 | \$80,117 | 11.0% |

Grey shaded cells provided for illustrative purposes

Target Allocation Model Commentary

- New commitment targets assume a +/- 20% range, based on opportunities available in the marketplace
- Model projects allocations over the next six years

¹StepStone model assumptions are in Appendix F.

²Total Portfolio Value is projected using an assumed 7.0% annual growth with estimated contributions/distributions as provided by Milliman



Evaluation

| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

What has Worked:



Overweight Technology Exposure

Intentional overweight to technology, reflective of PE opportunity set, has driven outperformance

In-house Co-Investment and Secondaries Program

Early performance is promising

Areas for Refinement:



Portfolio Design

Better manage vintage year exposure through co-investments and secondaries

Strengthen Influence on Fees / Maximize Returns

Continue to explore alternative structures which can lower the cost of investing in Private Equity and maximize sources of returns

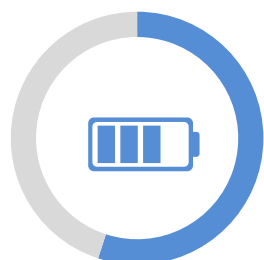
Initiatives – Strategic

| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |



Completed

- Further expanded sources of co-investment deal flow
- Resumed secondary investments
- Provided Board education on General Partner stakes investments



In-Process

- Finalize Manager Scorecards across the Private Equity portfolio
- Enhance fund operational due diligence process



Upcoming

- Refine In-House Co-Investment and Secondary Parameters
- RFP for Private Equity consultant
- RFP for manager of the Emerging Manager Program
- Education session on synthetic Private Equity portfolio

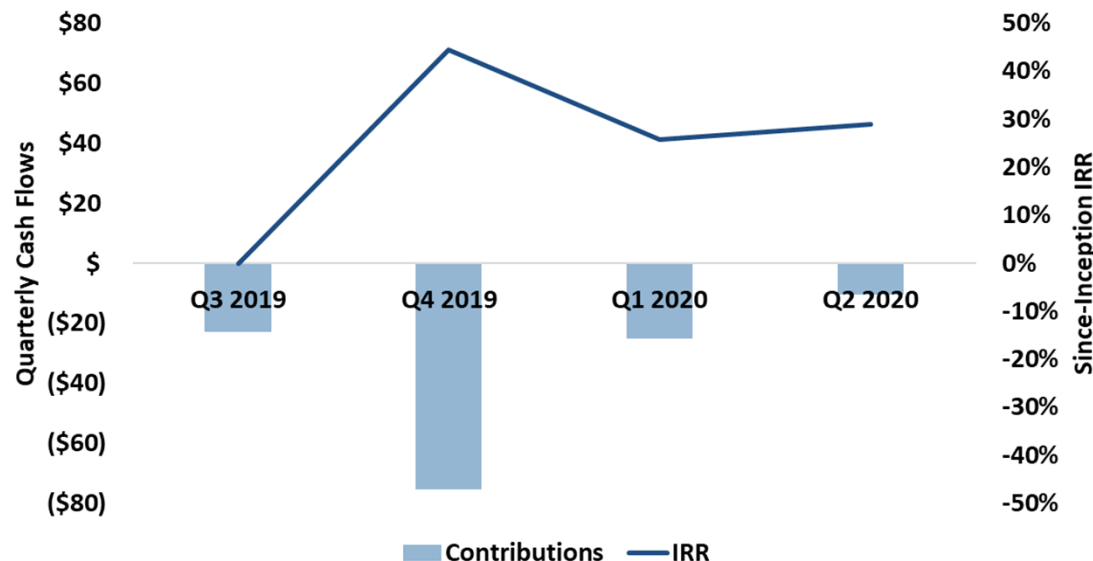
| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

In-House Co-Investment and Secondary Performance

| As of 6/30/2020 | Commitments | Cumulative Contributions | Cumulative Distributions ¹ | Market Value | Total Value | Net IRR | TVPI | DPI ¹ |
|--------------------|----------------|--------------------------|---------------------------------------|----------------|----------------|--------------|-------------|------------------|
| Co-Investments | \$70.0 | \$45.4 | \$8.4 | \$52.7 | \$52.7 | 35.3% | 1.2x | 0.2x |
| Secondaries | \$106.0 | \$88.2 | \$0.0 | \$103.4 | \$103.4 | 22.8% | 1.2x | 0.0x |
| Grand Total | \$176.0 | \$133.6 | \$8.4 | \$156.1 | \$156.1 | 28.9% | 1.2x | 0.1x |

Quartile **1st** Burgiss All PE – U.S. benchmark

LACERA In-House Co-Investment and Secondary Program Cash Flows and Net IRR



Since Q3 2019

- No J-Curve
- ~29% net IRR
- \$8.4M in distributions¹
- \$3.1M in mgmt. fee savings
- 1st quartile vs. 2019 vintage year U.S. PE funds

