LIVE VIRTUAL COMMITTEE MEETING

AUGUST 10, 2022 AT 8:00 AM

CREDIT AND RISK MITIGATION COMMITTEE MEETING

TO VIEW VIA WEB

https://lacera.com/leadership/board-meetings

TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

Attention: Public comment requests must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

AGENDA

A SPECIAL MEETING OF THE CREDIT AND RISK MITIGATION

COMMITTEE AND THE BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEESRETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M. WEDNESDAY, AUGUST 10, 2022

This meeting will be conducted by the Board of Investments Credit and Risk Mitigation Committee by teleconference under California Government Code Section 54953(e).

Any person may view the meeting online at
https://lacera.com/leadership/board-meetings

The Committee may take action on any item on the agenda, and agenda items may be taken out of order.

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Credit and Risk Mitigation Committee Meeting of May 11, 2022.

III. PUBLIC COMMENT

(Written Public Comment - You may submit written public comments by email to PublicComment@lacera.com. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

Verbal Public Comment - You may also request to address the Committee at PublicComment@lacera.com before and during the meeting at any time up to the end of the Public Comment item. We will contact you with information and instructions as to how to access the meeting as a speaker. If you would like to remain anonymous at the meeting without stating your name please let us know).

IV. REPORT

A. Credit Performance Report
Vache Mahseredjian, Principal Investment Officer
Timothy Filla, Managing Principal/Consultant, Meketa
James Walsh, Partner/Head of Portfolio Group, Albourne
(Memo dated July 29, 2022)

B. Risk Reduction and Mitigation Performance Report
Vache Mahseredjian, Principal Investment Officer
Timothy Filla, Managing Principal/Consultant, Meketa
Stephen Kennedy, Partner/Portfolio Analyst Coordinator, Albourne
(Memo dated July 29, 2022)

V. ITEMS FOR STAFF REVIEW

VI. GOOD OF THE ORDER
(For information purposes only)

VII. ADJOURNMENT

The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Investments. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF THE REGULAR MEETING OF THE CREDIT AND RISK

MITIGATION COMMITTEE AND THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., WEDNESDAY, MAY 11, 2022

This meeting was conducted by teleconference under California Government Code Section 54953(e).

PRESENT: Joseph Kelly, Vice Chair

Onyx Jones

Patrick Jones

Shawn Kehoe

ABSENT: Elizabeth Greenwood, Chair

MEMBERS AT LARGE:

David Green

Gina Sanchez

Keith Knox

Herman Santos

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Vache Mahseredjian, Principal Investment Officer

I. CALL TO ORDER

The meeting was called to order virtually by Vice Chair Kelly at 8:00 a.m.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Meeting of September 8, 2021.

Mr. Kelly made a motion, Mr. Jones seconded, to approve the minutes of the meeting of September 8, 2021. The motion passed unanimously (roll call) with Messrs. Kelly, Jones, Kehoe, and Ms. Jones voting yes.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. REPORT

A. Guest Speaker: Bill Dudley,
former President, Federal Reserve Bank of NY
Vache Mahseredjian, Principal Investment Officer
(Memo dated April 29, 2022)

Mr. Dudley provided a presentation on the macroeconomic environment and answered questions from the Committee.

V. ITEMS FOR STAFF REVIEW

There were no items for staff review.

VI. GOOD OF THE ORDER
(For information purposes only)

There was nothing to report.

VII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at approximately 8:40 a.m.

LACERA

July 29, 2022

TO: Trustees – Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA VM
Principal Investment Officer

FOR: August 10, 2022 Credit and Risk Mitigation Committee Meeting

SUBJECT: **PERFORMANCE REVIEW: CREDIT**

LACERA's investment consultants Meketa and Albourne will conduct a performance review of the Credit functional category. Their presentations are attached.

Meketa is LACERA's general investment consultant and will address performance of the overall Credit category, as well as the liquid components of Credit consisting of high yield, bank loans, and emerging market debt. Albourne advises LACERA on illiquid credit and will address that portion of the Credit category.

The Meketa representative is:
Timothy Filla, CAIA -- Managing Principal / Consultant

The Albourne representative is:
James Walsh, CAIA – Partner / Head of Portfolio Group

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

VM:cll

ATTACHMENT

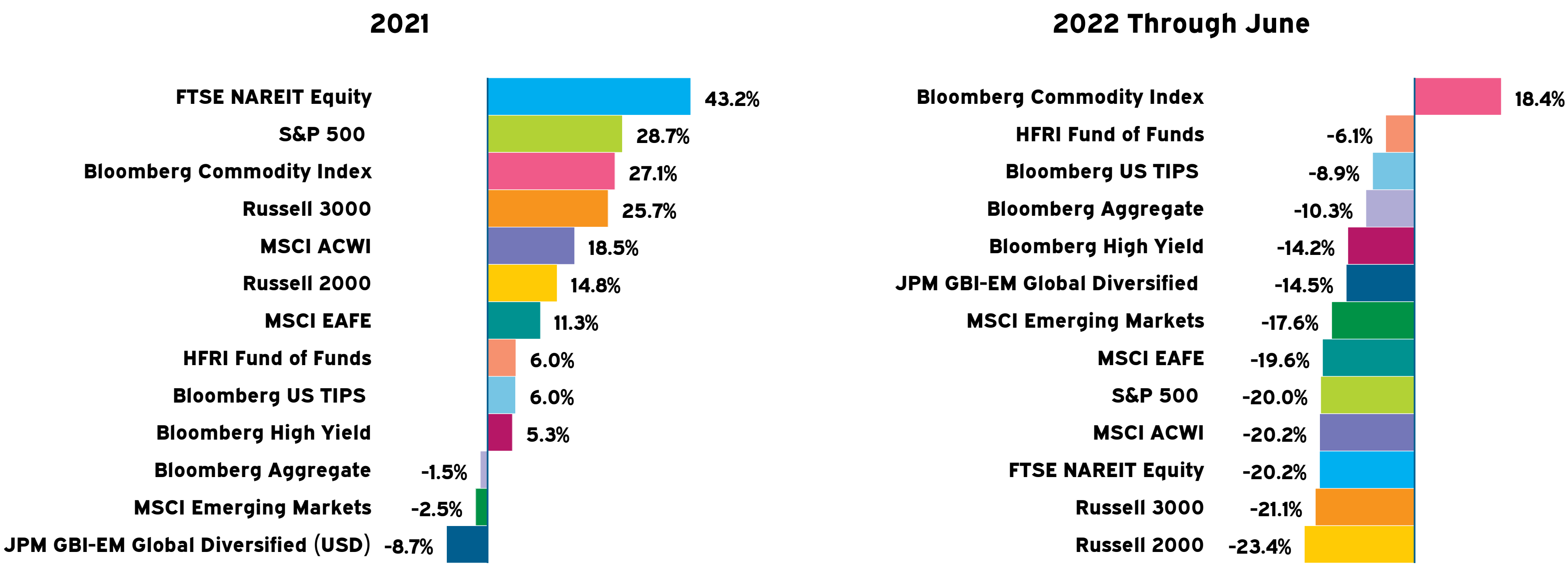
MEKETA
INVESTMENT GROUP

Los Angeles County Employees Retirement Association

August 2022

Credit Review

Index Returns[1]



→ Outside of emerging markets and the broad US investment grade bond market (Bloomberg Aggregate), most asset classes appreciated in 2021.

→ In June all major asset classes posted negative returns on renewed inflation and economic growth fears, with equities experiencing the largest declines.

[1] Source: Bloomberg and FactSet. Data is as of June 30, 2022.

Fixed Income and Credit Returns[1]

Fixed Income	Q2 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	-5.1	-10.9	-10.9	-0.9	0.9	1.8	4.2	6.4
Bloomberg Aggregate	-4.7	-10.3	-10.3	-0.9	0.9	1.5	3.7	6.6
Bloomberg US TIPS	-6.1	-8.9	-5.1	3.0	3.2	1.7	3.4	7.0
Bloomberg High Yield	-9.8	-14.2	-12.8	0.2	2.1	4.5	8.9	4.8
JPM GBI-EM Global Diversified (USD)	-8.6	-14.5	-19.3	-5.8	-2.3	-1.5	7.4	4.9

Fixed Income: The Bloomberg Universal declined -10.9% YTD.

→ Above expectations CPI prints led to heightened inflation fears driving interest rates higher and weighing on the broad US investment grade bond market (Bloomberg Aggregate).

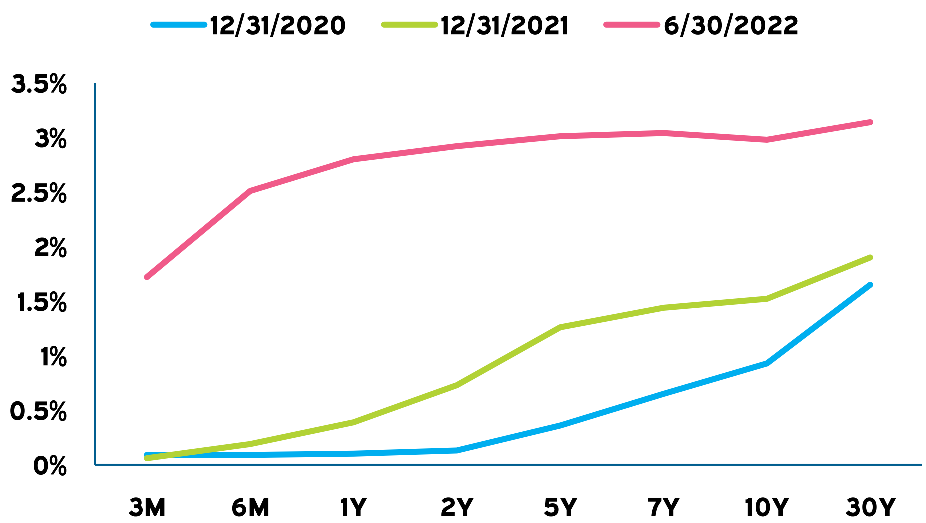
→ Despite the above expectation CPI prints, breakeven inflation rates have continued to move down driven by the decline in nominal rates. The nominal 10-year Treasury yield peaked at 3.47% before declining to 3.01% by quarter-end, while the 2-year Treasury yield declined from 3.43% to 2.95%.

→ US credit spreads widened, particularly for high yield debt, leading to sharply negative results for the quarter and YTD.

→ Emerging market debt has been the worst performer over all of the time periods outlined above except the most recent quarter.

[1] Source: Bloomberg. JPM GBI-EM is from InvestorForce. Data is as of June 30, 2022.

US Yield Curve[1]



→ Rates across the yield curve remain much higher than at the start of the year.

→ In June, rates rose across maturities (particularly short-dated), as markets continue to reflect elevated inflation and rate expectations.

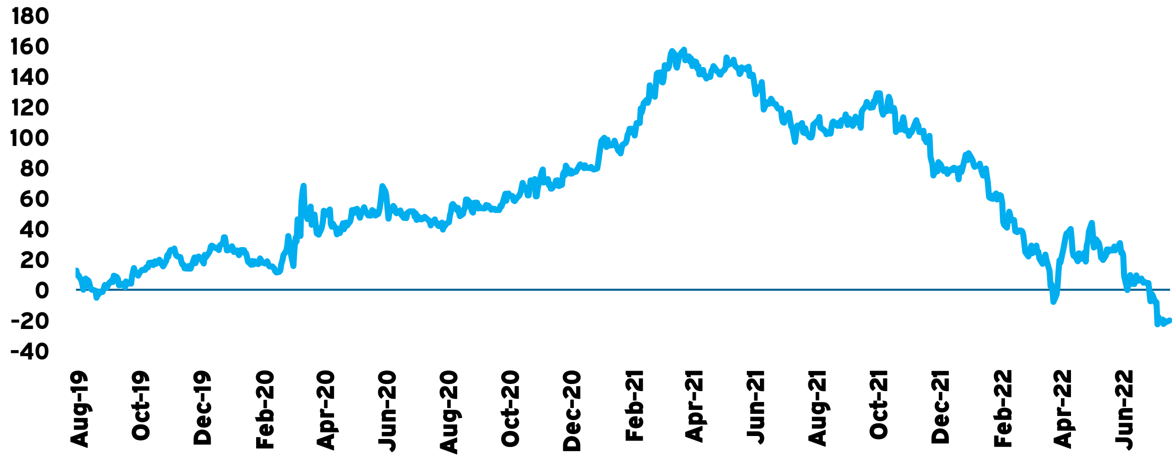
→ The curve continued to flatten in June with the spread between two-year and ten-year Treasuries falling from 30 basis points at the end of May to just 5 basis points by the end of June.

→ Since month-end, the spread between two-year and ten-year Treasuries became negative which historically has often signaled a coming recession.

[1] Source: Bloomberg. Data is as of June 30, 2022.

US Yield Curve

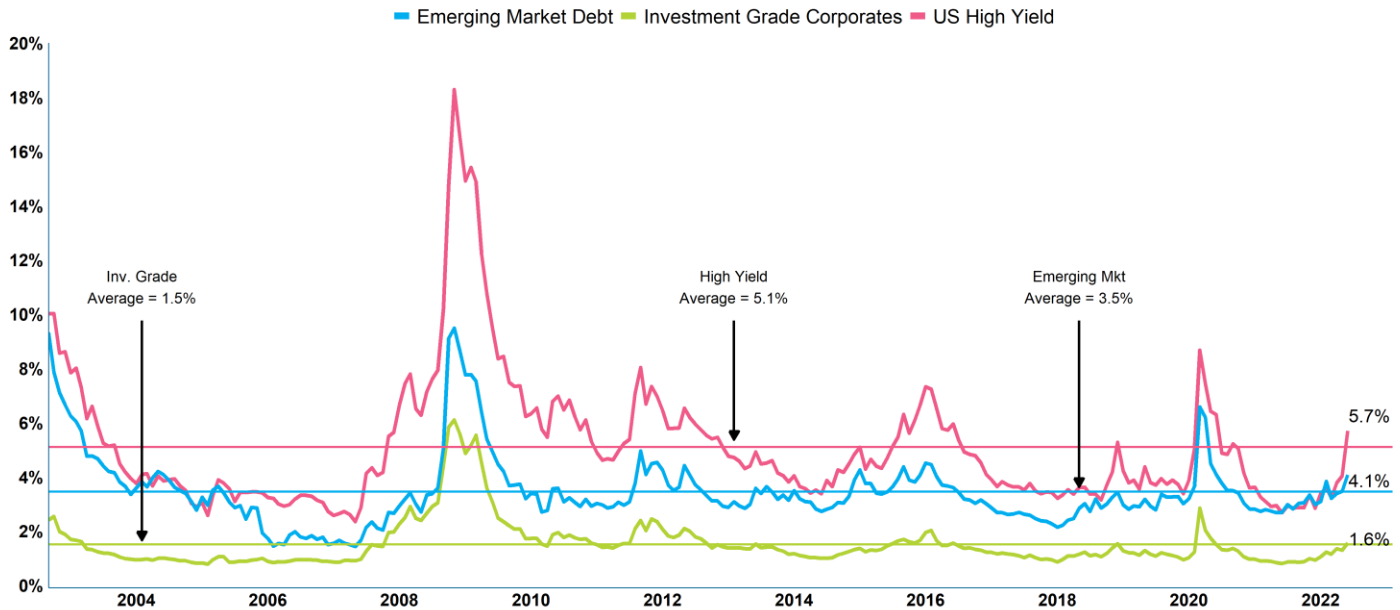
2/10 Yr Spread



→ An inverted yield curve is a significant economic indicator which often signals a recession.

→ As of the end of July, the US Yield curve as indicated by the 2 Year/10 Year spread shown above, crossed into negative territory (inverted).

Credit Spreads vs. US Treasury Bonds[1]



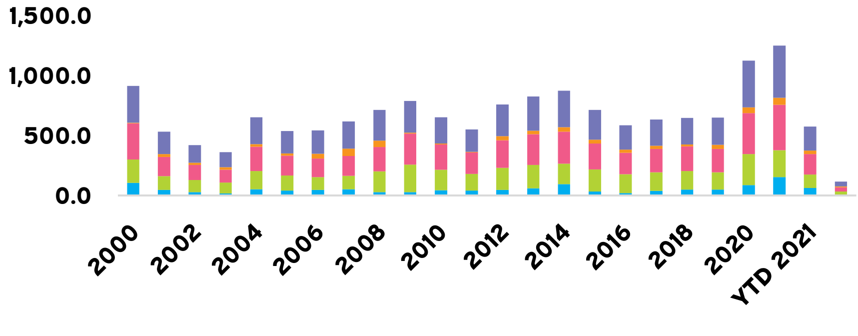
→ Credit spreads (the spread above a comparable maturity Treasury) rose in June with high yield and investment grade corporate bonds breaking above their long-run averages.

