

Chief Investment Officer Monthly Report

Board of Investments

April 13, 2022



Jonathan Grabel 
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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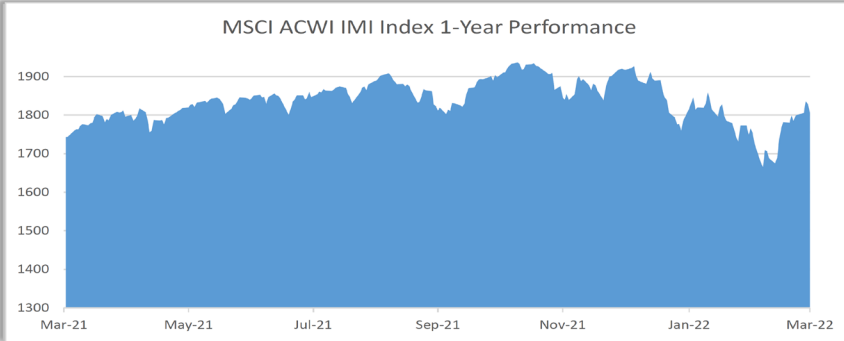
Market Environment



Global Market Performance as of March 31, 2022

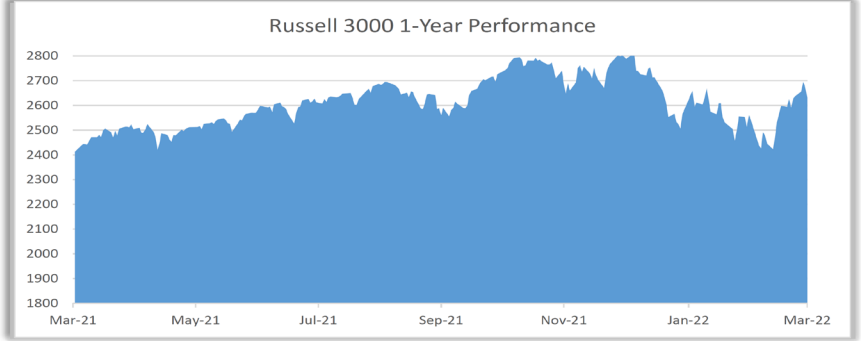
MSCI ACWI Index (Global Equity Market)*

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
2.0	-5.5	-5.5	6.3	13.5	11.4	10.0



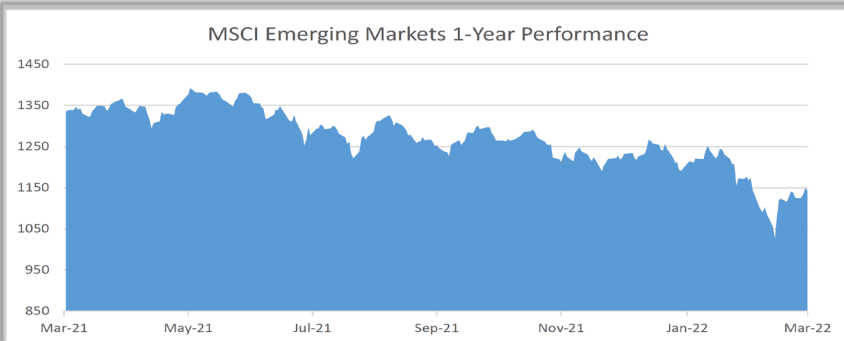
Russell 3000 Index (U.S. Equity Market)

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
3.2	-5.3	-5.3	11.9	18.2	15.4	14.3



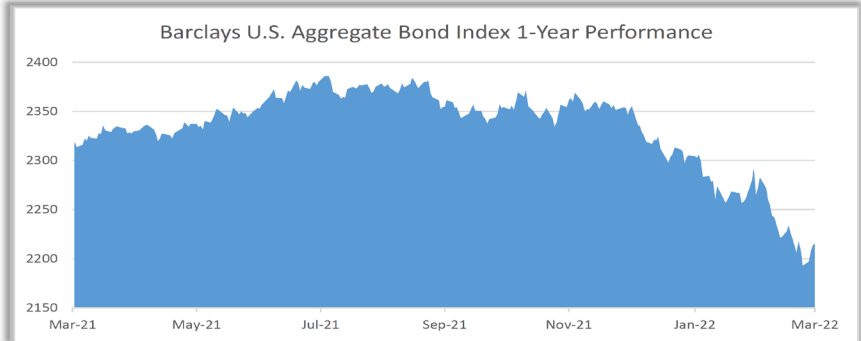
MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-2.3	-7.0	-7.0	-11.4	4.9	6.0	3.4



Barclays U.S. Aggregate Bond Index**

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-2.8	-5.9	-5.9	-4.2	1.7	2.1	2.2



*Global Equity Policy Benchmark - MSCI ACWI IMI Index

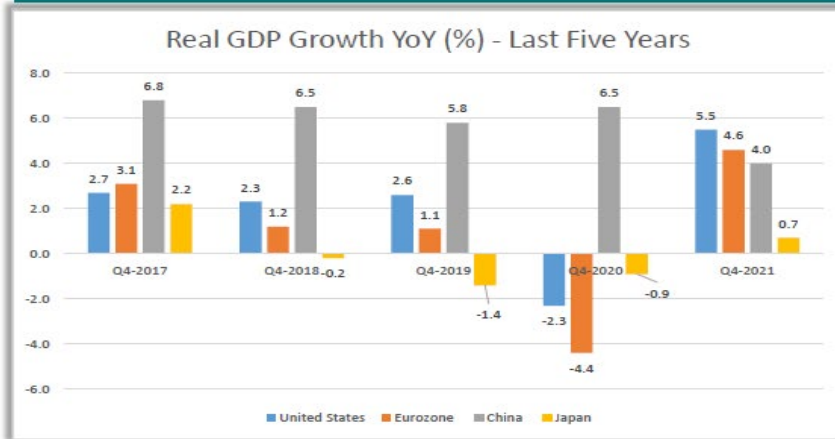
**Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