Performance Commentary

- In aggregate, in-house co-investments and secondaries outperformed LACERA's primary Private Equity funds by 2,100 basis points for the fiscal year ending June 30, 2020
- While the in-house program is off to a good start, this performance is still very early; staff will stay vigilant

¹Cash distribution was received in October 2020 and therefore not reflected in the bar chart above.



| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

Co-Inv. & Secondaries Parameters – Proposed Changes

| Term ¹ | 2020 Parameters | Proposed Parameters |
|--------------------------|--|--|
| Investment Size | Co-investment: Maximum \$40 million per investment | Co-Investment: Maximum \$70 million per investment |
| Annual Deployment | Co-investment: \$150 million Secondary: \$200 million | \$450 million across co-investments and secondaries |
| Deal Types | Co-Investment: buyouts and growth capital | Co-investment: Expand growth capital definition to include high-growth pre-EBITDA companies with a liquidity event expected in the next two years |
| Other Parameters | Secondaries: <ul style="list-style-type: none"> • Related primary fund must be at least 70% deployed • Investment must have been managed by the current investment team for at least 3 years | Secondaries: <ul style="list-style-type: none"> • Remove these parameters to provide flexibility to pursue a wider range of potential opportunities which may arise during a downturn |
| Geography | Co-Investment: U.S. only | Co-investment: Global with EX-U.S. investments subject to a maximum of i) \$40 million investment size and ii) \$150 million annual deployment |

¹ Existing 2020 parameters for co-investments and secondaries are in Appendix B. Any parameters that were not mentioned above are proposed to remain unchanged.



| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

CONFIDENTIAL

[Redacted]

[Redacted]

- **Current Situation:** [Redacted]

- **Concern –** [Redacted]

- [Redacted]

- [Redacted]

- **What is Working:** [Redacted]

[Redacted]

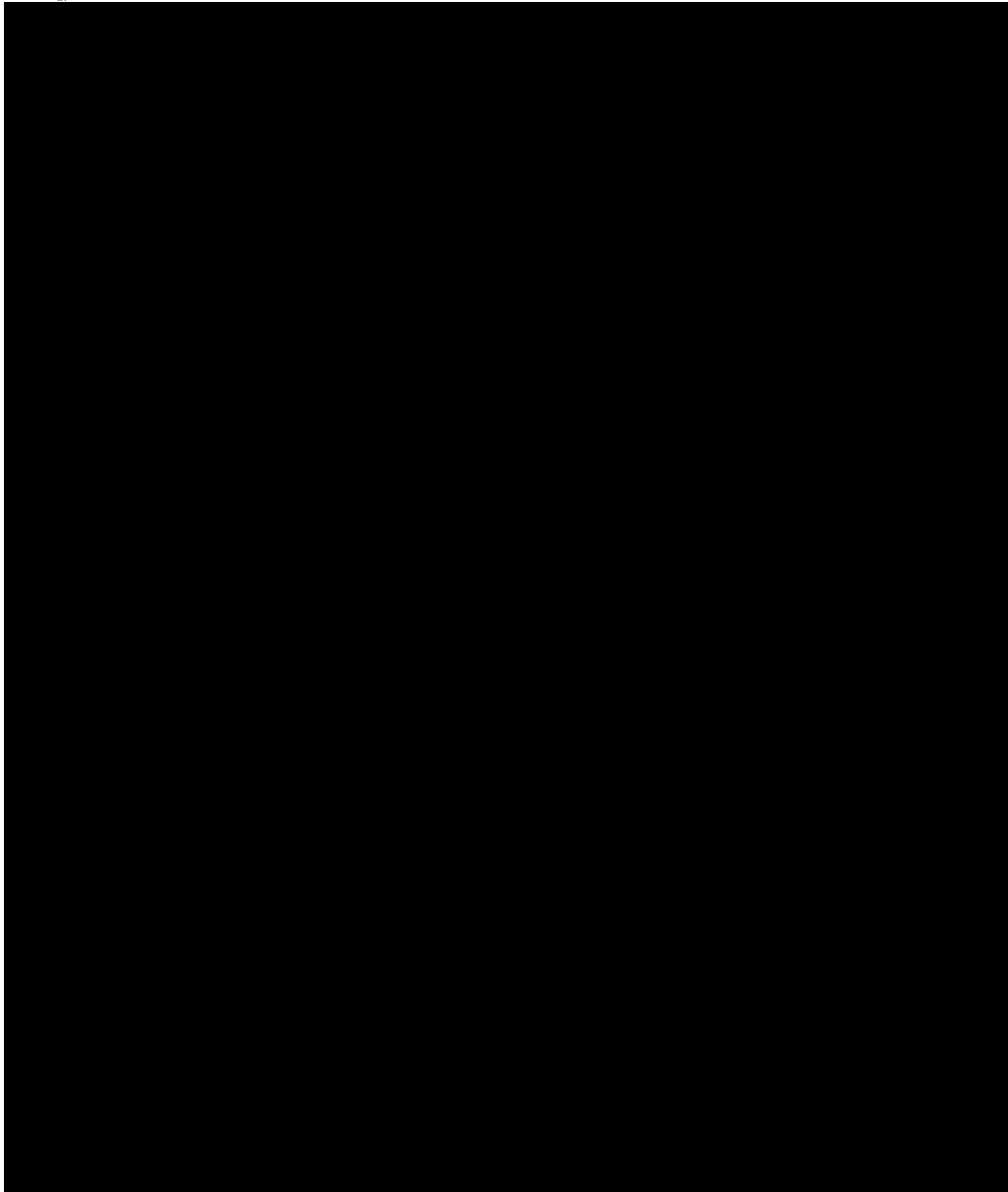
| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