→ In the US, spreads for high yield significantly increased from 4.0% to 5.7% in the risk-off environment, while investment grade spreads experienced a more modest increase (1.3% to 1.6%). Emerging market spreads also rose (3.5% to 4.1% during the month) but finished much lower than US high yield spreads.

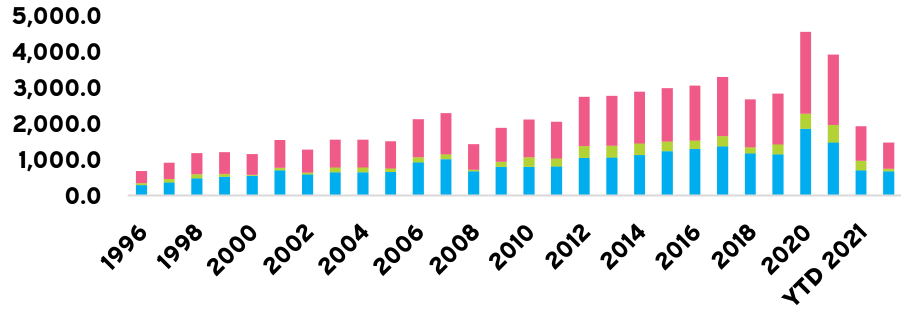
[1] Sources: Bloomberg. Data is as of June 30, 2022. Average lines denote the average of the investment grade, high yield, and emerging market spread values from August 2000 to the recent month-end respectively.

Corporate Financials

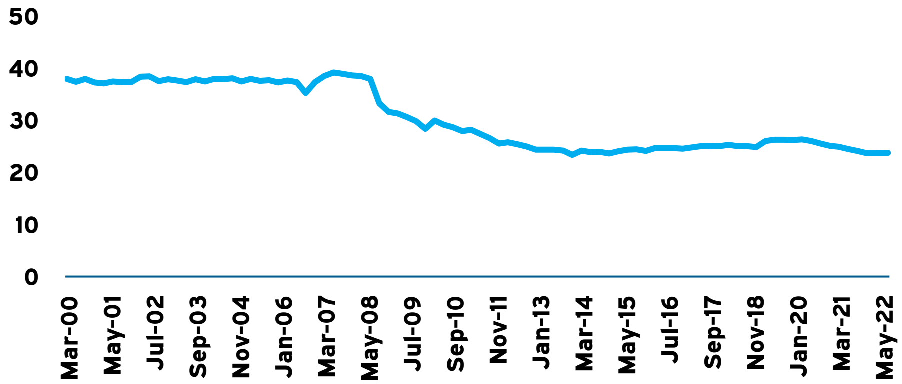
Equity Issuance



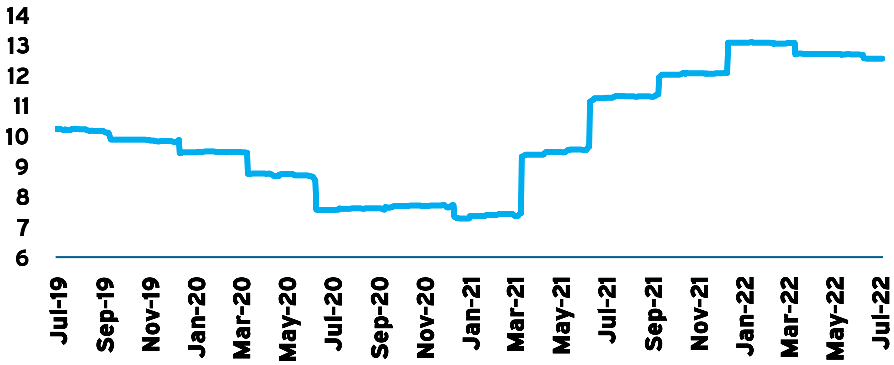
Corporate Debt Issuance



Leverage Ratio

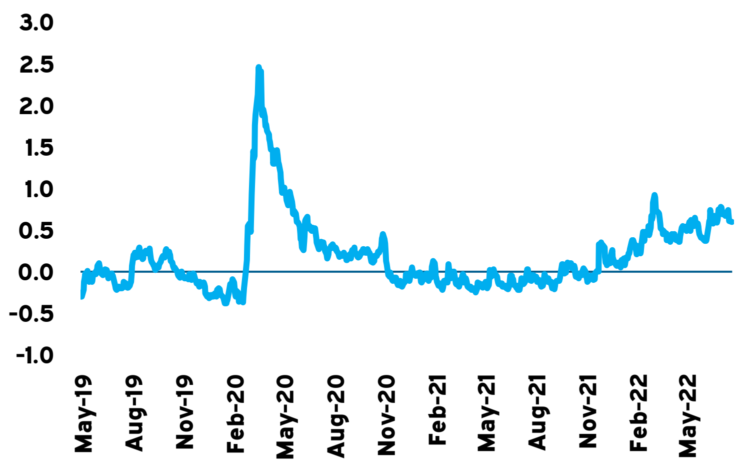


S&P 500 Profit Margin

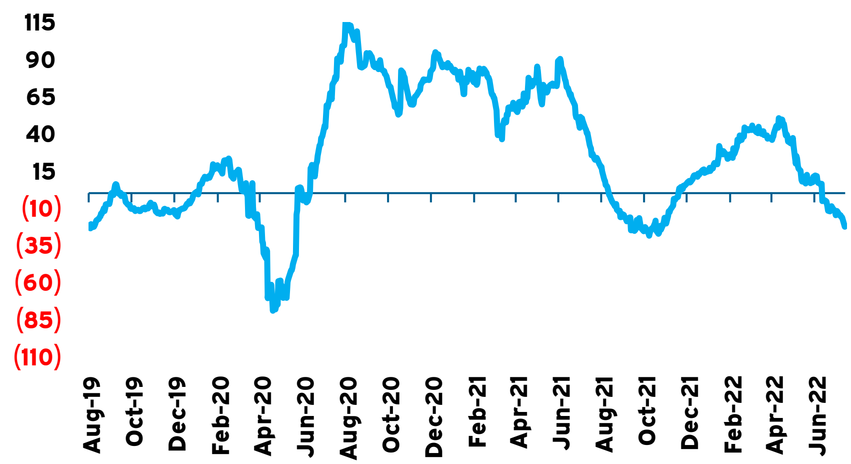


Economic Conditions

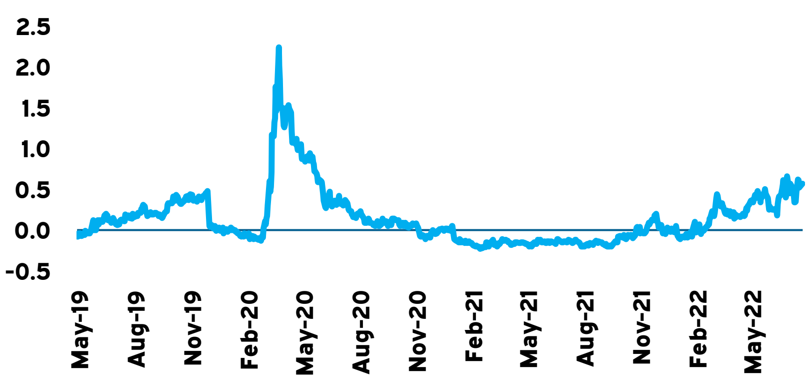
Global Fin. Stress Indicator (GFSI)



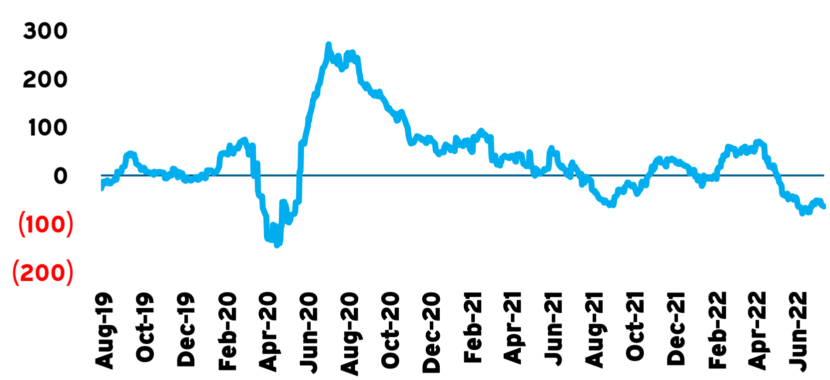
Global Surprise Index



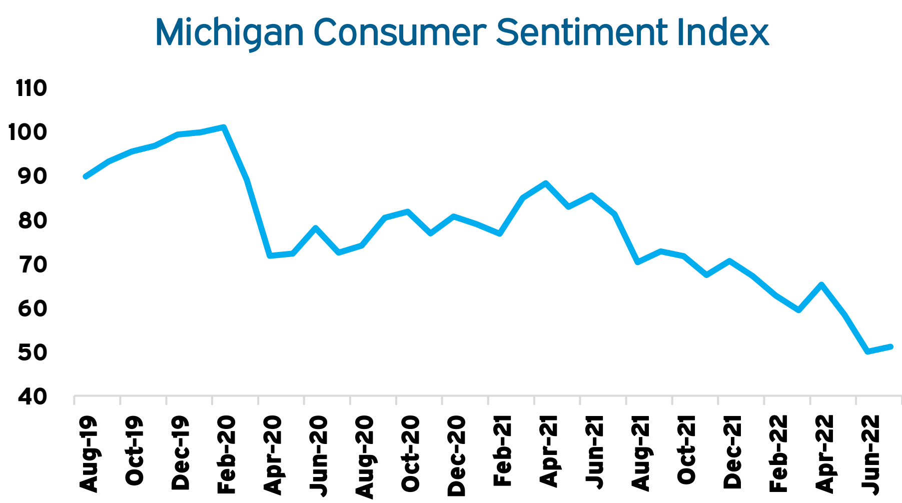
GFSI (Liquidty Risk)

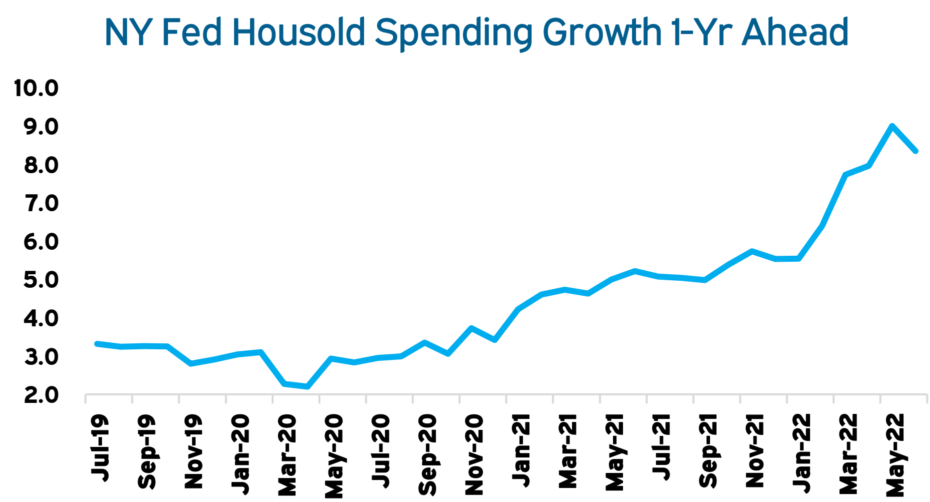


US Surprise Index



Economic Conditions: US Consumer





→ The US Consumer has long been a driver of economic growth.

→ Shifts in consumer sentiment and future spending will be a key determinant of the length and depth of an economic slowdown or recession.

Credit Review

Credit Summary Observations

→ As part of the Strategic Asset Allocation ("SAA") Policy adopted by the Board of Investments in May of 2021, the Credit category was organized with two sub-categories, Liquid Credit and Illiquid Credit.

→ Liquid Credit was created to contain High Yield, Bank Loans and Emerging Market Debt.

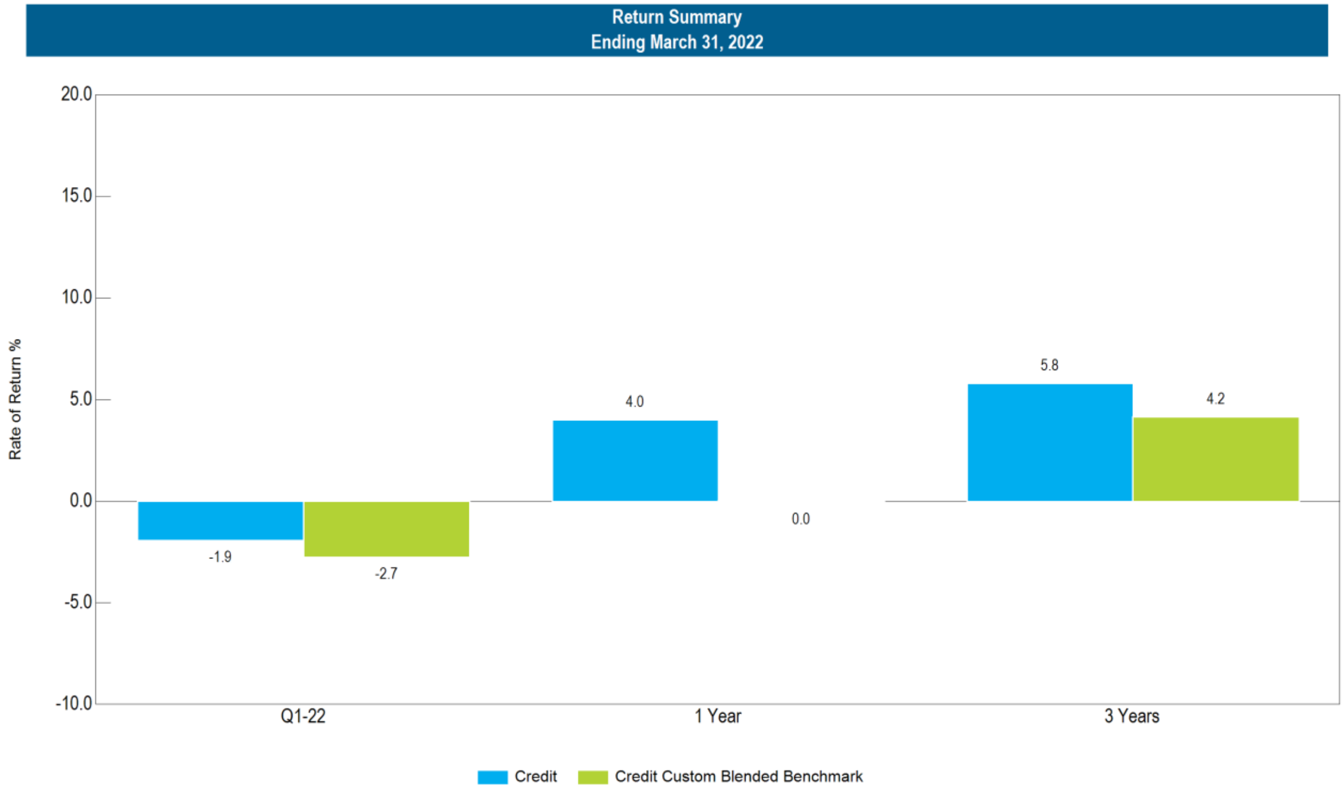
→ The overall target allocation to Credit decreased from 12% to 11% in the new SAA Policy.

→ The target allocation to Liquid Credit declined from 9% to 4%, while the target allocation to Illiquid Credit increased from 3% to 7%. As can be seen in the performance review below that shift proved very beneficial to LACERA over the past year.

→ Overall, Credit as a category has outperformed the category benchmark over both short and long-term periods.

→ Over the one and three-year periods, Credit has contributed positively to LACERA's returns while providing valuable diversification benefits.