Source: Bloomberg

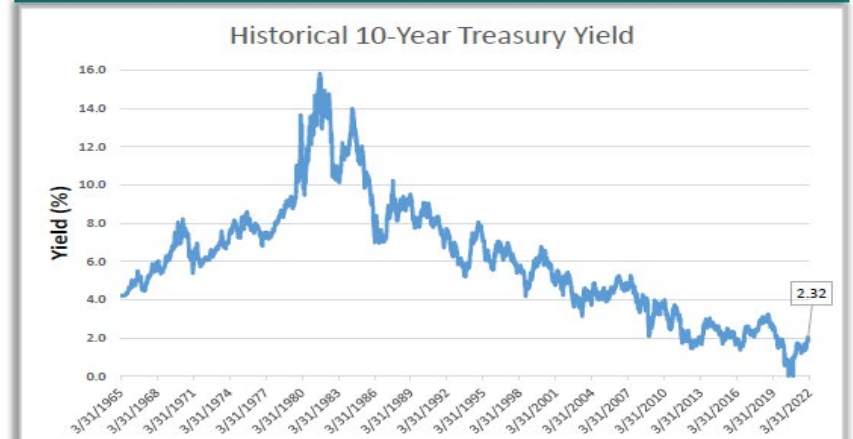


Key Macro Indicators*

GDP Growth of Major Economies¹



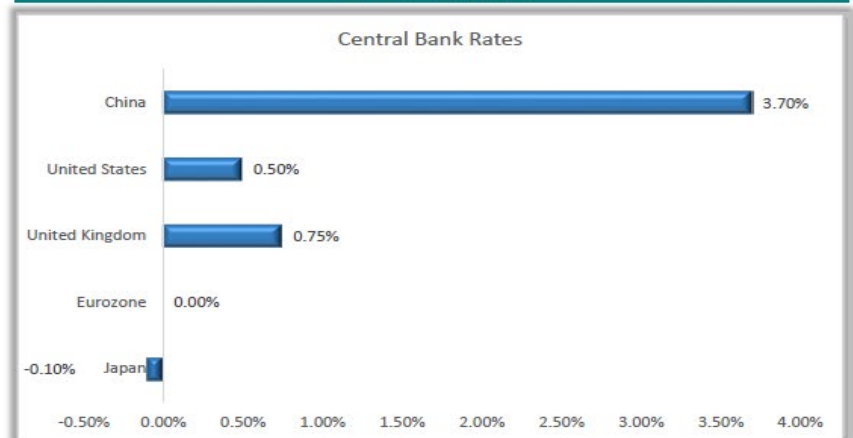
Historical Low for 10-Year Treasury Yield²



World Equity Valuation³



Central Bank Rates⁴ (as of 3/31/2022)



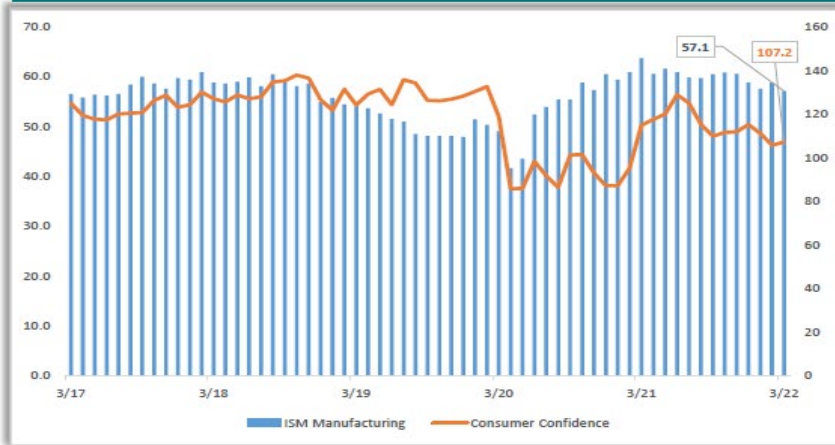
*The information on the "Key Macro Indicators" charts is the best available data as of 3/31/22 and may not reflect the current market and economic environment.

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

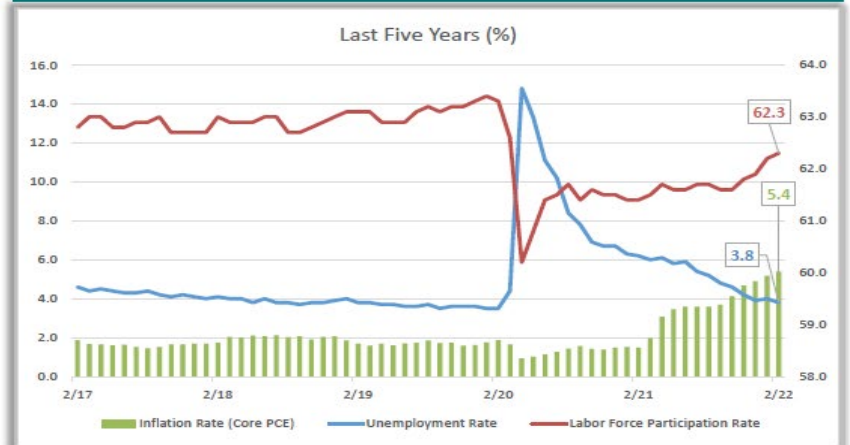


Key Macro Indicators*

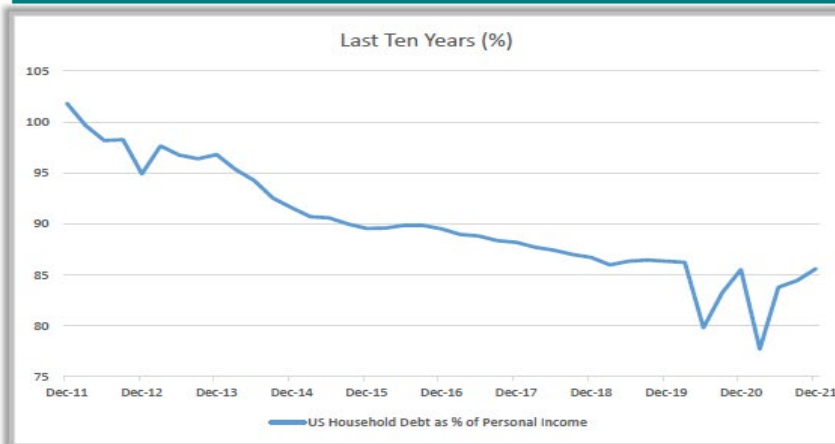
Consumer Confidence & ISM Manufacturing¹