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Illustrative – Proposed



Change



Overview

- [Redacted]
- [Redacted]

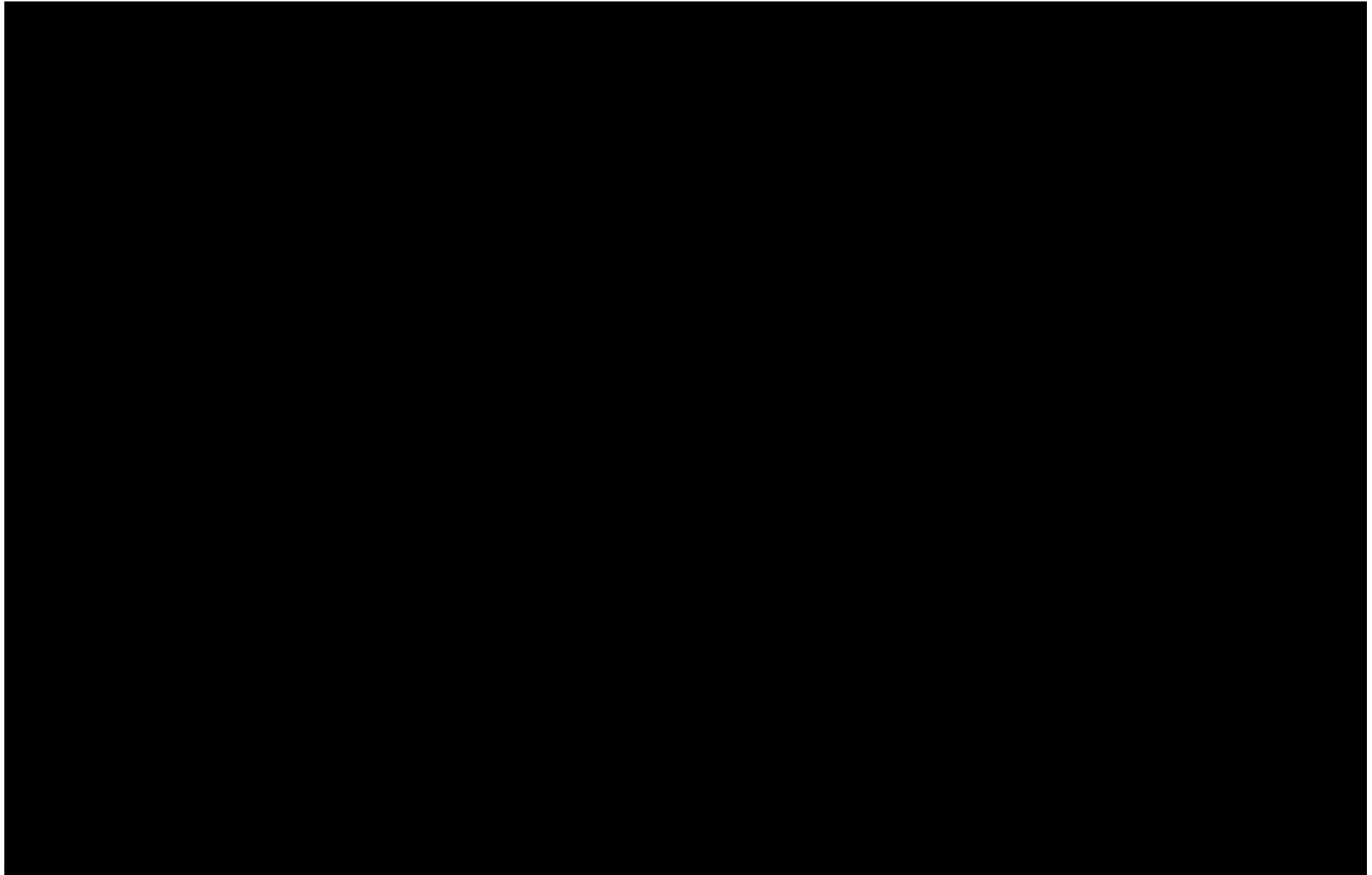
Benefits

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

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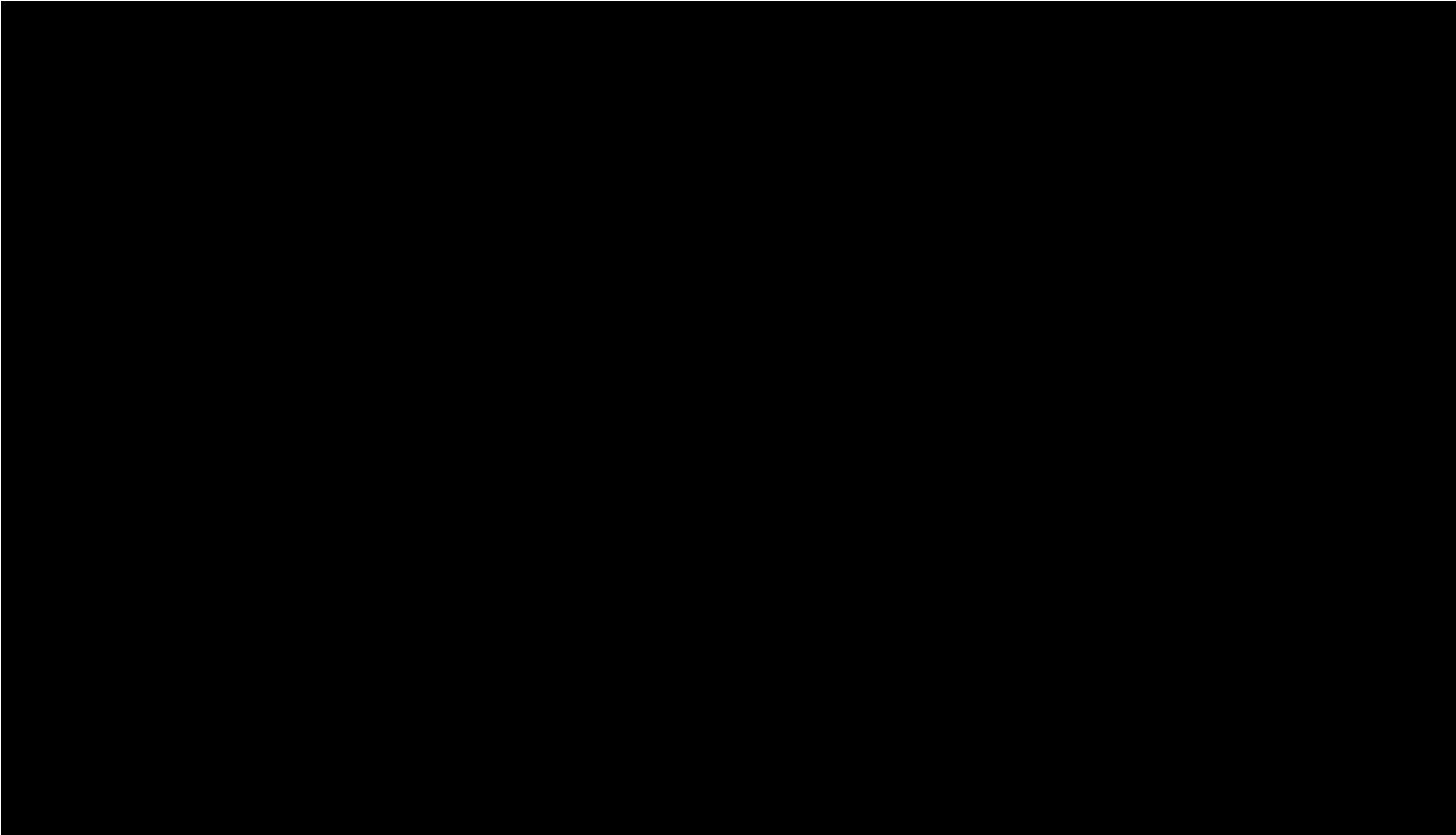
Case Study –



| (as of Sept 2020) | Market Value (in \$ billion) | % of Growth | % of total Fund |
|-------------------|---------------------------------|----------------|--------------------|
| Private Equity | \$6.9 | 23.5% | 11.5% |

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Transaction Pipeline - Illustrative



Growth: Next Steps

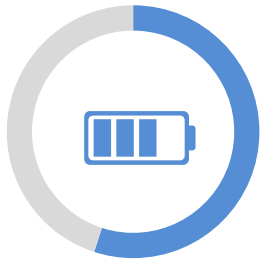


Initiatives – Strategic



Completed

- Combined Global Equity and Private Equity under functional Growth asset category



In-Process

- Assessing optimal active management strategy across Growth
- Reducing Private Equity costs to maximize returns
- Further integrate ESG assessment into capital deployment processes



Upcoming

- Review and refine sector exposures with intentionality looking across Growth portfolio holistically
- Focus on risk management tools

Conclusion

Prioritize Growth Objectives

Provide global market
beta exposure with
alpha (excess returns)
as a secondary
consideration