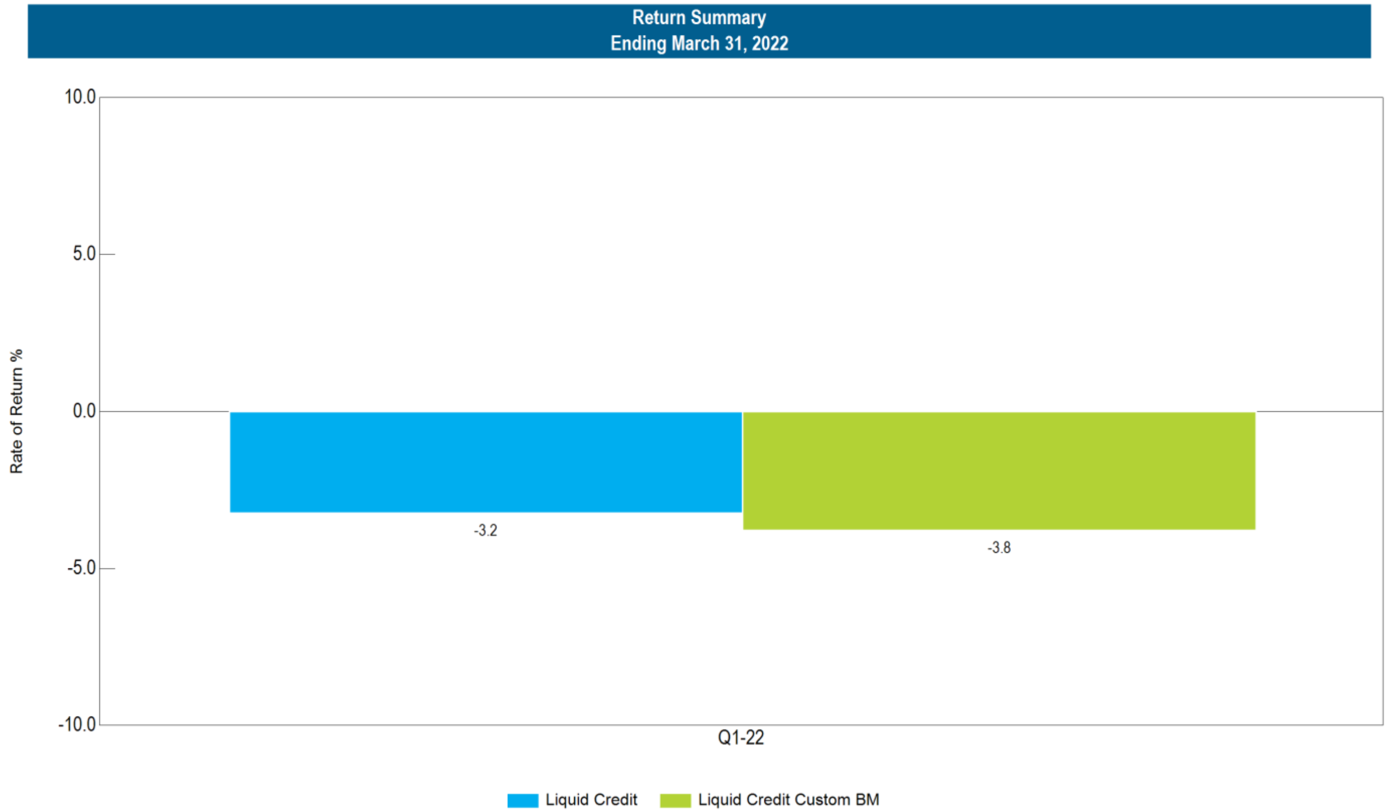
Credit Net vs. Benchmark



→ Credit has outperformed the custom benchmark over all time periods.

→ The primary driver of the strong performance has been the Illiquid Credit category.

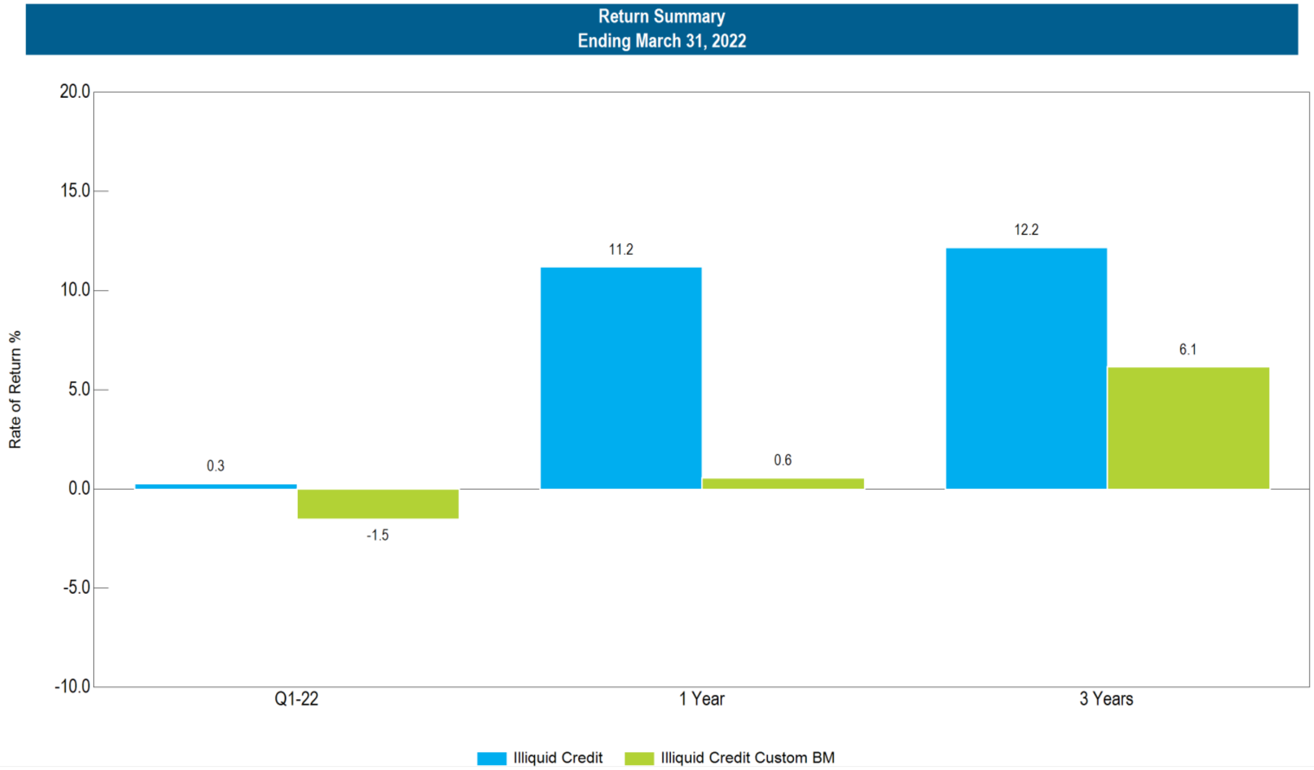
Liquid Credit Net vs. Benchmark



→ The Liquid Credit category was created during the past year, so only results from the most recent quarter are shown. The category is a roll-up of High Yield, Bank Loans and Emerging Market Debt which are all shown separately below over the longer time periods.

→ During the most recent quarter, Liquid Credit outperformed the benchmark by 60 basis points.

Illiquid Credit Return Summary[1]

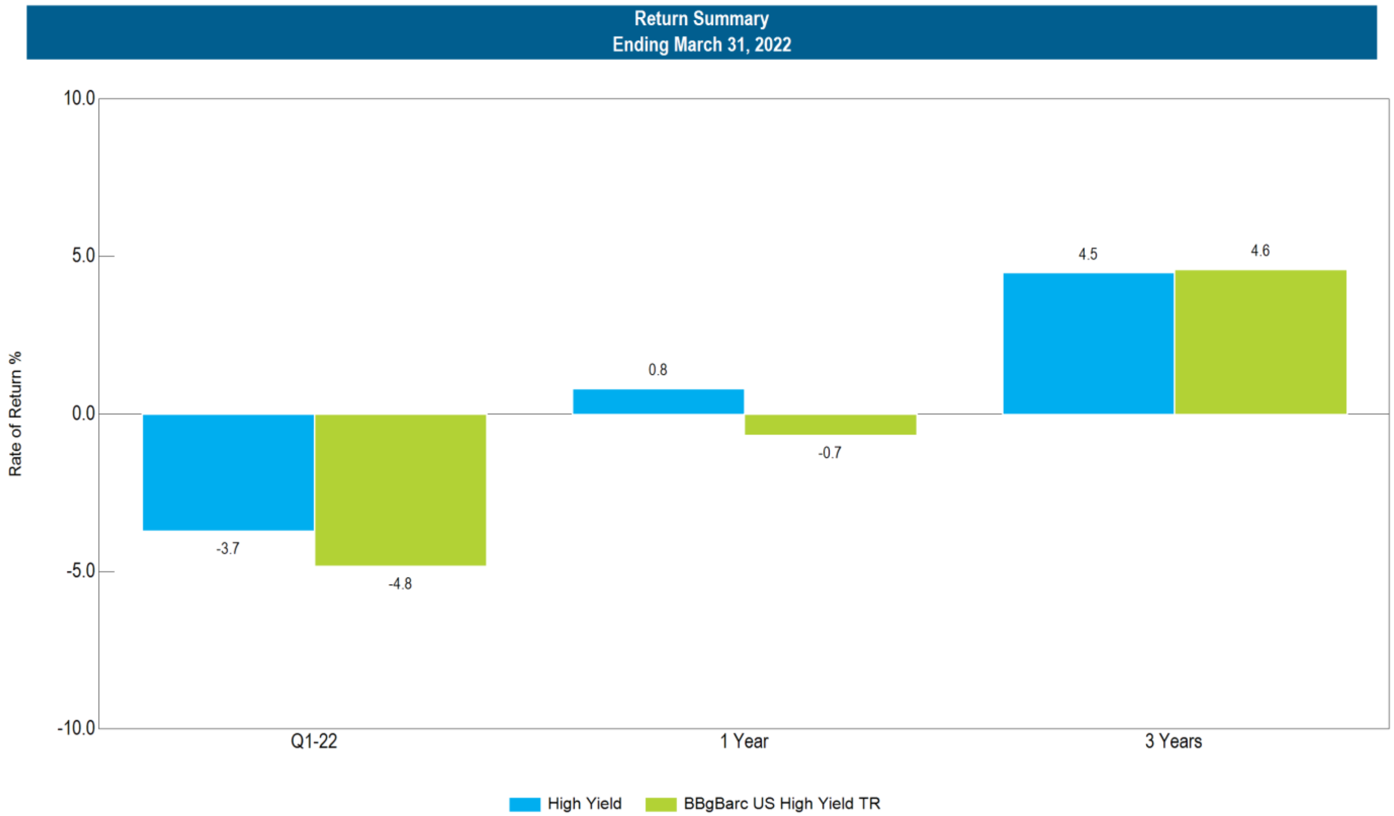


→ Illiquid credit has outperformed the custom benchmark over all time periods.

→ The one-year timeperiod appears particularly strong with outperformance of over 10%, but some of the outperformance is likely driven by benchmark imperfection and lag issues, which are common in illiquid asset categories.

[1] Illiquid Credit returns are reported on a one-month lag.

High Yield Net vs. Benchmark

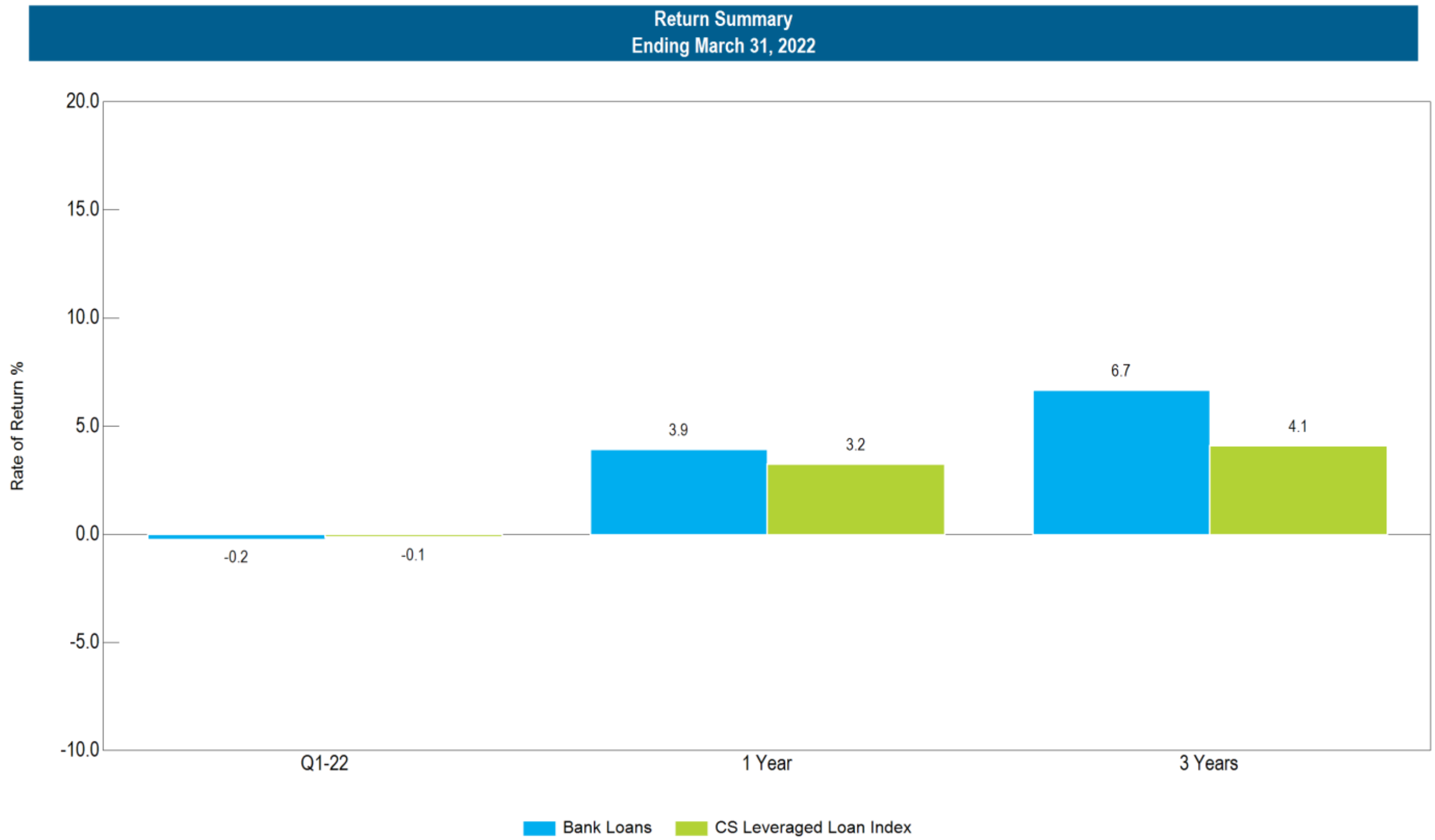


→ High Yield has produced positive outperformance during the most recent quarter and year.

→ On a longer-term basis, High Yield has performed roughly in-line with its benchmark.

→ Over the past year, the portfolio has been streamlined and optimized.