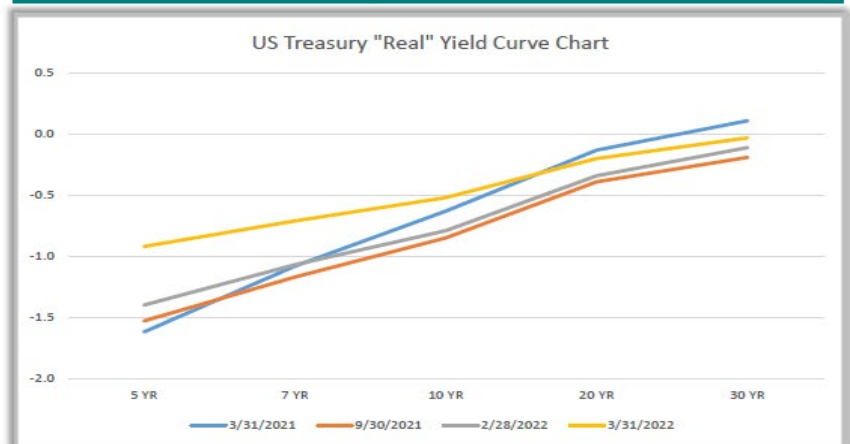
U.S. Inflation, Unemployment, & Labor Force Participation²



U.S. Household Debt as % of Personal Income³



U.S. Treasury "Real" Yield Curve⁴



Sources: 1. Bloomberg 3. Bloomberg
2. Bloomberg 4. U.S. Treasury

*The information on the "Key Macro Indicators" charts is the best available data as of 3/31/22 and may not reflect the current market and economic environment.



Market Themes and Notable Items to Watch

Recent Themes

- Russia-Ukraine war
 - Impacting global investment markets and supply chains
 - Over 2,600 civilian casualties and over 4 million refugees fleeing Ukraine since 2/24/22
- Covid-19
 - More than 487 million cases, 6.1 million deaths, and 10.8 billion vaccine doses
- U.S. Federal Reserve raised its benchmark federal funds rate by 0.25%, the first increase since 2018
- The U.S. 10-year treasury yield ended February at 2.32%, up from 1.52% at the end of 2021 and 0.93% at the end of 2020
- Global equities (MSCI All Country World Investable Market Index) gained 2.0% after declining 7.5% in aggregate from January through February
- The consumer price index (CPI) rose 7.9% in February -- a four-decade-high inflation reading and slide 21 includes additional detail

What to Watch

- Russia-Ukraine war
 - Potential military and other escalations
 - Follow-on implications for geopolitics, global commerce, and markets
- Covid-19
 - Economic and consumer behavior impacts
 - Evolution of Covid variants, transmissibility, and vaccine efforts
- Environmental, social, governance
 - SEC proposes new rules for climate and cybersecurity reporting and SPAC restrictions
 - Climate Action 100+ releases report indicating languid progress across key indicators of carbon-intensive companies addressing climate risks
- Economic data and trends
 - Inflation, supply chains and labor market developments
- Changing macro conditions
 - Central bank actions and geopolitical risks



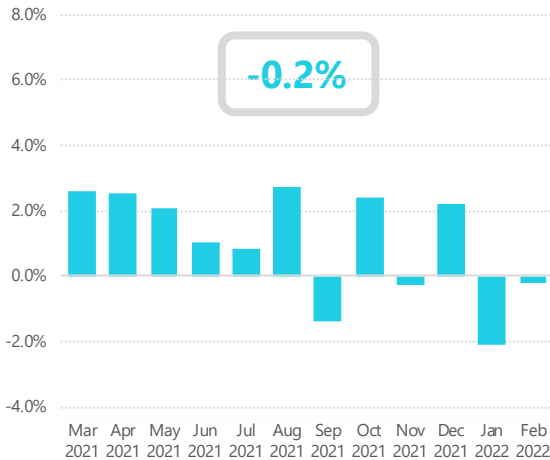
Portfolio Performance & Risk Updates



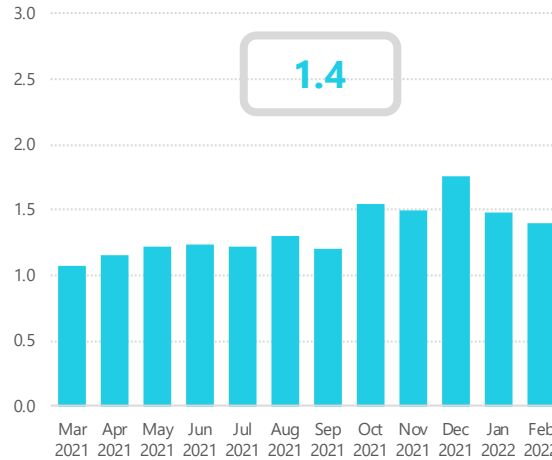
Total Fund Summary

as of February 2022

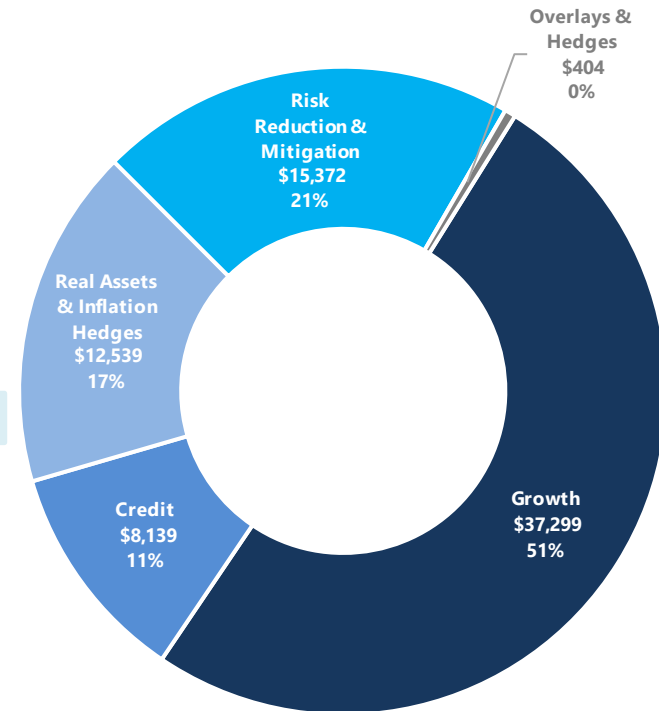
Monthly Return (net)