Global Equity

Generate highest
performance at an
acceptable level of
risk



Private Equity

Advance to Board

- Staff proposes advancing the following

Growth

- Maintain proposed Private Equity target commitment amount of \$1.6 billion (+/- 20%) for 2021
- Adopt proposed parameter changes for the Private Equity in-house co-investments and secondaries programs
- Reaffirm Global Equity and Private Equity investment guidelines (Appendices A and B)
- [REDACTED]

Appendices



Appendix A – Global Equity Investment Guidelines

| | Target | |
|----------------|--|--|
| Performance | Meet or exceed the MSCI ACWI IMI Index | |
| Tracking Error | 1.0% – 2.5% rolling 7-year | |

| | Target Allocation | Target Allocation Range |
|-----------------|-------------------|-------------------------|
| Passive (Index) | 60% | 40 – 80% |
| Factor-based | 15% | 0 – 30% |
| Active | 25% | 10 – 40% |

| Market | Parameter | Target Allocation Range Relative to Benchmark |
|----------------|-----------------|---|
| Capitalization | Large | +/- 5% |
| | Mid | +/- 5% |
| | Small | +/- 5% |
| Region | United States | +/- 5% |
| | Developed ex US | +/- 5% |
| | Emerging | +/- 5% |

*LACERA allows staff and the external managers some latitude outside of the ranges. In the short term, LACERA does not wish to have staff or its external managers constrained by the designated ranges; i.e., fulfilling target allocations will not drive the investment recommendation process. LACERA will invest consistently over time to gain the proper exposures.



Appendix A – Global Equity Investment Guidelines (Cont.)

| Prohibited Investment Type | Description |
|----------------------------|--|
| Tobacco | Investment managers should refrain from purchasing tobacco securities when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security. |
| Sudan | Investment managers should refrain from purchasing securities where the company has been identified as doing business in Sudan or with the government of Sudan, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security. |
| Iran | Investment managers should refrain from purchasing securities where the company has been identified as doing business in Iran’s energy sector or with the government of Iran, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security. |

Appendix B – Private Equity Investment Guidelines

| Limit | Minimum | Maximum | Notes |
|--------------------|-------------|--|--|
| Investment Size | \$5 Million | 10% of LACERA's MV plus undrawn commitments | |
| Single Partnership | | 50% of total commitments from all LPs | Does not apply to separate accounts |
| General Partner | | 10% of Private Equity portfolio MV plus unfunded commitments | Applies to aggregate across multiple funds |

| | Parameter | Target Allocation Ranges* |
|-----------------|-------------------------------|---------------------------|
| Sub-Asset Class | Buyouts | 50 – 85% |
| | Venture Capital/Growth Equity | 15 – 30% |
| | Co-Inv/FoF/Sec | 10 – 25% |
| Geography | Non-United States | 20 – 45% |
| | Emerging Markets | 0 – 15% maximum |

| | Report** | Responsible Parties | Audience | Frequency |
|---|---|-------------------------------|----------|-----------------------|
| 1 | Portfolio Performance | Staff | Board | Semi-annually |
| 2 | Status of Current Investments | Staff & PEA | Board | No less than annually |
| 3 | Portfolio Performance and Investment Analysis | PEA or other service provider | Staff | Annually & quarterly |

*LACERA allows staff and the PEA(s) some latitude outside of the ranges. In the short term, LACERA does not wish to have staff or its PEA(s) constrained by the designated ranges; i.e., fulfilling target allocations will not drive the investment recommendation process. LACERA will invest consistently over time to gain the proper exposures.

**Reports shall include information on general market environment and expected opportunities, portfolio composition, performance summary, and recent activity.



Appendix B – Private Equity Investment Guidelines (Cont.)

| | Co-Investment Parameters* | Secondary Parameters* |
|----------------------------------|---|--|
| Sourcing | <ul style="list-style-type: none"> Co-investments offered by Board-approved managers so long as the manager is currently managing capital on behalf of LACERA; or Co-investments alongside a Board-approved discretionary PE manager, PE consultant, or their approved managers <p>*Includes funds approved by the CIO through LACERA’s private equity fund re-up procedure</p> | <ul style="list-style-type: none"> A private equity fund in which LACERA is an existing investor; or A private equity fund or vehicle that is managed by a manager of the same institutional quality as those LACERA has previously committed to |
| Investment Size | \$40 million | \$130 million |
| Geography | <p>United States only</p> <p>International co-investments will continue to be outsourced to Morgan Stanley</p> | Maximum \$150 million outside United States |
| Deal Types | Buyout and growth capital transactions only | <p>Related primary fund must be at least 70% deployed, committed or reserved</p> <p>Investment must have been managed by current team for at least 3 years</p> |
| Annual Capital Deployment | \$150 million | \$200 million |
| Advisory Confirmation | Third party confirms LACERA’s due diligence was satisfactorily followed | Third party secondary advisor confirms valuation |

*Reflects parameters for 2020 calendar year



Appendix B – Private Equity Investment Guidelines (Cont.)