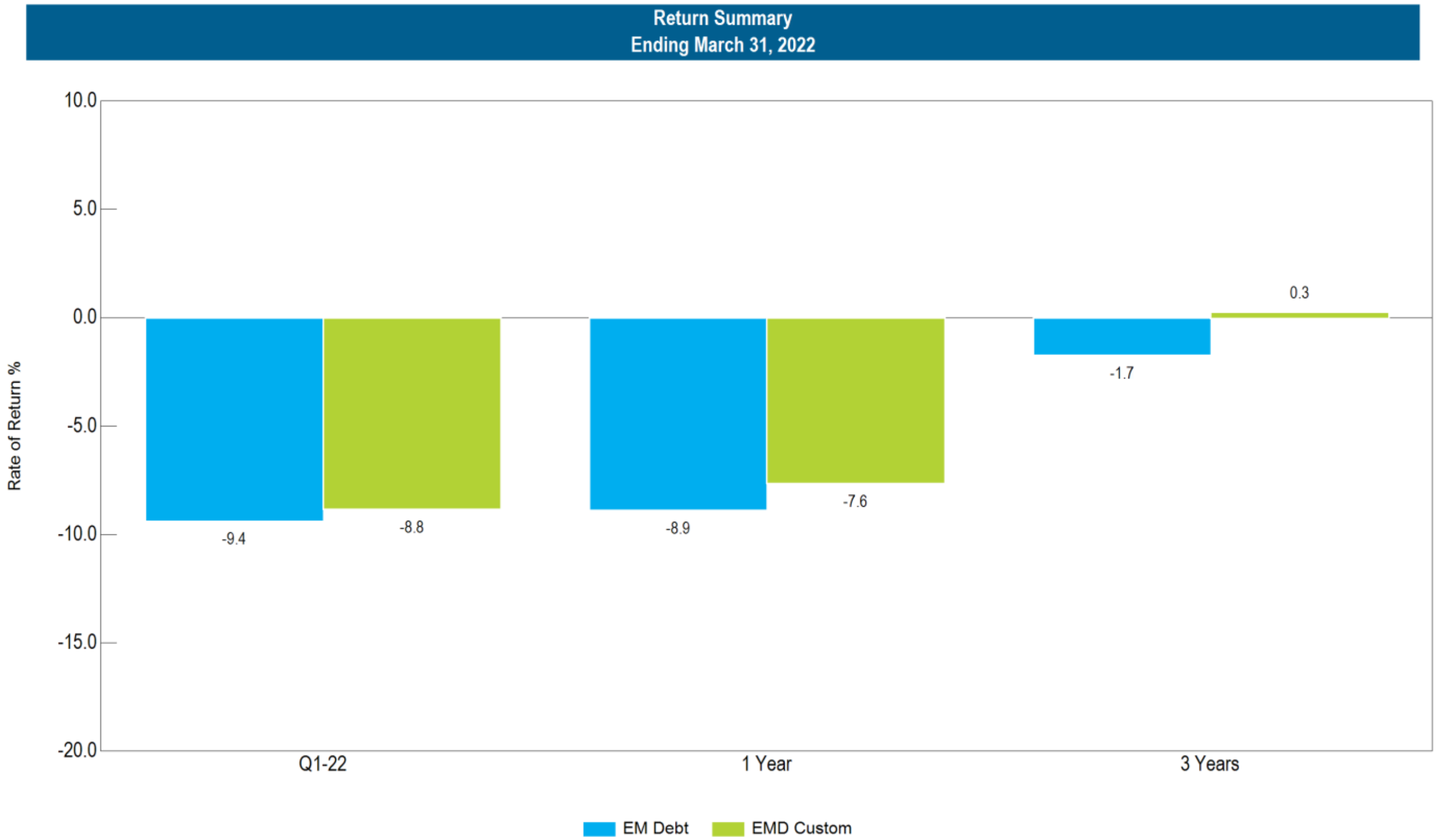
Bank Loans Net vs. Benchmark



→ Bank Loans marginally underperformed the benchmark during the most recent quarter.

→ Over the one and three-year periods Bank Loans have added 70 and 270 basis points of value respectively.

Emerging Market Debt vs. Benchmark



→ Emerging Markets Debt is the sole area of both negative absolute and relative performance within Credit over the one and three-year periods.

Appendix

Custom Benchmarks Glossary

Bank Loans Custom Index: Credit Suisse Leveraged Loan Index.

Beach Point Custom BM:BBg Barc US Corporate High Yield Index

Brigade Custom Index: BBg Barc US Corporate High Yield Index.

Cash Custom BM:FTSE 3-month Treasury Bill.

Core & Value-Added Real Estate Custom BM:NFI ODCE + 50 bps (3-month lag).

Custom Liquid Credit BM: 40% BBg Barc US Corporate High Yield Index / 40% Credit Suisse Leveraged Loans / 10% JP Morgan EMBI GD / 5% JP Morgan GBI - EM GD / 5% JP Morgan CEMBI BD.

Diversified Hedge Funds Custom BM:FTSE 3-Month U.S. Treasury Bill Index + 250 bps (1-month lag).

EAFE Custom Index:MSCI EAFE + Canada (Net).

EMD Custom:50% JP Morgan EMBI + 25% JP Morgan GBI-EM GD + 25% JP Morgan CEMBI BD.

Global Equity Custom BM:MSCI ACWI IMI Index

Grosvenor Custom BM:100% Illiquid Credit Custom BM.

Growth Custom Blended BM:~74.5% Global Equity Custom BM/ 21.3% Private Equity- Growth Custom BM/ 4.3% Opportunistic Real Estate Custom BM.

Hedge Fund Custom Index:100% Diversified Hedge Funds Custom BM.

Illiquid Credit Custom BM: Custom Liquid Credit BM + 150 bps.

MSCI EM IMI Custom Index:MSCI EM IMI (Net)

Natural Resources & Commodities Custom BM:50% Bloomberg Commodity Index / 50% S&P Global Large MidCap Commodity and Resources Index.

Opportunistic Real Estate Custom BM:NFI ODCE + 300 bps (3-month lag).

PE – Credit Custom Benchmark:BBgBarc US Agg Index + 250bps with a (3-month lag).

Private Equity - Growth Custom BM:MSCI ACWI IMI Index + 200 bps (3-month lag).

PE – Real Assets Custom BM:S&P Global LargeMidCap Commodity and Resources (3-month lag).

Real Assets and Inflation Hedges Custom Blended BM: ~41.2% Core & Value-Added Real Estate Custom BM/ 23.5% Natural Resources & Commodities Custom BM /17.6% DJ Brookfield Global Infrastructure / 17.6% BBg Barc US TSY TIPS.

Risk Reduction and Mitigation Custom Blended BM: ~79.2% BBg Barc Agg / 16.7% Diversified Hedge Funds Custom BM / 4.2% FTSE 3-month Treasury Bill.

Securitized Custom Index: Barclays Securitized Bond Index + 400 bps.

Opportunistic Custom Index 1-Month Lag:50% Barclays U.S. High Yield Index / 50% Credit Suisse Leveraged Loan Index (1-month lag).

50% FX Hedge Index: 50% MSCI World ex US IMI FX Hedged index 50% Zero Return.

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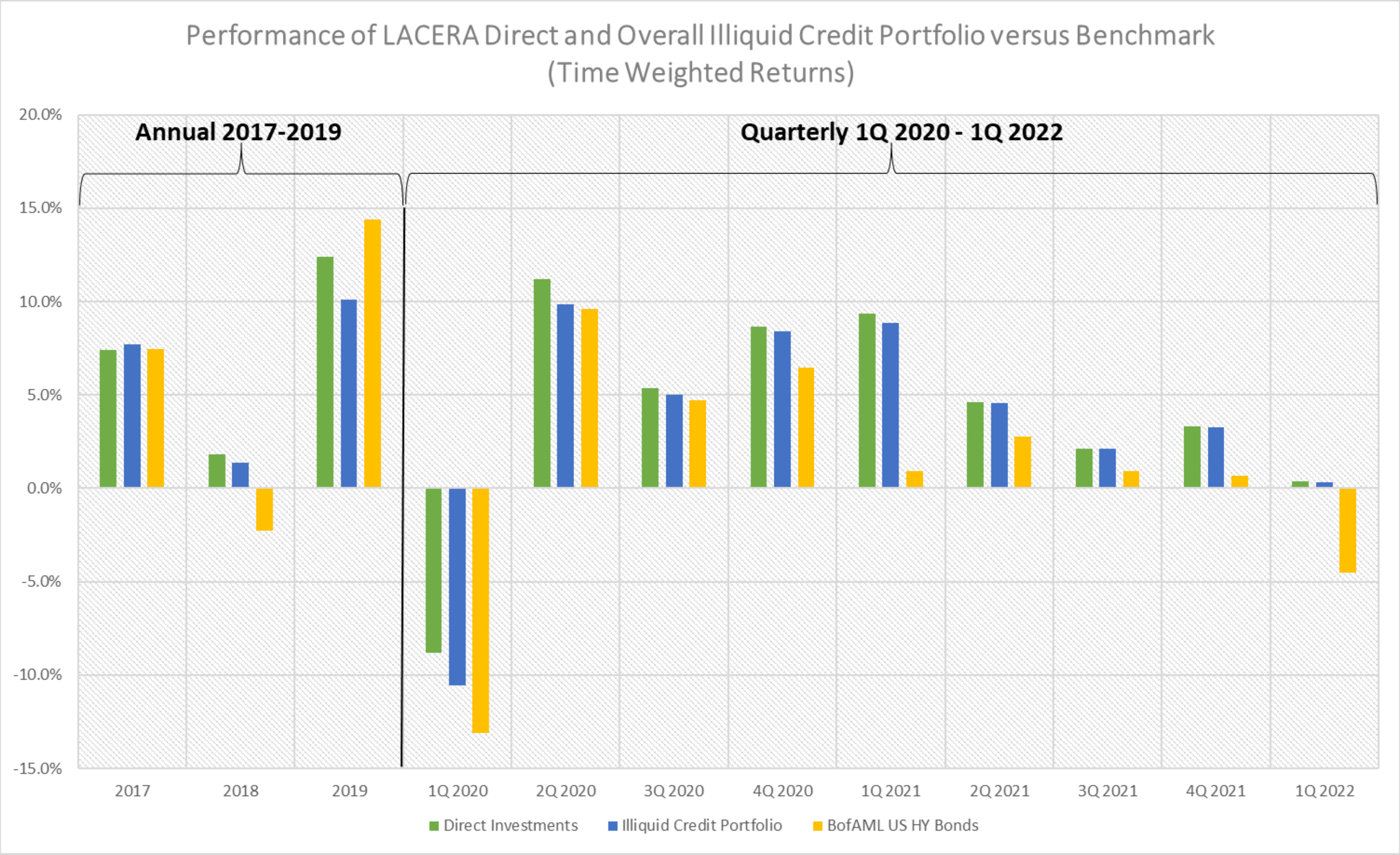
Illiquid Credit

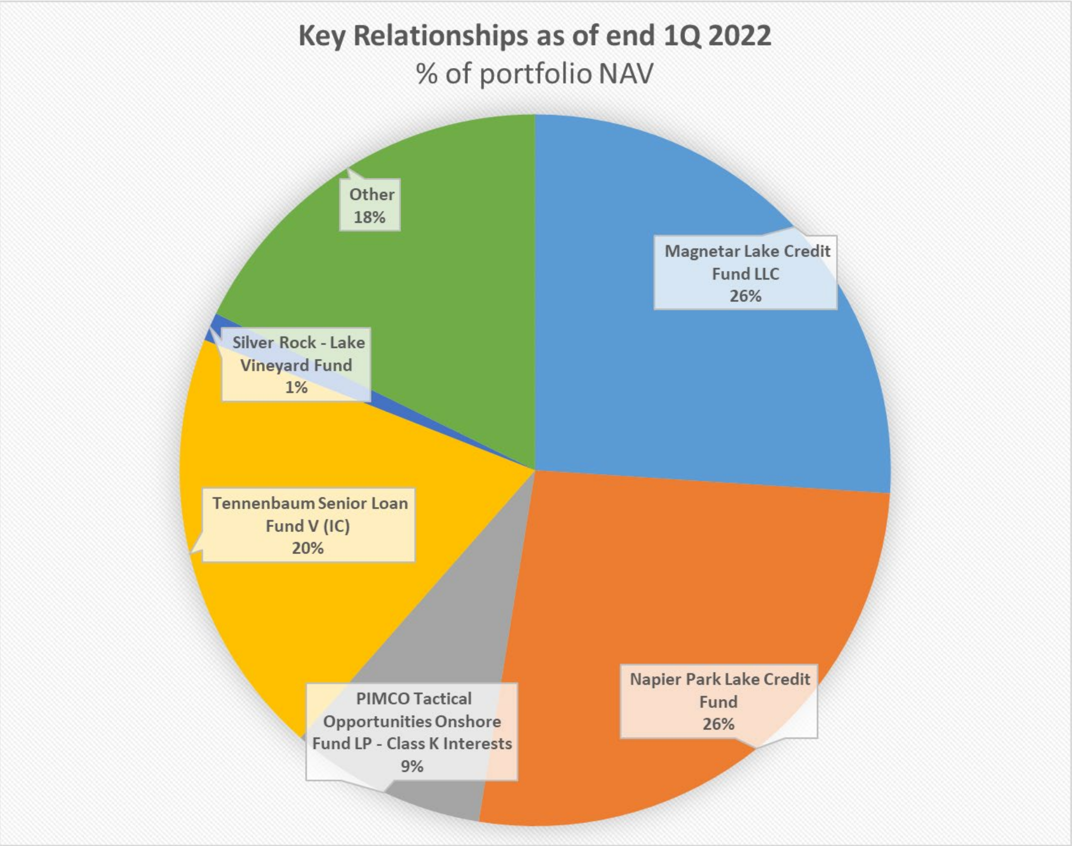
Performance



ALBOURNE

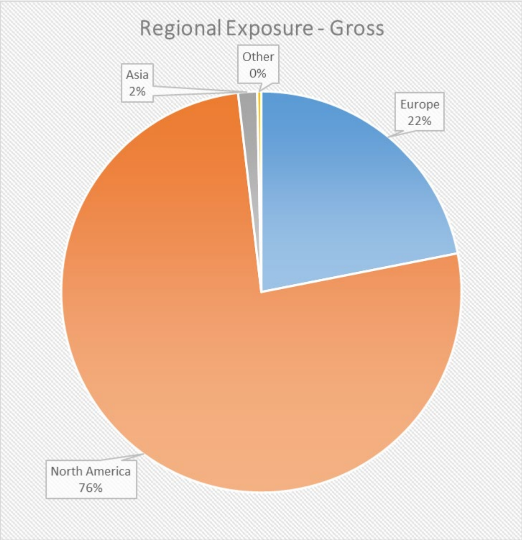
Key Relationships

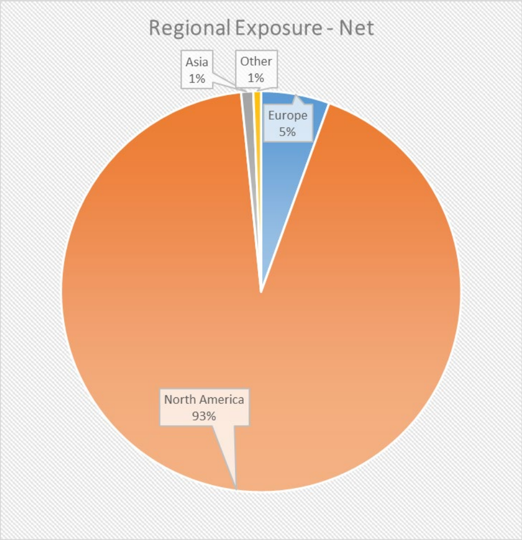
- Four key relationships currently make up over 80% of portfolio NAV
- Silver Rock has recently been added and will grow over time



Regional Exposure

- LACERA currently has Open Protocol exposure reporting on circa 60% of the portfolio
- This is accounted for by Direct Investments from Napier Park, PIMCO and Magnetar
- One observation is that while approximately three-fourths of the gross exposure is to the US, on a net basis it is over 90%





ALBOURNE

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July 29, 2022

TO: Trustees – Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA VM
Principal Investment Officer

FOR: August 10, 2022 Credit and Risk Mitigation Committee Meeting

SUBJECT: **PERFORMANCE REVIEW: RISK REDUCTION AND MITIGATION**

LACERA's investment consultants Meketa and Albourne will conduct a performance review of the Risk Reduction and Mitigation (RRM) functional category. Their presentations are attached.

Meketa is LACERA's general investment consultant and will address performance of the overall RRM category, as well as the investment grade bond component. Albourne is LACERA's hedge fund consultant and will address that portion of RRM.