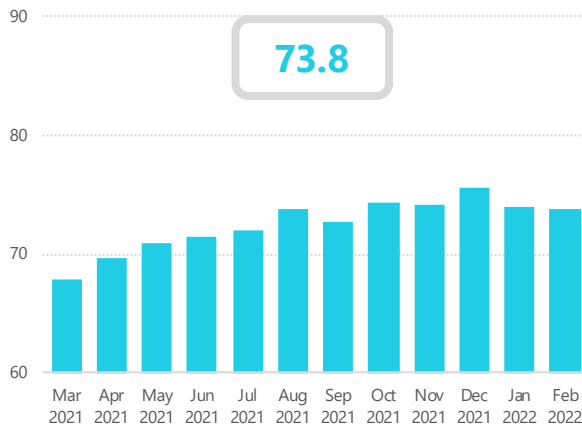
Sharpe Ratio (3-year annualized)



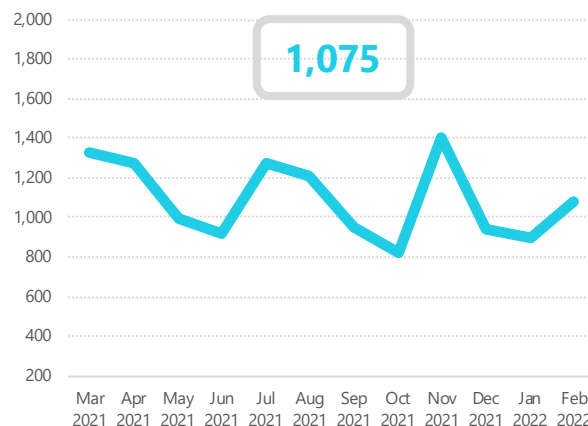
Asset Allocation (\$ millions)



Total Market Value (\$ billions)



Cash (\$ millions)

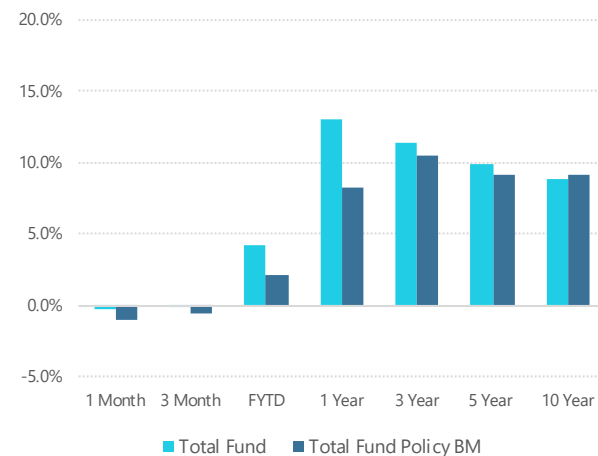


Historical Net Performance

as of February 2022

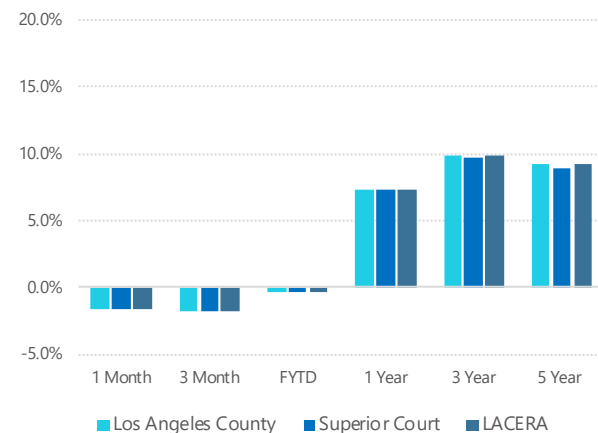
LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	73,753	100.0%	100.0%	-0.2%	-0.1%	4.2%	13.0%	11.4%	9.9%	8.9%
Total Fund Policy BM				-1.0%	-0.6%	2.1%	8.2%	10.5%	9.1%	9.1%
7% Annual Hurdle Rate				0.6%	1.7%	4.6%	7.0%	7.0%	7.0%	7.0%
Growth	37,299	50.6%	51.0%	-1.1%	-1.6%	4.5%	18.9%			
Growth Policy BM				-2.1%	-2.3%	1.2%	11.3%			
Credit	8,139	11.0%	11.0%	-0.8%	-0.2%	1.4%	5.6%			
Credit Policy BM				-1.5%	-1.2%	-0.7%	0.6%			
Real Assets & Inflation Hedges	12,539	17.0%	17.0%	3.7%	7.1%	12.1%	18.8%			
Real Assets & Inflation Hedges Policy BM				2.2%	7.6%	11.8%	18.8%			
Risk Reduction & Mitigation	15,372	20.8%	21.0%	-0.6%	-2.4%	-2.0%	-1.0%			
Risk Reduction & Mitigation Policy BM				-0.8%	-2.7%	-1.9%	-1.3%			
Overlays & Hedges	404	0.5%		1.7%	30.3%					