| Prohibited Investment Type | Description | Notes |
|----------------------------|--|---|
| Hostile Takeovers | LACERA avoids investment strategies that primarily involve hostile takeovers, defined as acquisitions opposed by the board of directors of the target company. | |
| Privatization | <p>LACERA does not aim to promote privatization of public jobs through its private equity investment program. It is highly unlikely that LACERA would invest in private equity investments that are dependent on privatization strategies.</p> <p>When performing due diligence prior to making the initial investment in a domestic partnership, staff and/or PEA, as applicable, will use reasonable efforts to ascertain the following:</p> <ol style="list-style-type: none"> 1. Whether the partnership’s current investment strategy includes the privatization of jobs held by LACERA members, and 2. Whether previous partnerships operated by the general partners, if any, have invested in companies dependent upon privatization of jobs held by LACERA members. | Staff and/or PEA will seek guidance from the Board before investing in a domestic partnership if the due diligence establishes privatization. |

Appendix C – Global Equity Portfolio Liquidity Analysis

Liquidity Buckets Breakdown

As of September 2020

| | Portfolio Weight (%) | Estimated Days to Liquidate |
|---------------------|----------------------|-----------------------------|
| Highly Liquid | 96.71 | 0.45 |
| Moderately Liquid | 1.28 | 3.99 |
| Less Liquid | 0.39 | 8.69 |
| Illiquid Investment | 1.62 | 59.75 |
| Total | 100.00 | 1.55 |

Source: FactSet. Calculation based on 20% sell threshold and average stock volume.



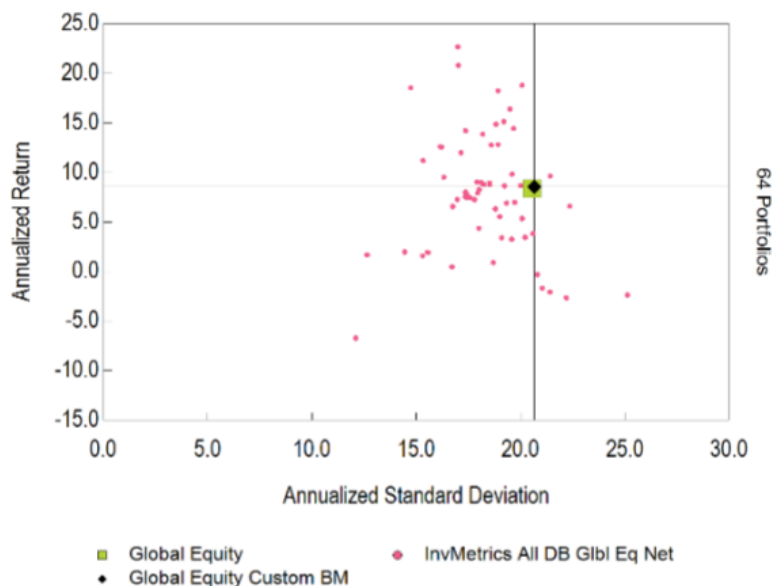
Appendix D – Universe Comparison

MEKETA

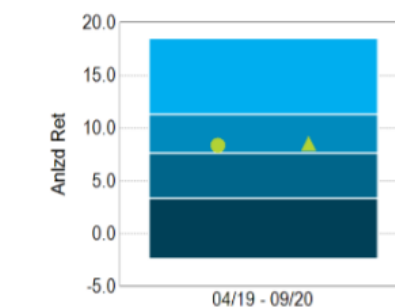
Los Angeles County Employees Retirement Association

Global Equity | September 30, 2020

**Annualized Return vs. Annualized Standard Deviation
1 Year 6 Months Ending September 30, 2020**

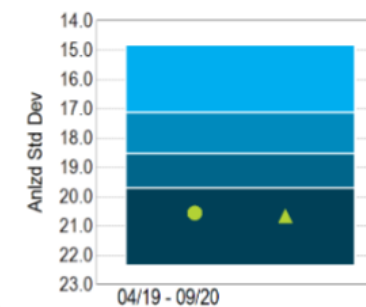


**Anlzd Ret
vs. InvMetrics All DB Glbl Eq Net**



| | |
|---------------------------|------|
| ● Global Equity | |
| Value | 8.3 |
| Rank | 45 |
| ▲ Global Equity Custom BM | |
| Value | 8.5 |
| Rank | 44 |
| Universe | |
| 5th %tile | 18.5 |
| 25th %tile | 11.4 |
| Median | 7.7 |
| 75th %tile | 3.4 |
| 95th %tile | -2.4 |

**Anlzd Std Dev
vs. InvMetrics All DB Glbl Eq Net**



| | |
|---------------------------|------|
| ● Global Equity | |
| Value | 20.6 |
| Rank | 84 |
| ▲ Global Equity Custom BM | |
| Value | 20.7 |
| Rank | 85 |
| Universe | |
| 5th %tile | 14.8 |
| 25th %tile | 17.1 |
| Median | 18.5 |
| 75th %tile | 19.7 |
| 95th %tile | 22.3 |