The Meketa representative is:
Timothy Filla, CAIA -- Managing Principal / Consultant

The Albourne representative is:
Stephen Kennedy, CFA – Partner / Portfolio Analyst Coordinator

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

VM:cll

ATTACHMENT

MEKETA

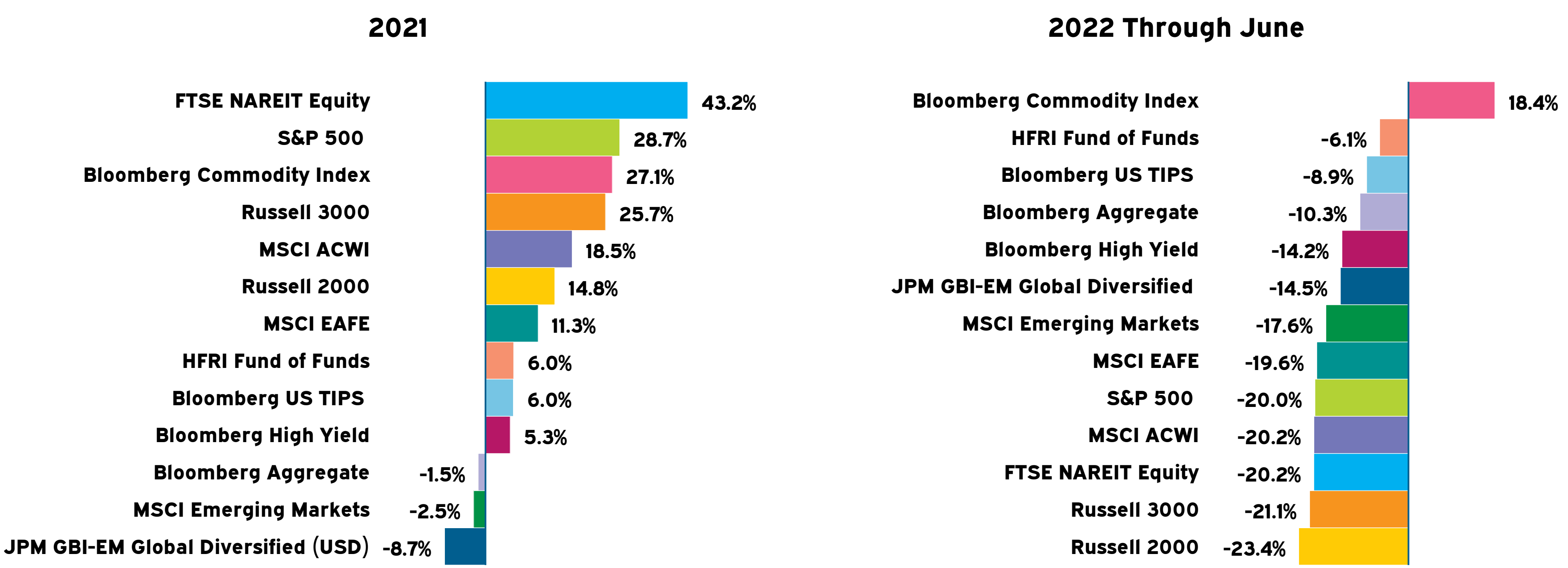
INVESTMENT GROUP

Los Angeles County Employees Retirement Association

August 2022

Risk Reduction and Mitigation Review

Index Returns[1]



→ Outside of emerging markets and the broad US investment grade bond market (Bloomberg Aggregate), most asset classes appreciated in 2021.

→ In June all major asset classes posted negative returns on renewed inflation and economic growth fears, with equities experiencing the largest declines.

[1] Source: Bloomberg and FactSet. Data is as of June 30, 2022.

Fixed Income and Credit Returns[1]

Fixed Income	Q2 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	-5.1	-10.9	-10.9	-0.9	0.9	1.8	4.2	6.4
Bloomberg Aggregate	-4.7	-10.3	-10.3	-0.9	0.9	1.5	3.7	6.6
Bloomberg US TIPS	-6.1	-8.9	-5.1	3.0	3.2	1.7	3.4	7.0
Bloomberg High Yield	-9.8	-14.2	-12.8	0.2	2.1	4.5	8.9	4.8
JPM GBI-EM Global Diversified (USD)	-8.6	-14.5	-19.3	-5.8	-2.3	-1.5	7.4	4.9

Fixed Income: The Bloomberg Universal declined -10.9% YTD.

→ Above expectations CPI prints led to heightened inflation fears driving interest rates higher and weighing on the broad US investment grade bond market (Bloomberg Aggregate).

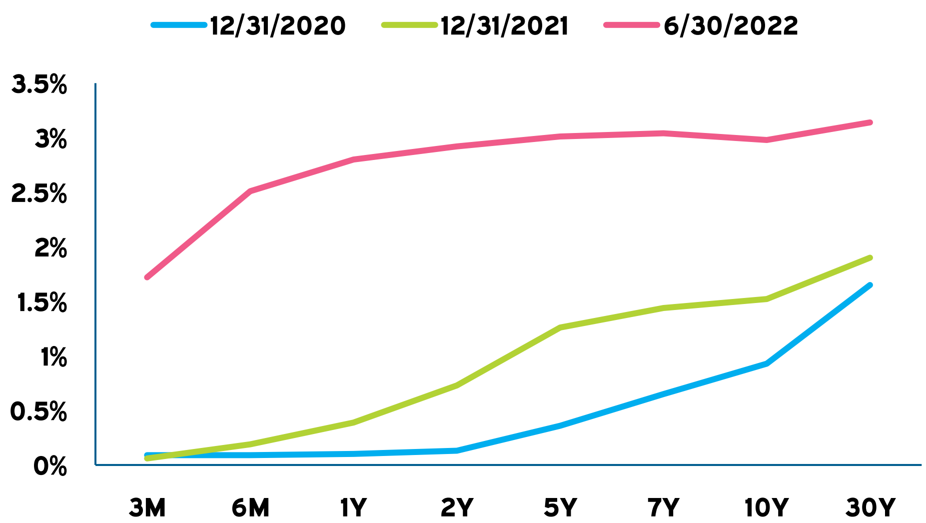
→ Despite the above expectation CPI prints, breakeven inflation rates have continued to move down driven by the decline in nominal rates. The nominal 10-year Treasury yield peaked at 3.47% before declining to 3.01% by quarter-end, while the 2-year Treasury yield declined from 3.43% to 2.95%.

→ US credit spreads widened, particularly for high yield debt, leading to sharply negative results for the quarter and YTD.

→ Emerging market debt has been the worst performer over all of the time periods outlined above except the most recent quarter.

[1] Source: Bloomberg. JPM GBI-EM is from InvestorForce. Data is as of June 30, 2022.

US Yield Curve[1]



→ Rates across the yield curve remain much higher than at the start of the year.

→ In June, rates rose across maturities (particularly short-dated), as markets continue to reflect elevated inflation and rate expectations.

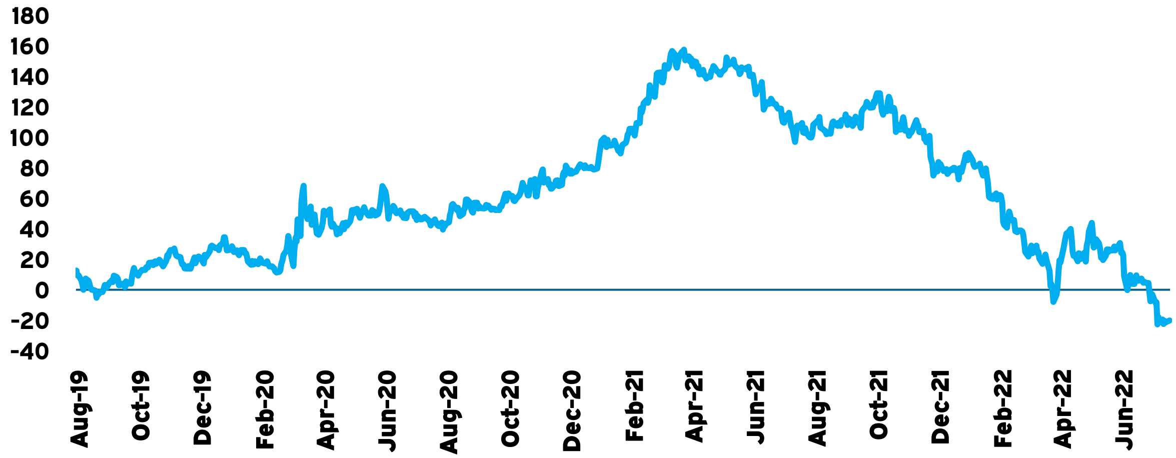
→ The curve continued to flatten in June with the spread between two-year and ten-year Treasuries falling from 30 basis points at the end of May to just 5 basis points by the end of June.

→ Since month-end, the spread between two-year and ten-year Treasuries became negative which historically has often signaled a coming recession.

[1] Source: Bloomberg. Data is as of June 30, 2022.

US Yield Curve

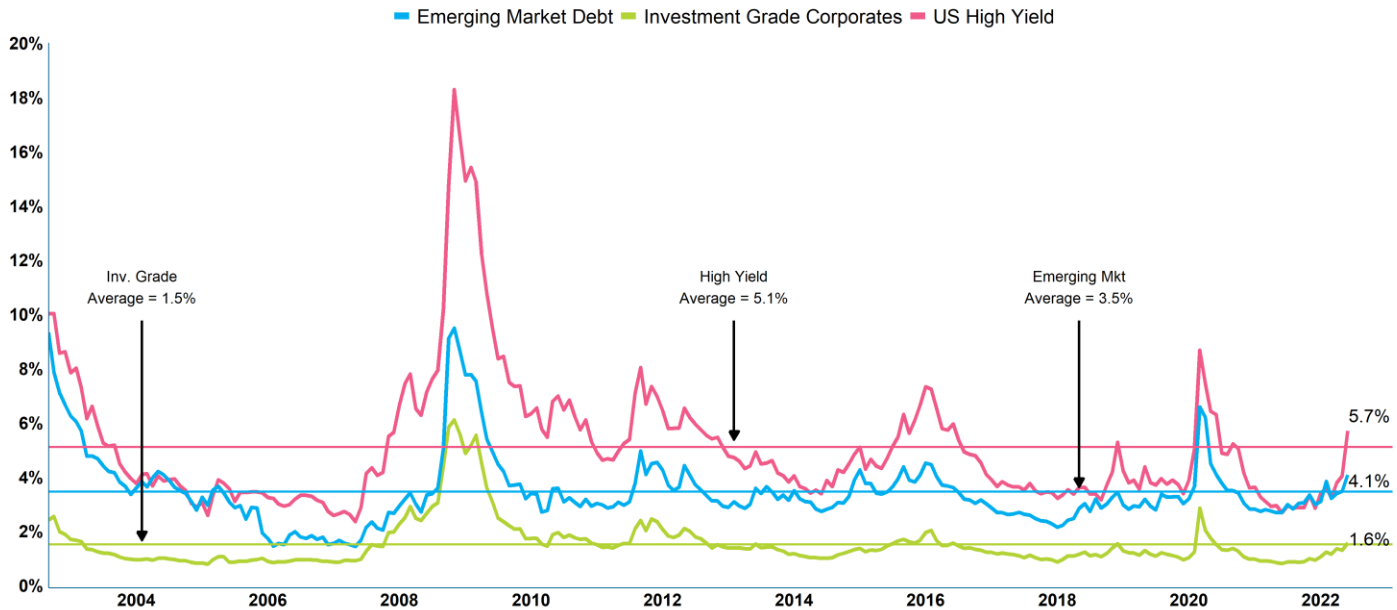
2/10 Yr Spread



→ An inverted yield curve is a significant economic indicator which often signals a recession.

→ As of the end of July, the US Yield curve as indicated by the 2 Year/10 Year spread shown above, crossed into negative territory (inverted).

Credit Spreads vs. US Treasury Bonds[1]



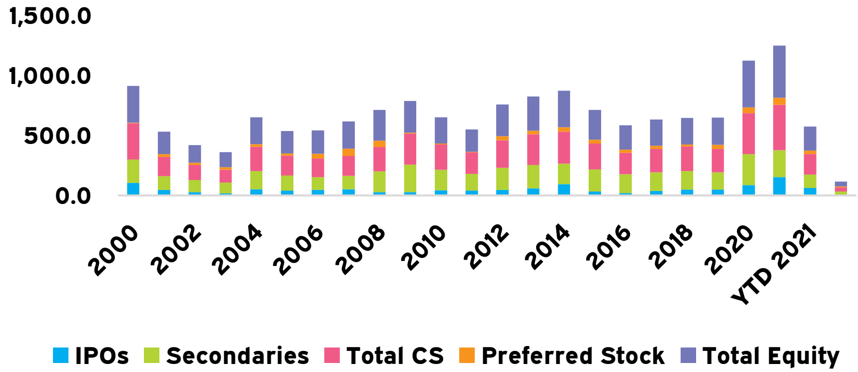
→ Credit spreads (the spread above a comparable maturity Treasury) rose in June with high yield and investment grade corporate bonds breaking above their long-run averages.

→ In the US, spreads for high yield significantly increased from 4.0% to 5.7% in the risk-off environment, while investment grade spreads experienced a more modest increase (1.3% to 1.6%). Emerging market spreads also rose (3.5% to 4.1% during the month) but finished much lower than US high yield spreads.

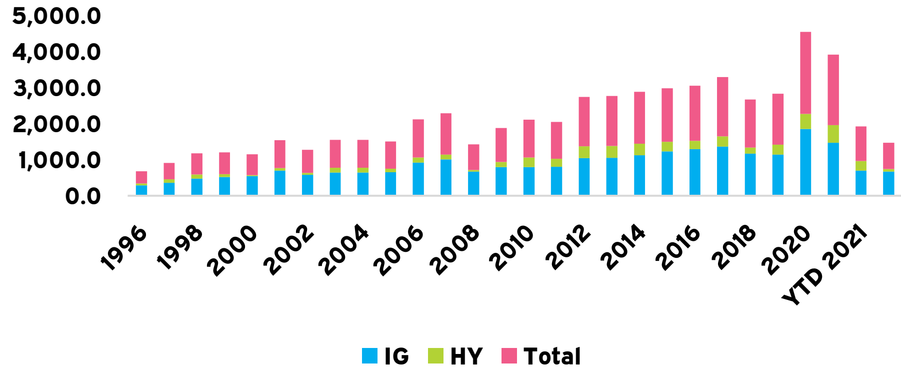
[1] Sources: Bloomberg. Data is as of June 30, 2022. Average lines denote the average of the investment grade, high yield, and emerging market spread values from August 2000 to the recent month-end respectively.