OPEB Master Trust¹

	Market Value (\$ millions)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
OPEB MASTER TRUST	2,481			-1.6%	-1.9%	-0.4%	7.3%	9.8%	9.2%
Los Angeles County	2,410	97.1%	—	-1.6%	-1.9%	-0.4%	7.3%	9.8%	9.2%
Superior Court	62	2.5%	—	-1.6%	-1.7%	-0.3%	7.3%	9.7%	8.9%
LACERA	10	0.4%	—	-1.6%	-1.9%	-0.4%	7.3%	9.8%	9.2%
OPEB Growth	1,215	49.0%	50.0%	-2.4%	-3.7%	-2.8%	7.0%	13.4%	11.5%
OPEB MT Growth Policy BM				-2.3%	-3.7%	-2.8%	6.9%	13.1%	11.2%
OPEB Credit	503	20.3%	20.0%	-1.6%	-1.2%	-2.3%	-0.8%	2.9%	--
OPEB MT Credit Policy BM				-1.5%	-1.5%	-2.1%	-0.4%	3.4%	--
OPEB Real Assets & Inflation Hedges	514	20.7%	20.0%	-0.1%	3.0%	9.0%	21.5%	9.8%	--
OPEB MT RA & IH Policy BM				-0.3%	2.8%	9.0%	21.6%	9.7%	--
OPEB Risk Reduction & Mitigation	248	10.0%	10.0%	-0.9%	-2.8%	-2.5%	-2.1%	2.9%	2.7%
OPEB MT RR & M Policy BM				-0.9%	-2.8%	-2.5%	-2.1%	2.8%	2.5%
Operational Cash	0	0.0%							

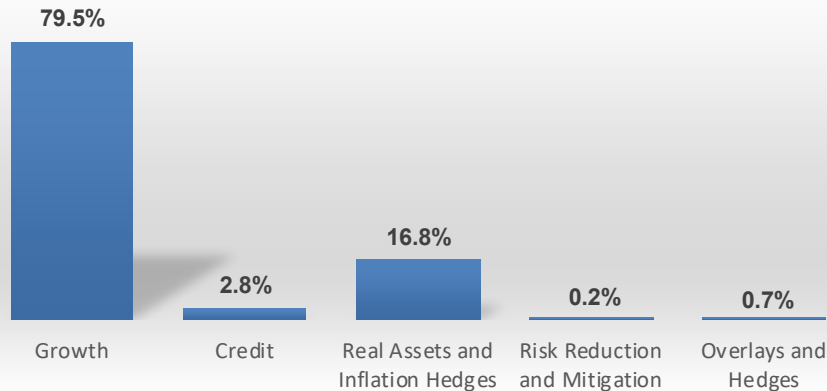


1. Market value differences between the sub-trusts and functional composites are due to operational cash.

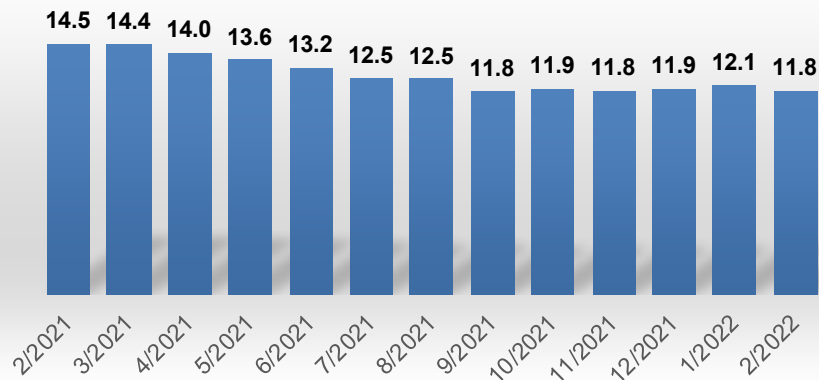
Total Fund Forecast Risk*

as of February 2022

%Contribution to Total Risk



Total Risk



	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
Total Fund			11.8	11.4
Growth	50.4%	79.5%	18.8	18.0
Global Equity	33.8%	47.6%	17.2	17.4
Private Equity	15.2%	28.3%	25.1	24.7
Non-Core Private Real Estate	1.4%	3.6%	45.3	18.0
Credit	11.0%	2.8%	4.0	4.8
Liquid Credit	6.7%	2.2%	5.1	4.8
Illiquid Credit	4.3%	0.7%	3.8	4.8
Real Assets & Inflation Hedges	17.3%	16.8%	12.7	12.9
Core Private Real Estate	5.7%	6.8%	20.6	18.0
Natural Resources & Commodities	5.2%	5.1%	14.5	19.2
Infrastructure	3.6%	4.4%	16.3	16.7
TIPS	2.9%	0.4%	4.8	4.7
Risk Reduction and Mitigation	20.7%	0.2%	3.6	3.4
Investment Grade Bonds	12.1%	0.1%	3.9	3.8
Diversified Hedge Funds	5.1%	0.4%	4.0	0.1
Long-Term Government Bonds	1.5%	0.0%	0.0	0.1
Cash	2.0%	-0.3%	-	-
Overlays and Hedges	0.6%	0.7%	-	-