Statistics Summary

1 Year 6 Months Ending September 30, 2020

| | Anlzd Return Rank | Anlzd Standard Deviation | Anlzd Standard Deviation Rank | Information Ratio | Information Ratio Rank | Sharpe Ratio | Sharpe Ratio Rank |
|-------------------------|-------------------|--------------------------|-------------------------------|-------------------|------------------------|--------------|-------------------|
| Global Equity | 45 | 20.56% | 84 | -0.18 | 47 | 0.34 | 57 |
| Global Equity Custom BM | 44 | 20.67% | 85 | -- | -- | 0.35 | 55 |



Appendix E – Glossary of Terms

| Term | Definition |
|---------------------------------|--|
| Allocation Effect | Returns attributed to decision to tilt composite away from the program benchmark. |
| Down Capture Ratio | Measure of an investment's performance during down-markets, calculated as the strategy's returns divided by the returns of the benchmark index during the down-market. A lower down-market capture ratio means an investment was less negatively impacted during market downturns. |
| Information Ratio | The portfolio's excess return over its benchmark divided by its tracking error. |
| Manager Selection Effect | Returns attributed to decision to implement active management as opposed to a passive index. |
| MSCI ACWI IMI | Morgan Stanley Capital International All Country World Investable Market Index is the benchmark for Global Equity. |
| Sharpe Ratio | Measure of risk-adjusted performance, calculated as portfolio excess return over risk-free return over portfolio volatility. |
| Tracking Error | The standard deviation of the portfolio's excess returns over its benchmark. |
| Up Capture Ratio | Measure of an investment's performance during up-markets, calculated as returns divided by the returns of the benchmark index during the up-market. A high up capture ratio means an investment outperformed the index during up-markets. |



Appendix F – Allocation Model Assumptions

- StepStone pacing model driven by five independent variables⁽¹⁾:
 - Rate of contributions
 - Rate of distributions
 - Annual growth or return by sub-sector
 - Life of fund in years
 - Annual commitments by sub-sector
- StepStone’s pacing model utilizes the following assumptions for LACERA’s portfolio:
 - Total Portfolio Value: ~\$58.2 billion⁽²⁾
 - Actuarial Rate of Return (net): 7.0%⁽³⁾
 - Annual Cash Contributions and Distribution provided by LACERA⁽⁴⁾
 - Target Private Equity (% of Total FMV): 10.0% (7-13% Target Range)
- PE Weighted Average Return assumptions equate to:
 - Base Case Net IRR of 8.4%⁽⁵⁾
 - Low Case Net IRR of 3.9%
 - High Case Net IRR of 13.2%
- StepStone assumed the following exposures going forward:
 - Buyout 70%
 - VC/Growth 20%
 - Co-investments 10%

(1) Any return contained herein is hypothetical and is not a guarantee of future performance. The returns set forth herein do not constitute a forecast; rather they are indicative of the internal transaction analysis regarding outcome potentials. Any returns set forth herein are based on Stepstone’s belief about the returns that may be achievable on investments that the Partnership intends to pursue. Such returns are based on current view in relation to future events and financial performance of potential investments and various models, estimations and “base case” assumptions made, including estimations and assumptions about events that have not occurred. Actual events and conditions may differ materially from the assumptions used to establish returns and there is no guarantee that the assumptions will be applicable to the Partnership’s investments

(2) Total Portfolio Value as of June 30, 2020 as provided by LACERA

(3) The Actuarial Assumed Rate of Return as adopted by the LACERA Board of Investments

(4) Projected portfolio contributions and distributions for calendar years, as provided by LACERA on 9/25/2020

(5) Net IRRs by Sub-Sector: Buyouts (7.7%), Growth Equity (8.2%), VC (9.2%), Co-investments (12.2%)



Appendix G1 – 2019 Commitments

| Board Date | Fund Name | Commitment (\$ in Millions) |
|--------------------|---|--------------------------------|
| January 9, 2019 | LAV Biosciences Fund V, L.P. | \$48 |
| February 13, 2019 | BRV Aster Fund III, L.P. | \$50 |
| February 13, 2019 | BRV Aster Opportunity Fund II, L.P. | \$25 |
| February 13, 2019 | Vinci Capital Partners III, L.P. | \$75 |
| March 13, 2019 | Advent International GPE IX, L.P. | \$100 |
| April 10, 2019 | TA Associates XIII, L.P. | \$75 |
| May 15, 2019 | Accel-KKR Capital Partners VI, L.P. | \$110 |
| June 12, 2019 | Joy Capital III, L.P. | \$65 |
| June 12, 2019 | Joy Opportunity, L.P. | \$25 |
| July 2, 2019 | Blackfin Financial Services Fund III | \$100 |
| August 14, 2019 | Atlantic Street Capital IV, L.P. | \$50 |
| August 14, 2019 | RedBird Capital Partners Series 2019 L.P. | \$150 |
| September 11, 2019 | Co-Investment No. 1 | \$20 |
| October 8, 2019 | Accel-KKR Capital Partners CV III, L.P. | \$16 |
| October 8, 2019 | Green Equity Investors VIII, L.P. | \$150 |
| October 8, 2019 | Jade Equity Investors, L.P. | \$50 |
| November 20, 2019 | Sterling Investment Partners IV, L.P.* | \$125 |
| November 20, 2019 | Revelstoke Capital Partners Single Asset Fund I, L.P. | \$60 |
| December 11, 2019 | MBK Partners Fund V, L.P.* | \$150 |
| December 11, 2019 | Wynnchurch Capital Partners V, L.P. | \$75 |
| December 27, 2019 | Access Foundation Partners Group II, LLC | \$30 |
| Total YTD | | \$1,549 |