Corporate Financials

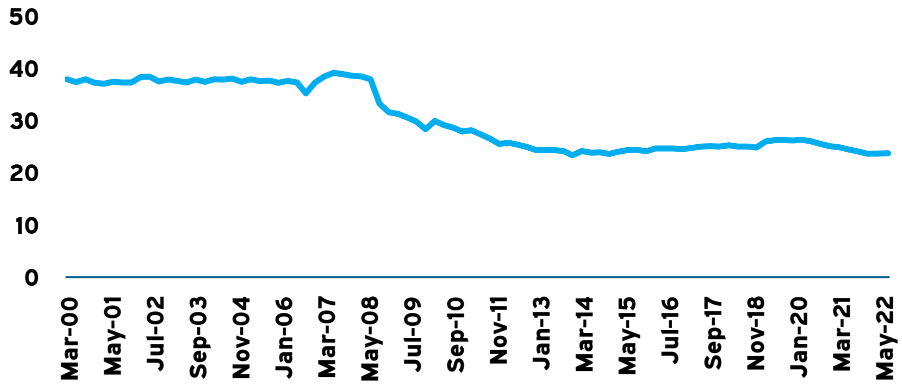
Equity Issuance



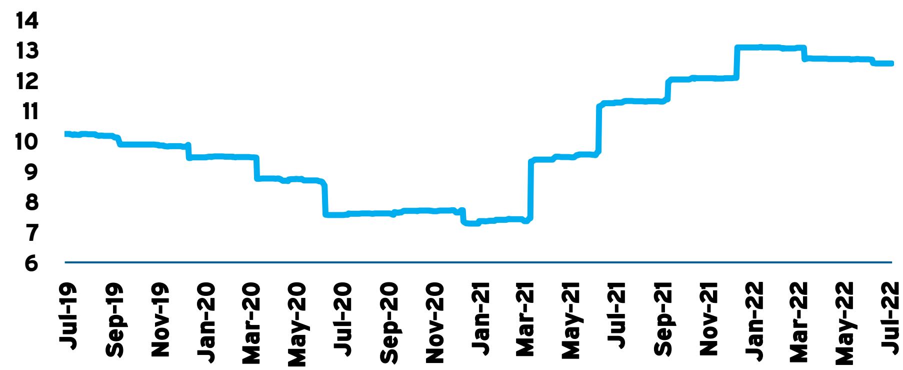
Corporate Debt Issuance



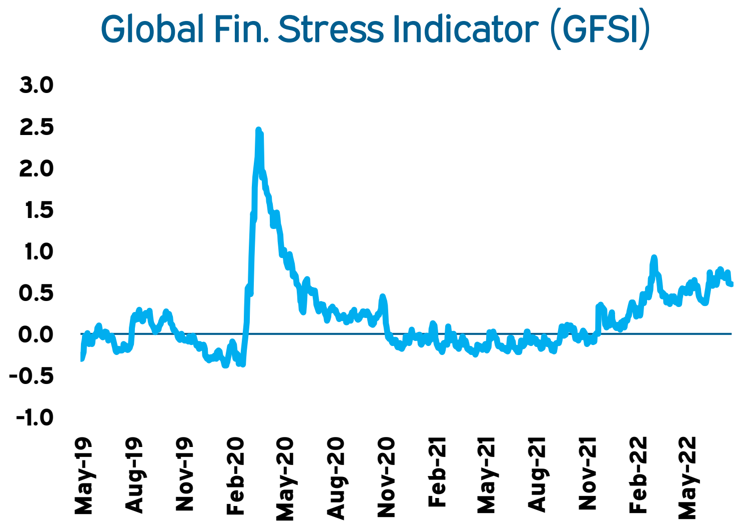
Leverage Ratio

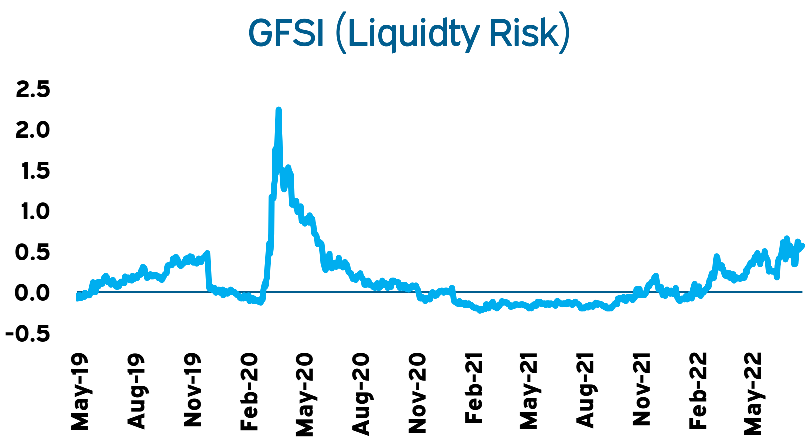


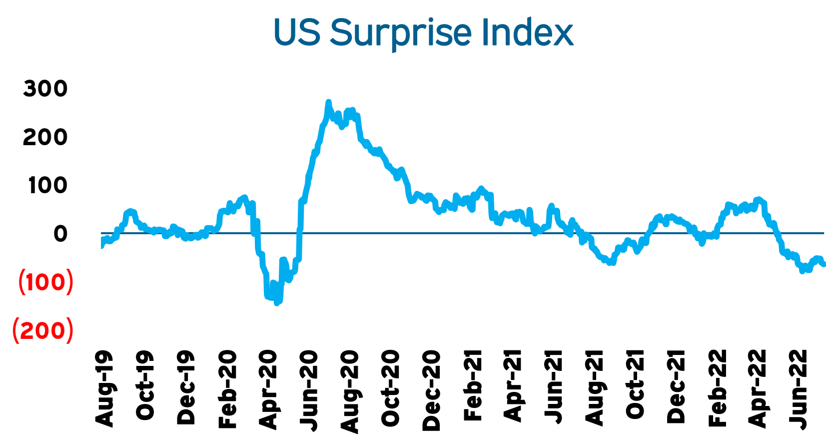
S&P 500 Profit Margin



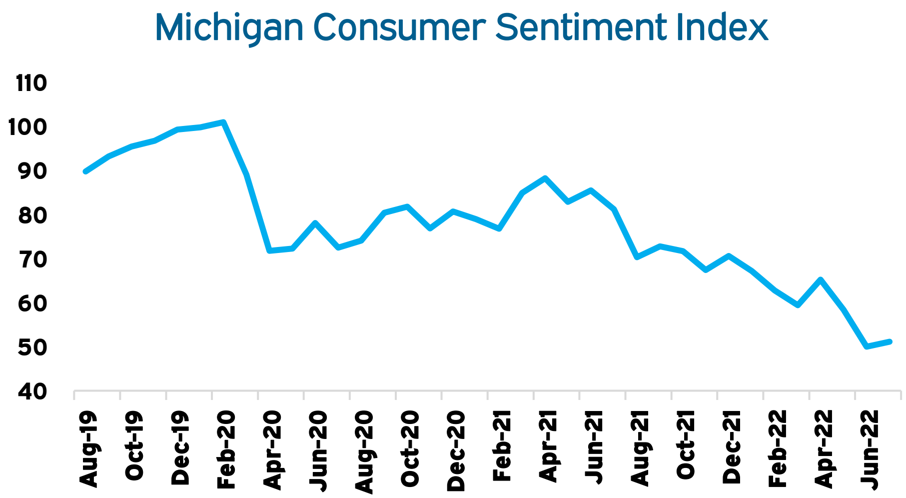
Economic Conditions

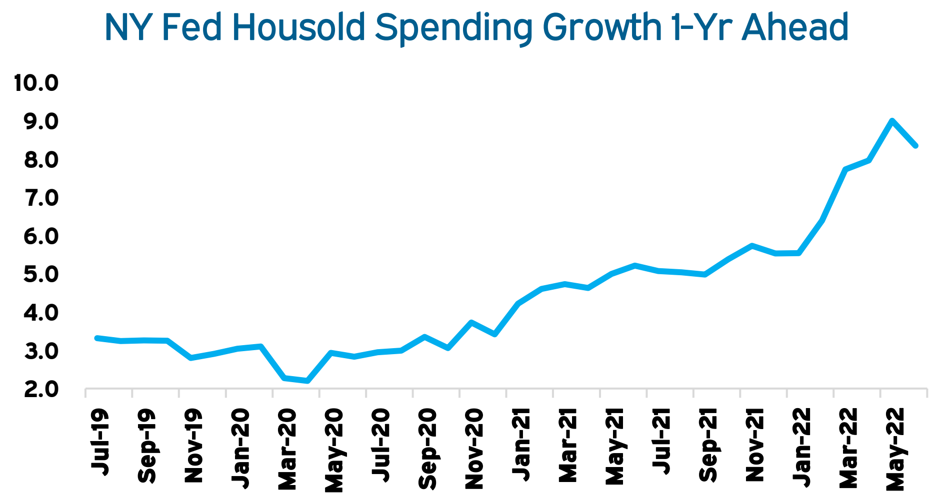






Economic Conditions: US Consumer





→ The US Consumer has long been a driver of economic growth.

→ Shifts in consumer sentiment and future spending will be a key determinant of the length and depth of an economic slowdown or recession.

Risk Reduction and Mitigation

Risk Reduction and Mitigation Summary Observations

→ As part of the Strategic Asset Allocation ("SAA") Policy adopted by the Board of Investments in May of 2021, the Risk Reduction and Mitigation category underwent several significant changes.

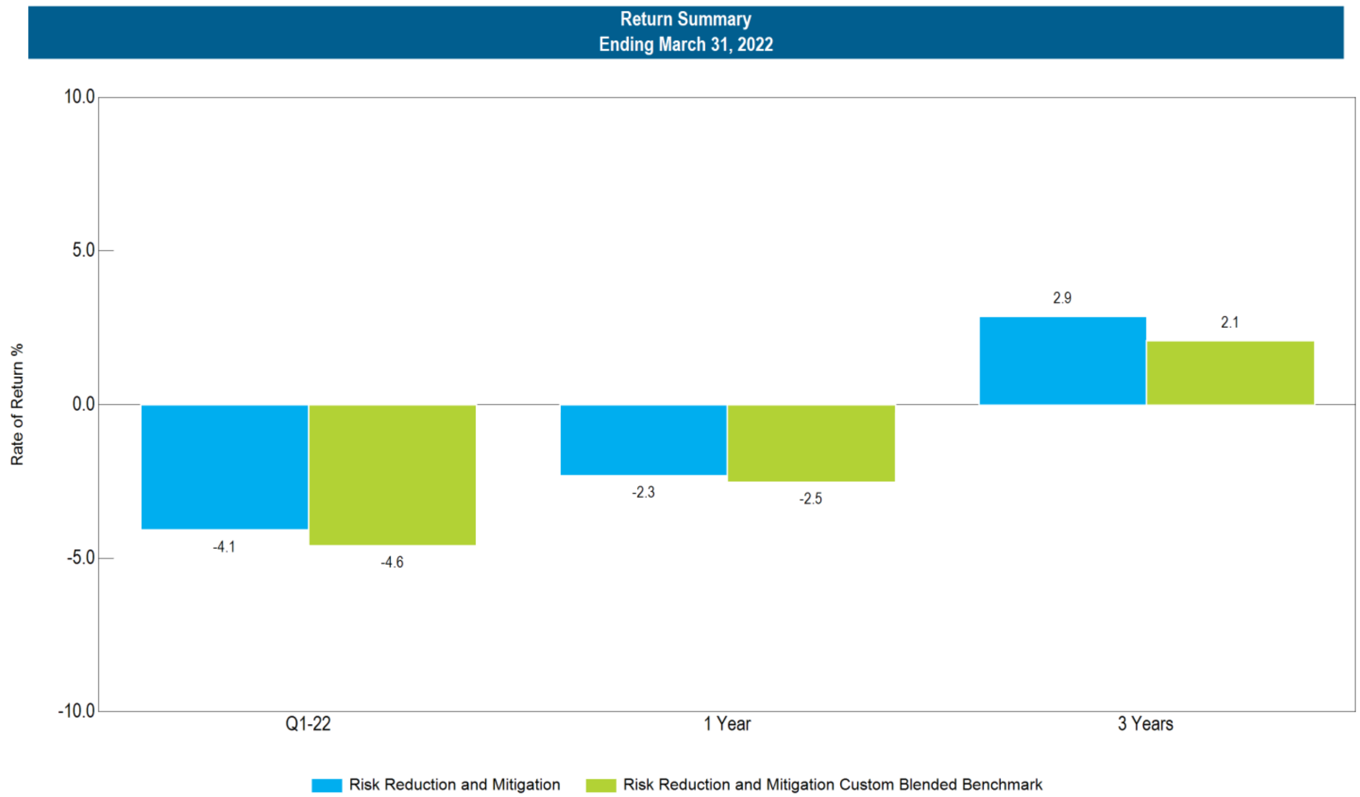
- The overall category target allocation was reduced from 24% to 19%.
- The target allocation for Investment Grade Bonds was lowered from 19% to 7%.
- Long-term Government Bonds was added as a discrete category with a weight of 5%.
- The target allocation to Investment Grade Bonds was reduced from 19%, partly to incorporate the addition of Long-Term Government Bonds, but also due to diminished risk-return characteristics due to the low-rate environment at the time of the SAA and the forward-looking risk of entering a rising rate environment.
- The target allocation to Hedge Funds was raised from 4% to 6%.

→ Overall, the Risk Reduction and Mitigation category has served its purpose in dampening the volatility of LACERA's portfolio.

→ The rising rate environment has led to negative returns for fixed income assets (Investment Grade Bonds and Long-Term Government Bonds) during the quarter and one-year periods.

→ In a challenging market environment, which produced negative returns for most risk assets and also traditional defensive assets, Hedge Funds produced positive results and provided an effective offset to market risk and served as an important diversifier.

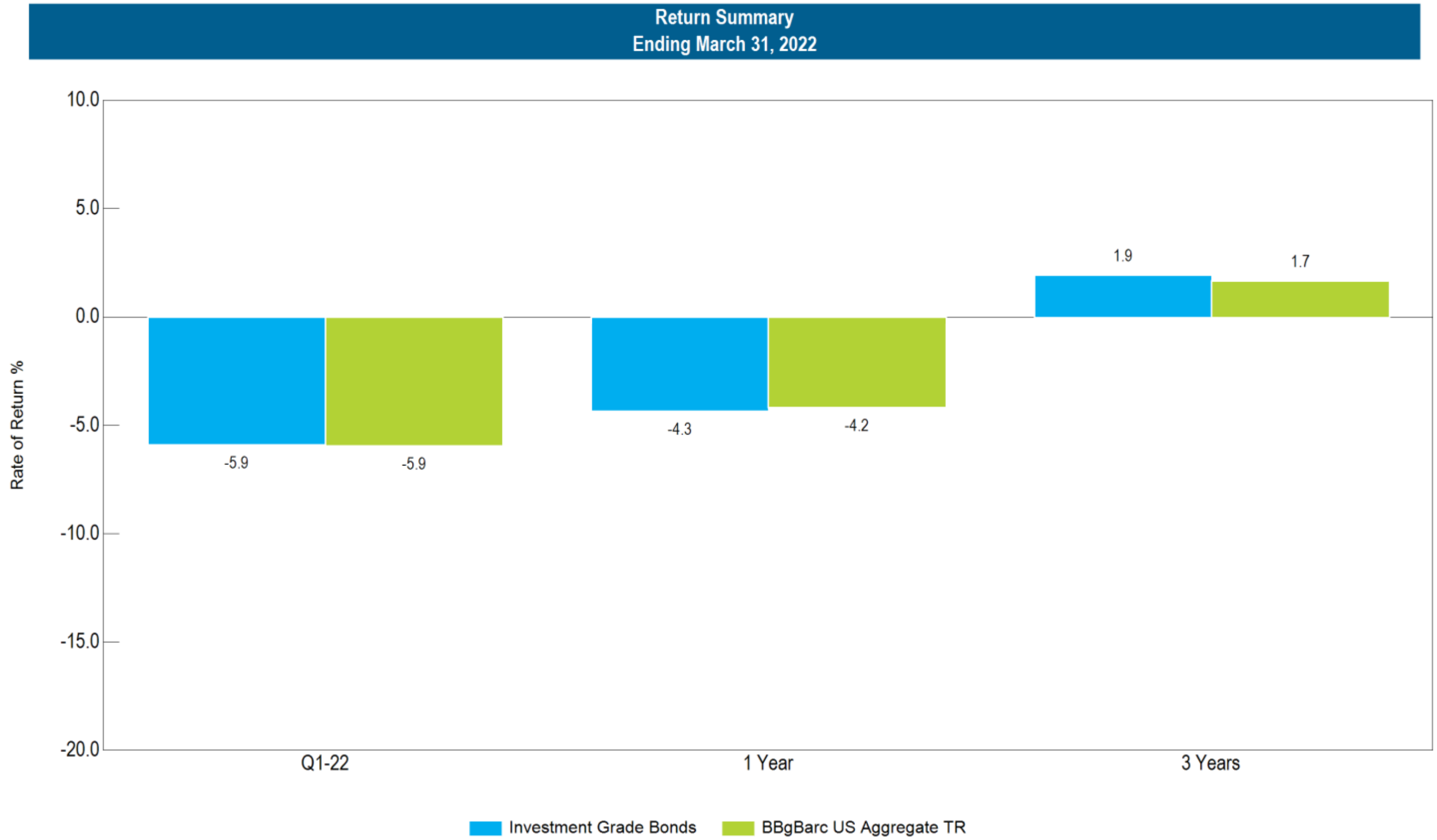
Risk Reduction and Mitigation Net vs. Benchmark



→ The Risk Reduction and Mitigation category has served its role in dampening the volatility of LACERA's portfolio during the challenging most recent quarter and one-year periods, while also providing positive return contribution over the three-year period.