*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 9/30/2021

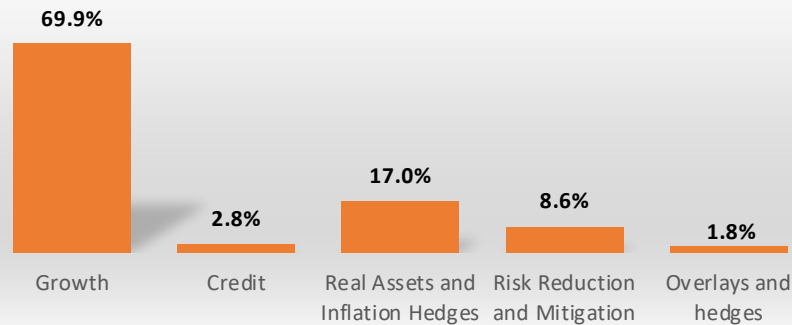
**BMK Risk stands for Benchmark Risk



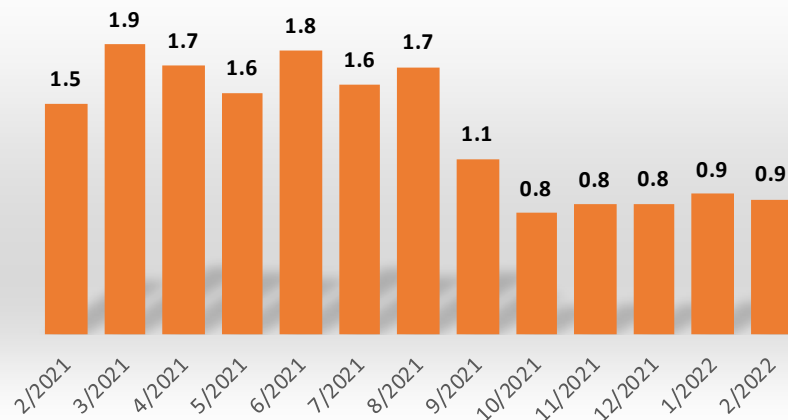
Total Fund Forecast Active Risk*

as of February 2022

Active Risk Contribution



Active Risk



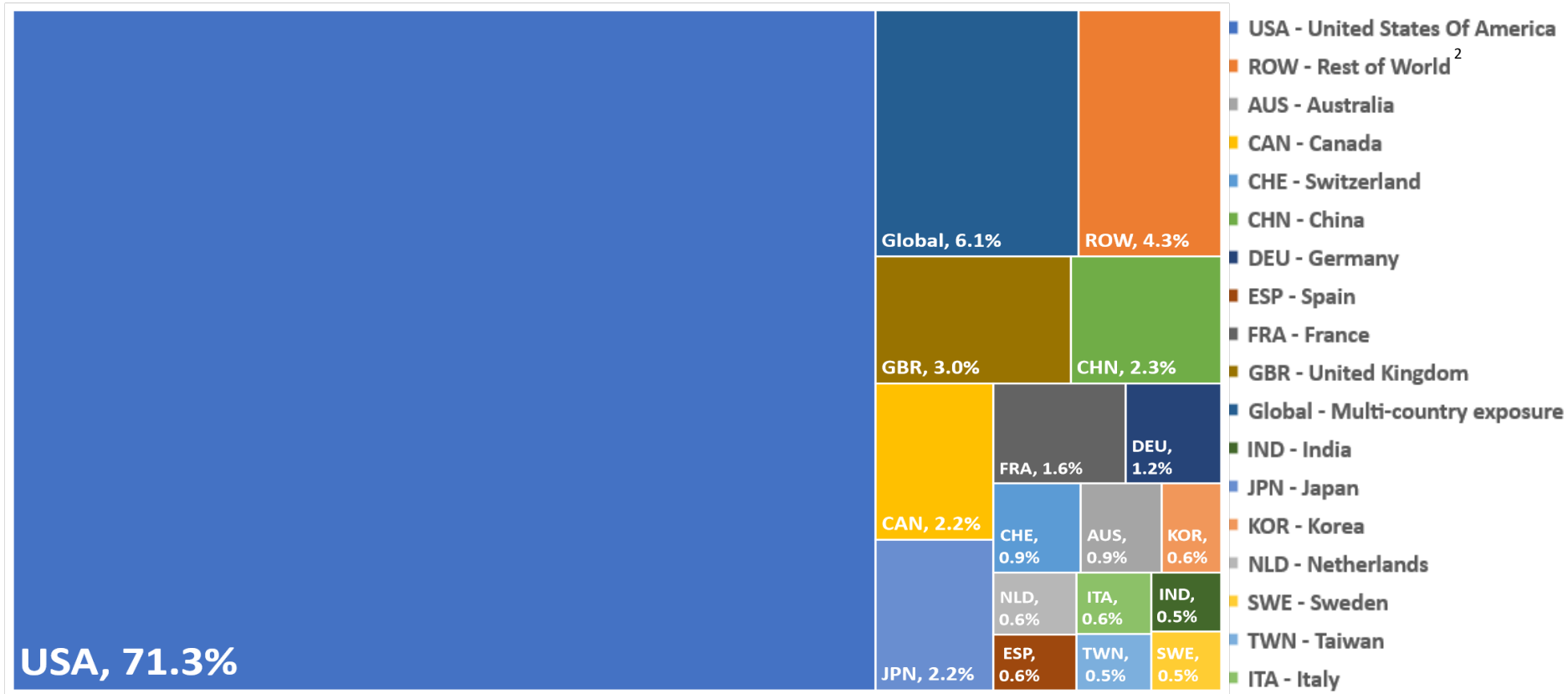
	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
Total Fund			0.87	0.01	0.87
Growth	50.4%	-0.61%	0.61	-0.02	0.63
Global Equity	33.8%				
Private Equity	15.2%				
Non-Core Private Real Estate	1.4%				
Credit	11.0%	0.01%	0.02	0.00	0.02
Liquid Credit	6.7%				
Illiquid Credit	4.3%				
Real Assets & Inflation Hedges	17.3%	0.33%	0.15	0.00	0.15
Core Private Real Estate	5.7%				
Natural Resources & Commodities	5.2%				
Infrastructure	3.6%				
TIPS	2.9%				
Risk Reduction and Mitigation	20.7%	-0.30%	0.08	0.01	0.06
Investment Grade Bonds	12.1%				
Diversified Hedge Funds	5.1%				
Long-Term Government Bonds	1.5%				
Cash	2.0%				
Overlays and Hedges	0.6%	0.57%	0.02	0.02	-

*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 9/30/2021



Geographic Exposures by AUM* - Total Fund

as of February 2022 ex-overlays and hedges



- The Total Fund's exposure to Russia is approximately 0.04% at the time this report was completed.