*Denotes re-up commitment approved under CIO authority.



Appendix G2 – 2020 YTD Commitments

| Board Date | Fund Name | Commitment (\$ in Millions) |
|-------------------|---|--------------------------------|
| January 8, 2020 | Montefiore Investment V S.L.P. | \$45 |
| February 6, 2020 | Co-Investment | \$30 |
| February 12, 2020 | Clearlake Capital Partners VI, L.P.* | \$160 |
| February 12, 2020 | Summit Partners Europe Growth Equity Fund III, SCSp | \$38 |
| March 16, 2020 | One Rock Capital Partners III, L.P. | \$150 |
| May 13, 2020 | Thoma Bravo XIV, LP | \$100 |
| May 13, 2020 | Thoma Bravo Discover III, LP | \$50 |
| May 13, 2020 | Canaan XII, LP | \$100 |
| May 30, 2020 | Co-Investment | \$20 |
| June 10, 2020 | Silver Lake Partners VI* | \$200 |
| June 10, 2020 | CVC Capital Partners VIII | \$218 |
| September 9, 2020 | STG VI | \$100 |
| October 14, 2020 | Centerbridge Capital Partners Fund IV | \$150 |
| November 5, 2020 | GGV VIII* | \$78 |
| November 5, 2020 | GGV VIII Plus* | \$20 |
| November 5, 2020 | GGV Discovery III* | \$32 |
| Total YTD | | \$1,491 |

*Denotes re-up commitment approved under CIO authority.



Appendix G3 – 2019-2020 Re-Ups Not Done

LACERA did not re-up into the following funds

- Incline Equity V
- Livingbridge 7
- Marlin Equity V
- Blackstone VIII
- Pathway

Appendix H – 2021-2022 Potential Re-Ups

| Investments | Commitment Date | Vintage Year | Strategy | Commitment | Cumulative Contributions | Percent Committed |
|--|-----------------|--------------|-------------------------------|------------|--------------------------|-------------------|
| Excellere Capital Fund III, L.P. | 7/31/2015 | 2016 | Buyout - Small | \$70 | \$44 | 63% |
| GBOF V Feeder SCS | 11/20/2015 | 2016 | Buyout - Mid | \$86 | \$76 | 88% |
| Australis Partners Fund, L.P. | 12/4/2015 | 2016 | Growth Equity | \$125 | \$88 | 70% |
| Harvest Partners VII, L.P. | 12/11/2015 | 2016 | Buyout - Mid | \$80 | \$83 | 103% |
| Lightyear Fund IV, L.P. | 2/18/2016 | 2016 | Buyout - Small | \$150 | \$147 | 98% |
| USV 2016, L.P. | 3/3/2016 | 2016 | Venture Capital - Early Stage | \$9 | \$6 | 72% |
| J.P. Morgan Emerging Managers Program III | 9/9/2016 | 2017 | Fund of Funds | \$100 | \$71 | 71% |
| Sinovation Ventures V, L.P. | 3/31/2018 | 2018 | Venture Capital - Early Stage | \$75 | \$26 | 35% |
| Accel-KKR Growth Equity IV | 8/28/2018 | 2018 | Growth Equity | \$50 | \$13 | 25% |
| Hellman & Friedman Capital Partners IX, L.P. | 9/28/2018 | 2018 | Buyout - Global | \$150 | \$33 | 22% |
| Siris Partners IV, L.P. | 10/25/2018 | 2019 | Buyout - Mid | \$100 | \$54 | 54% |
| LAV Biosciences Fund V, L.P. | 1/18/2019 | 2019 | Venture Capital - Balanced | \$48 | \$26 | 54% |
| TA XIII, L.P. | 5/2/2019 | 2019 | Growth Equity | \$75 | \$11 | 15% |
| Joy Capital Opportunity, L.P. | 6/18/2019 | 2019 | Venture Capital - Balanced | \$25 | \$21 | 82% |
| Joy Capital III, L.P. | 6/18/2019 | 2019 | Venture Capital – Early Stage | \$40 | \$16 | 40% |
| RedBird Capital Partners Series 2019, L.P. | 10/4/2019 | 2019 | Growth Equity | \$150 | \$66 | 44% |