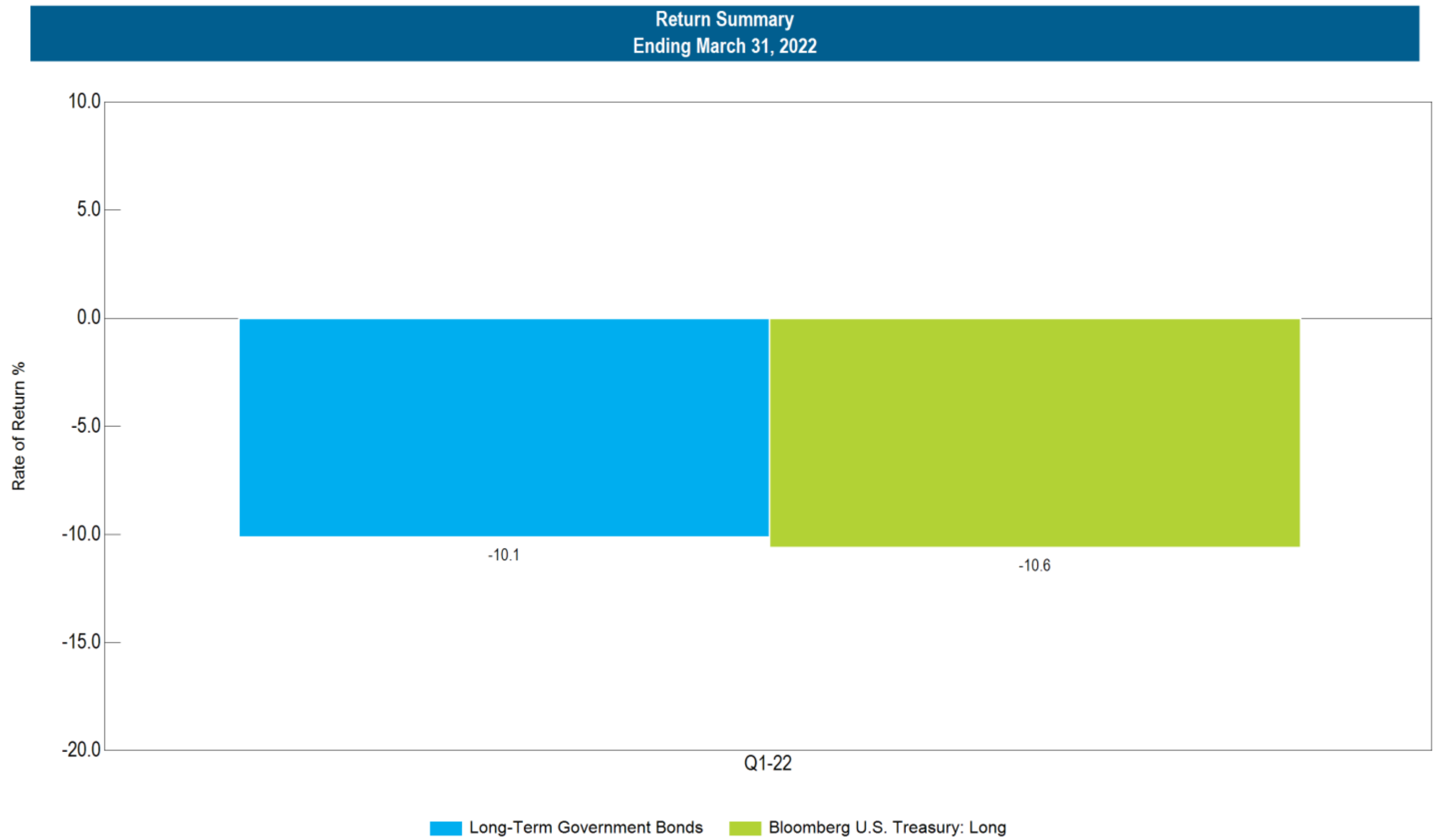
→ The Risk Reduction and Mitigation category has outperformed the category benchmark across all the presented time periods.

Investment Grade Bonds Net vs. Benchmark



→ Roughly 2/3 of the Investment Grade Bonds allocation is invested in a passive strategy tracking the benchmark, so the category is expected to produce returns fairly close to the benchmark.

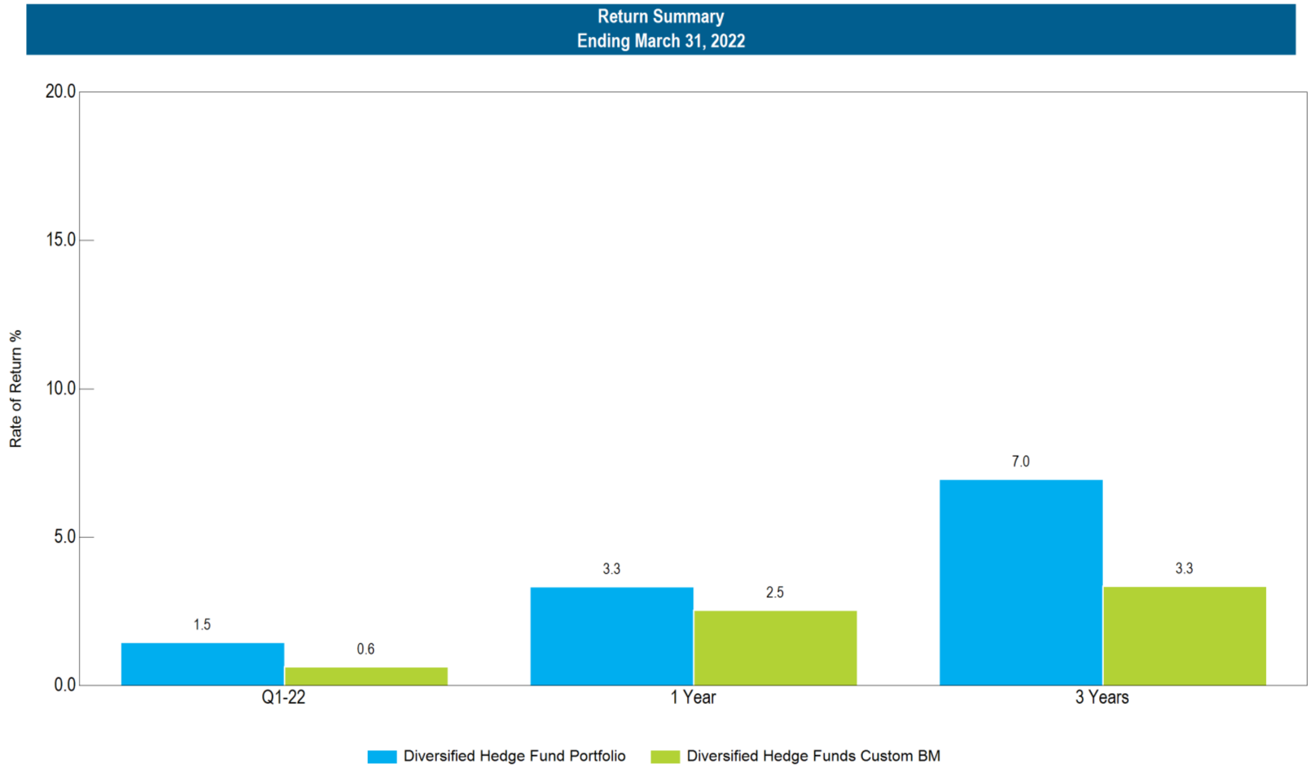
Long-Term Government Bonds Net vs. Benchmark



→ The Long-Term Government Bond category is a new addition following the approval of the new Strategic Asset Allocation in May of 2021. As such, one and three-year returns for the category are not available.

→ The Long-Term Government Bond category is implemented using a passive strategy so over time the results should track closely to the benchmark.

Hedge Funds Return Summary[1]



→ Despite a very challenging market environment the Hedge Fund category has produced positive results across all time periods.

→ The Hedge Fund category has also outperformed the benchmark over all time periods delivering significant value-add to LACERA.

[1] Hedge Fund returns are reported on a one-month lag.

Appendix

Bank Loans Custom Index: Credit Suisse Leveraged Loan Index.

Beach Point Custom BM:BBg Barc US Corporate High Yield Index

Brigade Custom Index: BBg Barc US Corporate High Yield Index.

Cash Custom BM:FTSE 3-month Treasury Bill.

Core & Value-Added Real Estate Custom BM:NFI ODCE + 50 bps (3-month lag).

Custom Liquid Credit BM: 40% BBg Barc US Corporate High Yield Index / 40% Credit Suisse Leveraged Loans / 10% JP Morgan EMBI GD / 5% JP Morgan GBI - EM GD / 5% JP Morgan CEMBI BD.

Diversified Hedge Funds Custom BM:FTSE 3-Month U.S. Treasury Bill Index + 250 bps (1-month lag).

EAFE Custom Index:MSCI EAFE + Canada (Net).

EMD Custom:50% JP Morgan EMBI + 25% JP Morgan GBI-EM GD + 25% JP Morgan CEMBI BD.

Global Equity Custom BM:MSCI ACWI IMI Index

Grosvenor Custom BM:100% Illiquid Credit Custom BM.

Growth Custom Blended BM:~74.5% Global Equity Custom BM/ 21.3% Private Equity- Growth Custom BM/ 4.3% Opportunistic Real Estate Custom BM.

Hedge Fund Custom Index:100% Diversified Hedge Funds Custom BM.

Illiquid Credit Custom BM: Custom Liquid Credit BM + 150 bps.

MSCI EM IMI Custom Index:MSCI EM IMI (Net)

Natural Resources & Commodities Custom BM:50% Bloomberg Commodity Index / 50% S&P Global Large MidCap Commodity and Resources Index.

Opportunistic Real Estate Custom BM:NFI ODCE + 300 bps (3-month lag).

PE – Credit Custom Benchmark:BBgBarc US Agg Index + 250bps with a (3-month lag).

Private Equity - Growth Custom BM:MSCI ACWI IMI Index + 200 bps (3-month lag).

PE – Real Assets Custom BM:S&P Global LargeMidCap Commodity and Resources (3-month lag).

Real Assets and Inflation Hedges Custom Blended BM: ~41.2% Core & Value-Added Real Estate Custom BM/ 23.5% Natural Resources & Commodities Custom BM /17.6% DJ Brookfield Global Infrastructure / 17.6% BBg Barc US TSY TIPS.

Risk Reduction and Mitigation Custom Blended BM: ~79.2% BBg Barc Agg / 16.7% Diversified Hedge Funds Custom BM / 4.2% FTSE 3-month Treasury Bill.

Securitized Custom Index: Barclays Securitized Bond Index + 400 bps.

Opportunistic Custom Index 1-Month Lag:50% Barclays U.S. High Yield Index / 50% Credit Suisse Leveraged Loan Index (1-month lag).

50% FX Hedge Index: 50% MSCI World ex US IMI FX Hedged index 50% Zero Return.

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Hedge Funds

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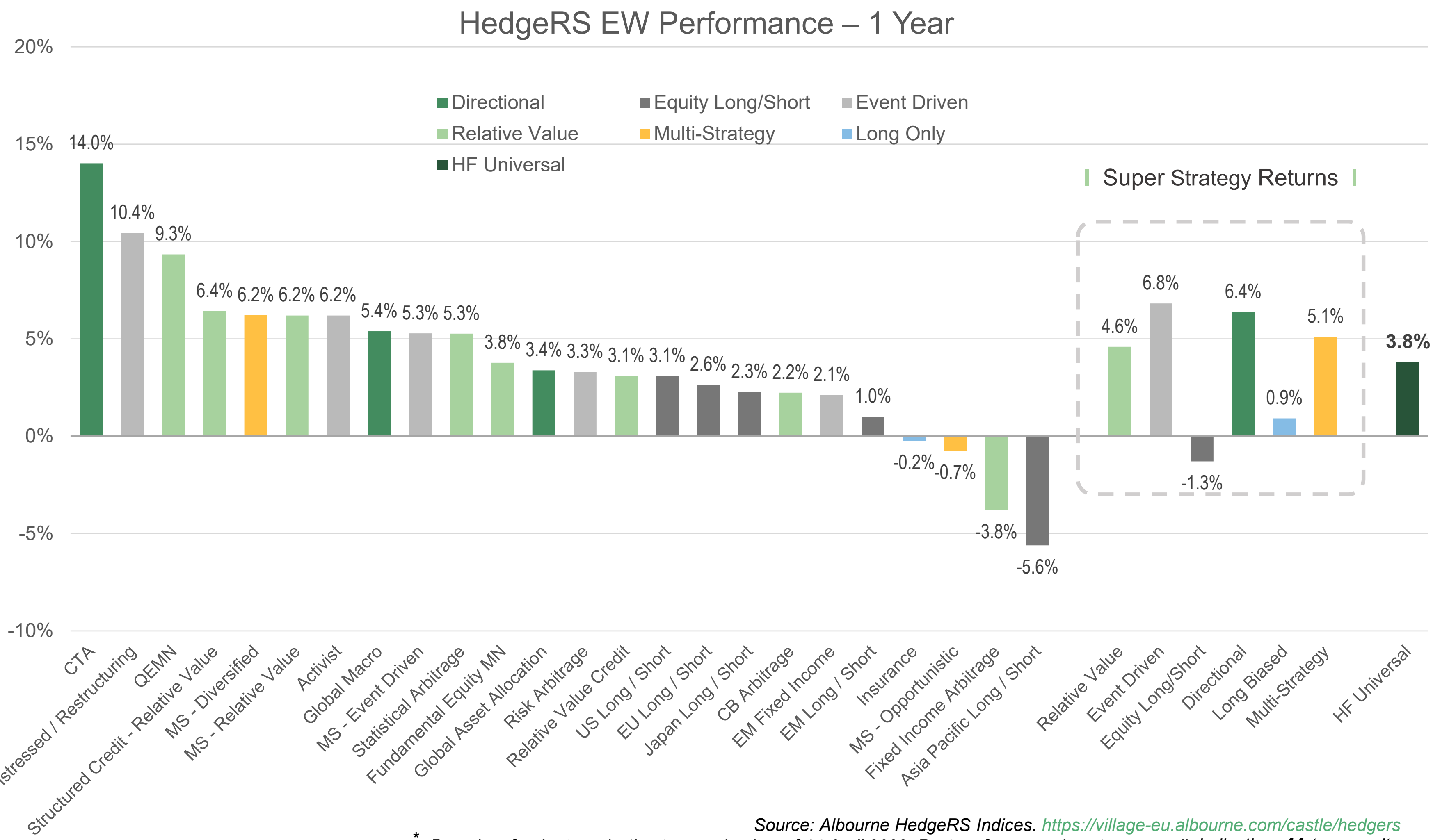
Albourne HF Indices: 12month Trailing as of March ‘22



Source: Albourne HedgeRS Indices. https://village-eu.albourne.com/castle/hedgers

* *Based on fund returns/estimates received as of 14 April 2022. Past performance is not necessarily indicative of future results*