*AUM = assets under management

¹ 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 9/30/2021

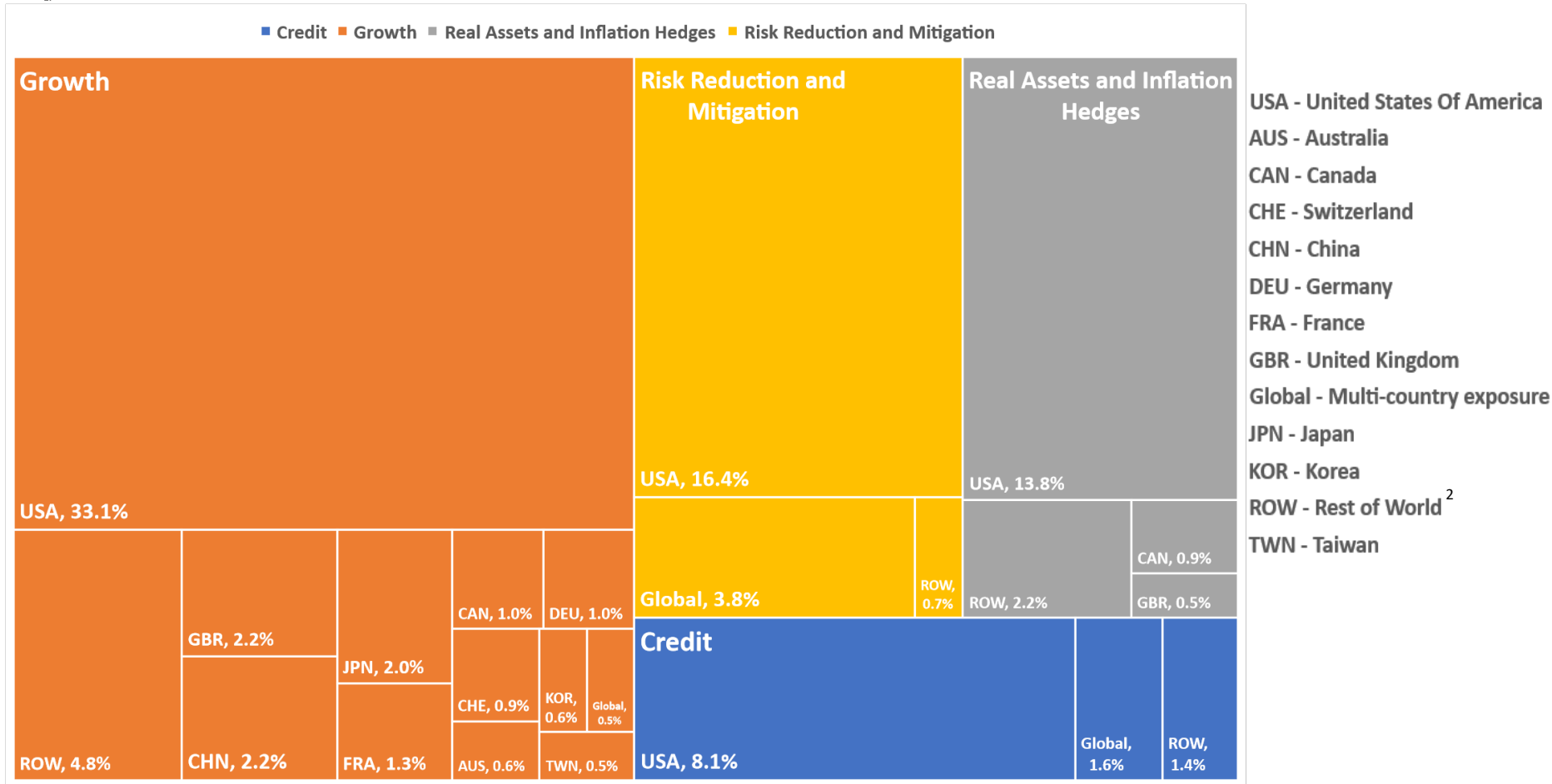
² "ROW - Rest of World" is sum of countries with weight below 0.5%

³ Geographic exposure is based on the domicile country of a given security/asset



Geographic Exposures by AUM* - Asset Categories

as of February 2022 ex-overlays and hedges



*AUM = assets under management

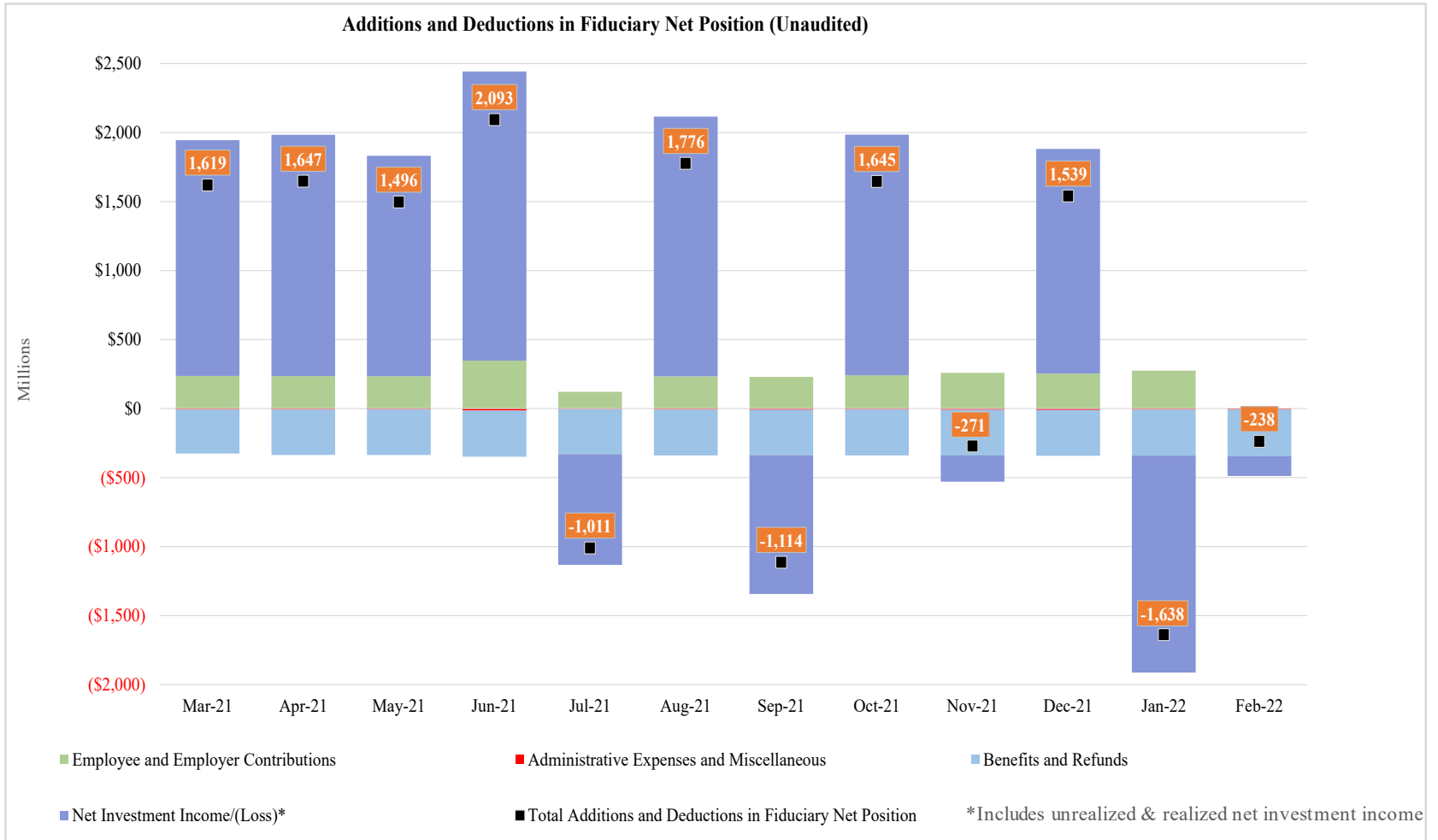
¹ *Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 9/30/2021

² "ROW - Rest of World" is sum of countries with weight below 0.5%

³ Geographic exposure is based on the domicile country of a given security/asset



Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-20	5	7	-
FY-21	2	10	\$13.8 billion
FY-22	5	3	\$687 million



Portfolio Structural Updates



Portfolio Structural Updates

Portfolio Movements

Rebalancing Activity



Hedges and Overlays

Program	February Return	February Gain/Loss	Inception* Gain/Loss
Currency Hedge**	-0.2%	\$24.9 Million	\$1.0 Billion
Cash/Rebalance Overlay***	1.3%	\$18.6 Million	\$12.0 Million

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

** 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.

*** 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
Illiquid Credit Emerging Manager Program Search	●	●	Anticipated Mid 2022
Custody Bank Search	●	●	Anticipated Late 2022
OPEB Private Market Investments Search	●		Anticipated Mid 2022

Quiet Period for Search Respondents

Custody Bank Search

- ✓ State Street Bank and Trust Co.

Illiquid Credit Emerging Manager Program Search

- ✓ BlackRock Alternative Advisors
- ✓ Blackstone Alternative Asset Management
- ✓ Cambridge Associates
- ✓ GCM Grosvenor
- ✓ Stable Asset Management



Key Initiatives and Operational Updates



Notable Initiatives and Operational Updates

Key Initiative Updates

- Implementation is ongoing for the new strategic asset allocation interim policy targets and benchmarks
- Onboarding LACERA's second dedicated managed account with an expected launch in Q2, 2021
- Preparations for the BOI Offsite in September are underway

Operational Updates

- Annual contract compliance review underway
- Working on annual budget process

Manager/Consultant Updates

Napier Park – Credit – Announced that it has reached an agreement to be acquired by First Eagle Investments, a privately owned investment firm. Napier Park will continue to operate as a standalone business within First Eagle, with autonomy over its investment process, team, and culture. The transaction is expected to close in a few months, subject to regulatory approval.

Completed Actions

- Onboarded LACERA's first dedicated managed account

Team Searches and Open Positions

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

Commentary

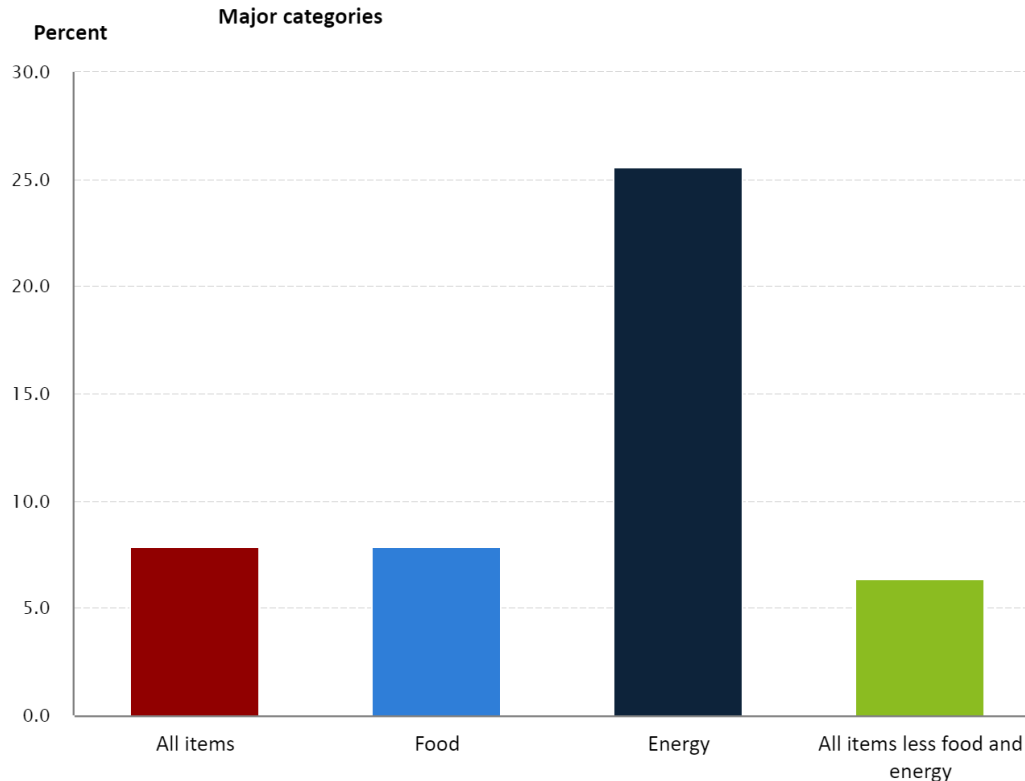


Staff Chart of the Month*

40-Year Peak Inflation Reading

The consumer price index (CPI) measures changes in prices for goods and services paid by consumers. This metric rose to a four-decade high in February with major categories illustrated below.

12-month percentage change, Consumer Price Index, selected categories, February 2022, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