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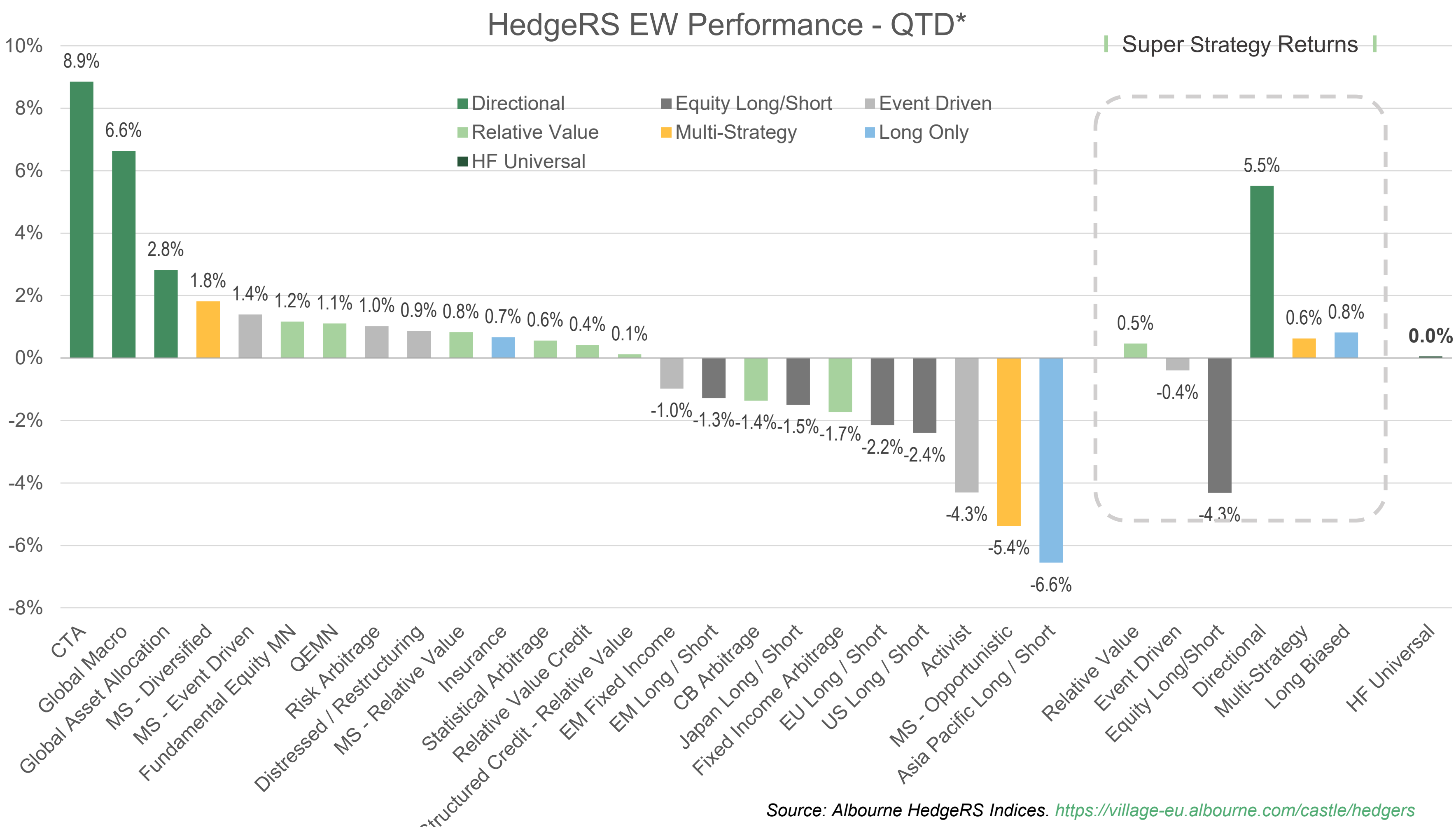
Albourne HF Indices: QTD returns as of March '22



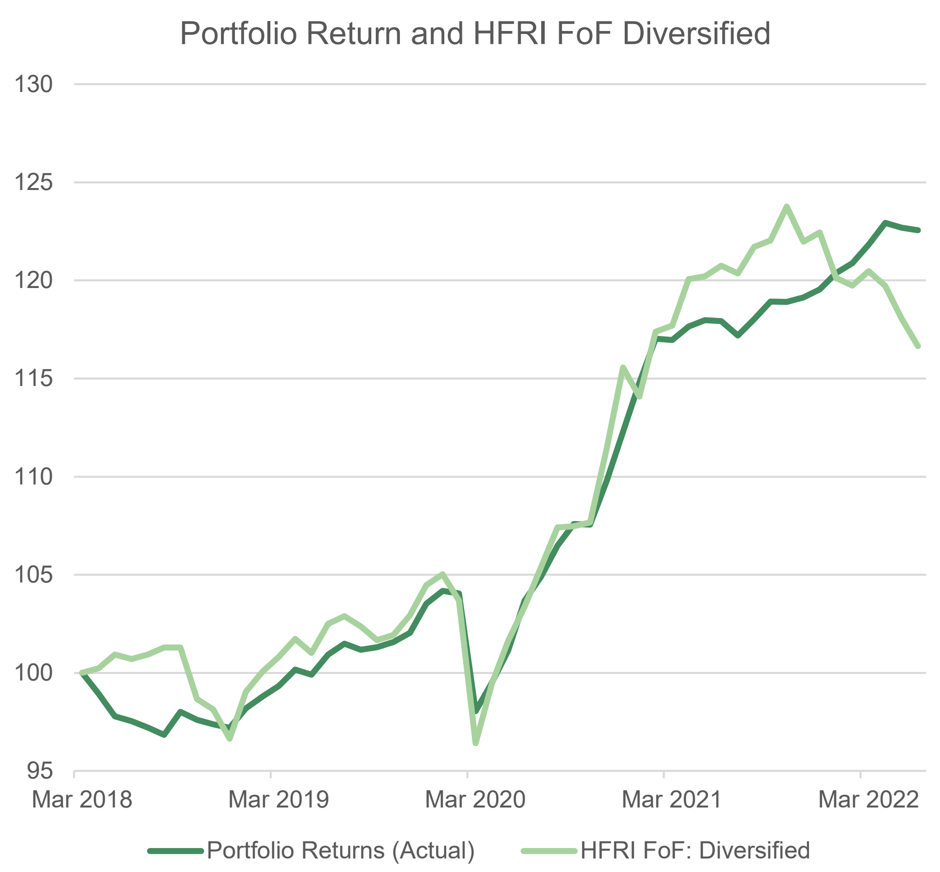
Source: Albourne HedgeRS Indices. https://village-eu.albourne.com/castle/hedgers

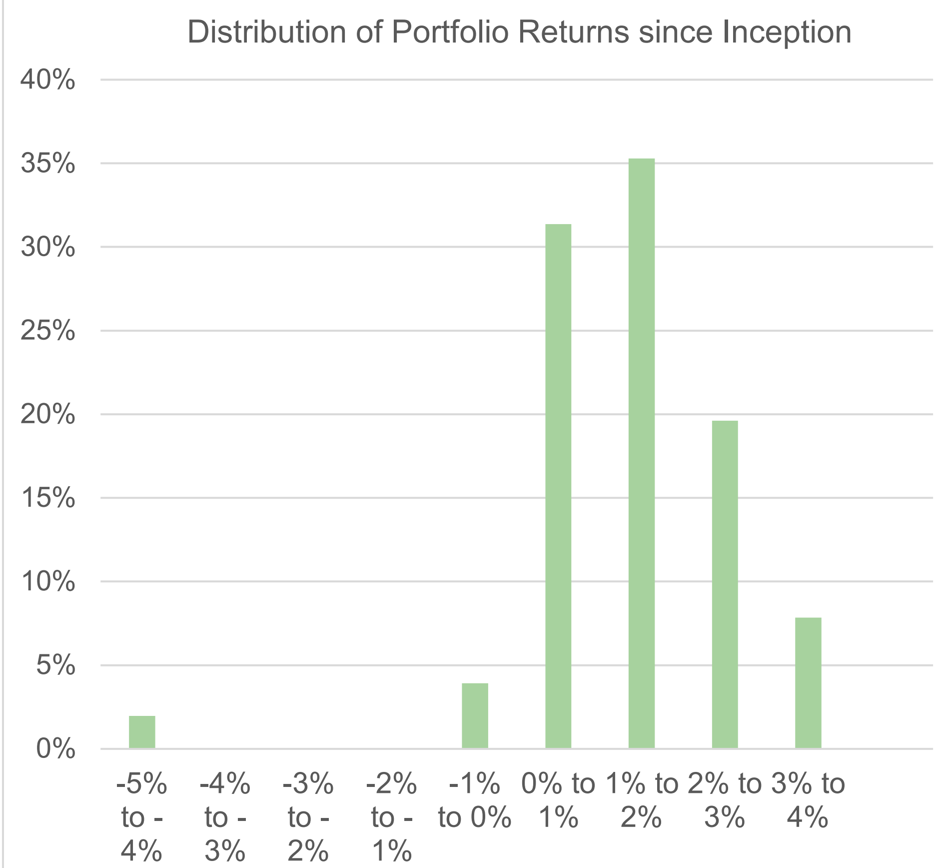
** Based on fund returns/estimates received as of 14 April 2022. Past performance is not necessarily indicative of future results*

ALBOURNE

Portfolio – Performance

- Performance has been particularly strong since March 2020
- Returns mostly positive even in challenging equity and fixed income markets





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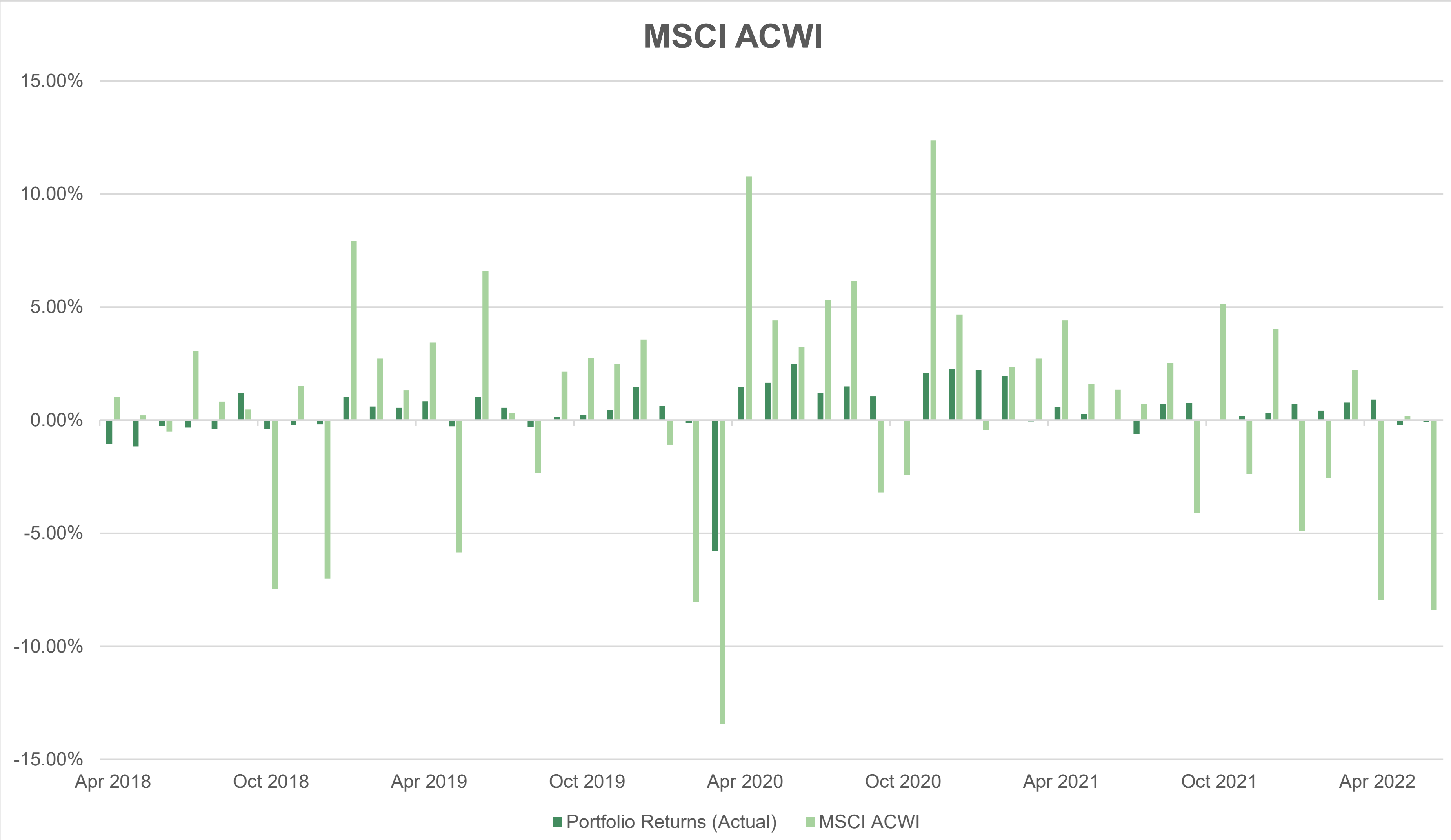
Portfolio – Performance vs Equity



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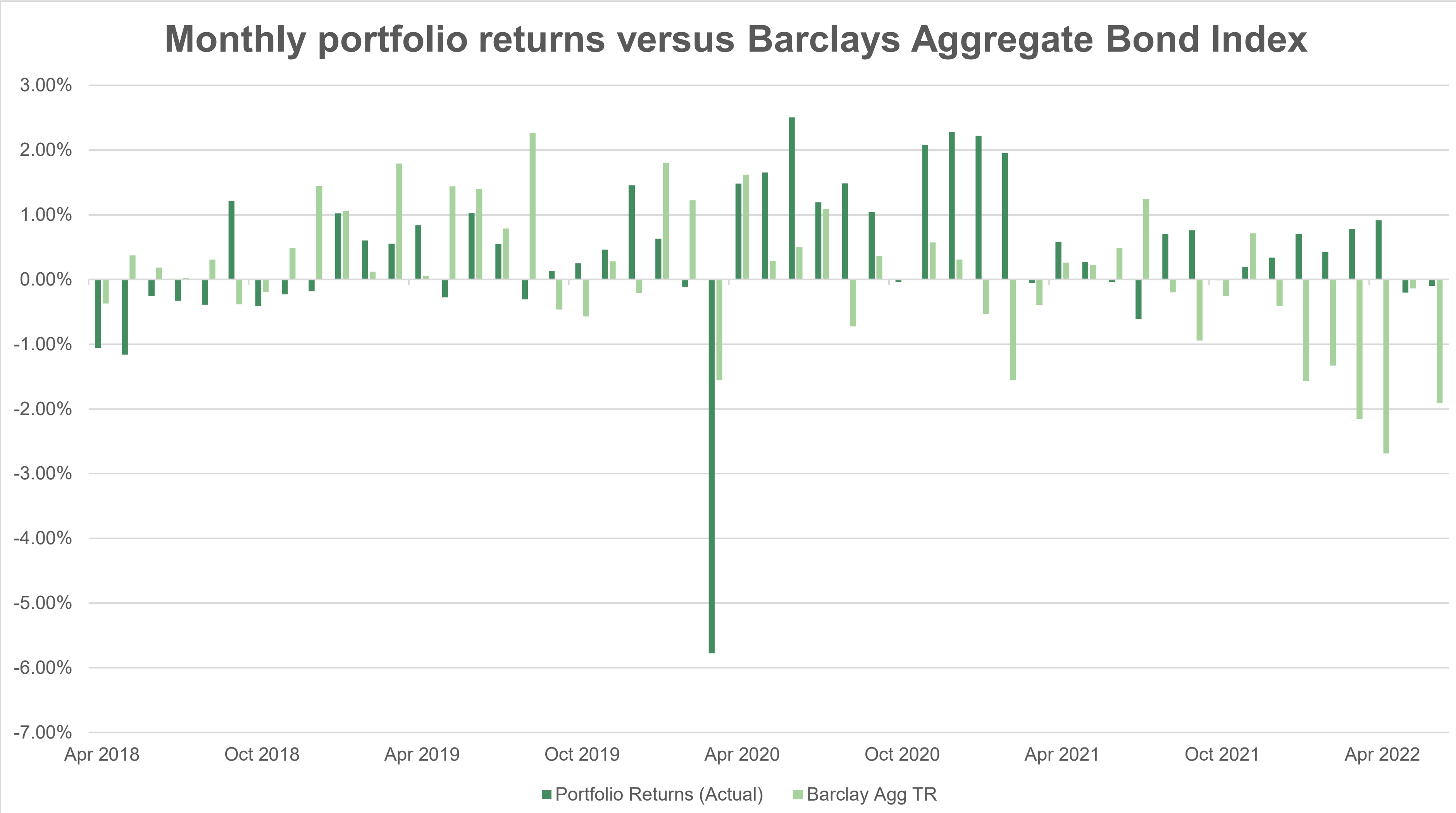
Portfolio – Performance vs Fixed Income



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Portfolio – Performance vs Objectives

- Portfolio has met or exceeded return objective with volatility within guidelines
- Portfolio beta has been below max level of 0.20

Through March 31, 2022									
		Past 12-months		Past 24-months		Past 36-months		Since April 2018	
	Target	Value	Result	Value	Result	Value	Result	Value	Result
Return	US T-Bills +5%(up to Mar19)/+2.5%(Apr19 onwards)	4.15%	✓	11.47%	✓	7.04%	✓	5.06%	✓
Volatility	3%-7%	1.44%	×	3.02%	✓	4.68%	✓	4.34%	✓
Historical Sharpe Ratio	0.4	2.84	✓	3.76	✓	1.33	✓	0.9	✓
Beta to MSCI ACWI Gross TR	< 0.20	-0.03	✓	0.08	✓	0.18	✓	0.16	✓

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