



Chief Investment Officer Monthly Report

Jonathan Grabel – Chief Investment Officer 

Board of Investments Meeting
June 11, 2025

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Complete list of slide footnotes are included in the Appendix.



01



Market Environment

Notable Items and Market Themes to Watch



Notable Items



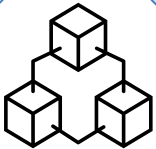
Interest rates and central bank actions

- The Federal Reserve implemented its previously announced slowdown in the pace of quantitative tightening



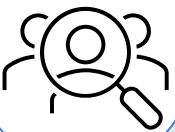
Economic data and trends

- Inflation, supply chains, & labor developments



Artificial intelligence

- Research developments, applications, infrastructure investment, risk oversight and governance



Stewardship and ESG-related developments

- Renewed policy debates on proxy research, shareholder proposal rights, energy production incentives
- Global sustainability reporting adoption, CEO perquisites, state reincorporation

Market Themes

- **Tariff Impacts:** Concerns about the economic impact of tariffs and related policy uncertainty continue to result in significant market volatility and have impacted business sentiment, inflation expectations, and economic growth forecasts. The US Court of International Trade has ruled against some tariffs; appeals are underway, maintaining high uncertainty
- **Inflation Concerns:** While recent official inflation data eased slightly, projected increases remain due to rising inflation expectations in the latter half of 2025, influenced by tariffs
- **Federal Reserve Policy:** The Federal Reserve held federal funds steady at 4.25-4.50% at its May 7th meeting, the third consecutive hold. Strategists anticipate potential rate cuts in the second half of 2025, whereas Fed Chair Powell stated it's "too early to tell" when cuts might occur
- **Geopolitical Uncertainty:** Geopolitical uncertainty was a significant undercurrent influencing economic forecasts, central bank policy considerations, and market behavior
- **Corporate Earnings:** Despite economic headwinds, corporate earnings have shown resilience, with better-than-expected earnings growth and margin expansion driving positive earnings forecasts overall for 2025

Global Market Performance as of May 31, 2025



MSCI ACWI IMI Index (Global Equity Market)*



*Global Equity Policy Benchmark - MSCI ACWIIMI Index

Bloomberg U.S. Aggregate Bond Index**



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

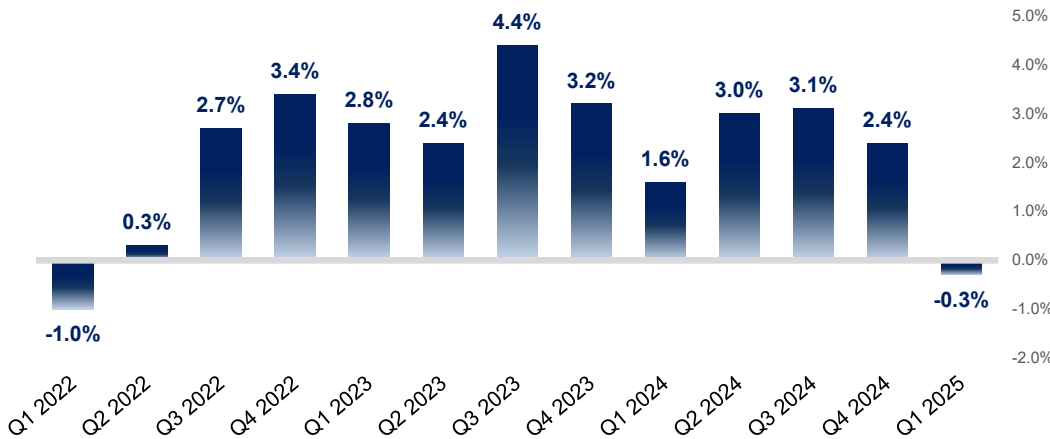
Market	Sub-Category	Index Name	1 M	3 M	FYTD	YTD	1 Y	3 Y	5 Y	10 Y
Reference Portfolio	60:40 Equity:Bond Portfolio	60% MSCI ACWI IMI/ 40% Bloomberg U.S. Aggregate Index	3.2	1.5	8.4	4.1	10.0	7.7	7.5	6.2
Global Equity	U.S. Large Cap	S&P 500 Total Return	6.3	-0.4	9.6	1.1	13.5	14.4	15.9	12.9
	U.S. Small Cap	Russell 2000 Total Return	5.3	-4.1	2.1	-6.8	1.2	5.0	9.6	6.6
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	4.8	8.6	13.7	13.8	13.5	9.1	10.4	5.5
	Emerging Markets	MSCI Emerging Markets Total Return	4.3	6.3	8.7	8.7	13.0	5.1	7.1	3.9
Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	11.5	1.3	11.0	3.7	17.1	11.4	13.2	10.7
Fixed Income	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	1.7	0.6	8.3	2.7	9.3	6.7	5.8	5.0
	U.S. Long Term Treasury Bonds	Bloomberg Long Term U.S. Treasury Total Return Index	-2.9	-4.8	-0.9	0.6	0.7	-5.0	-8.6	-0.5
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	1.6	1.3	6.6	2.1	6.9	8.5	7.5	5.0
Real Assets & Inflation Hedges	Natural Resources	S&P Global Natural Resources Total Return Index	3.0	1.5	-2.3	7.0	-6.5	-1.3	12.4	5.7
	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	0.8	7.1	22.9	10.8	20.9	5.8	9.2	5.3
	Treasury Inflation-Protected Securities	Bloomberg U.S. Treasury TIPS 0-5 Years Total Return	-0.4	1.4	5.9	3.5	6.6	3.3	3.8	2.8
	Real Estate	NCREIF Fund Index - ODCE (Net) ¹	—	0.9	1.8	—	1.2	-5.1	2.0	4.7

Source: Bloomberg, State Street

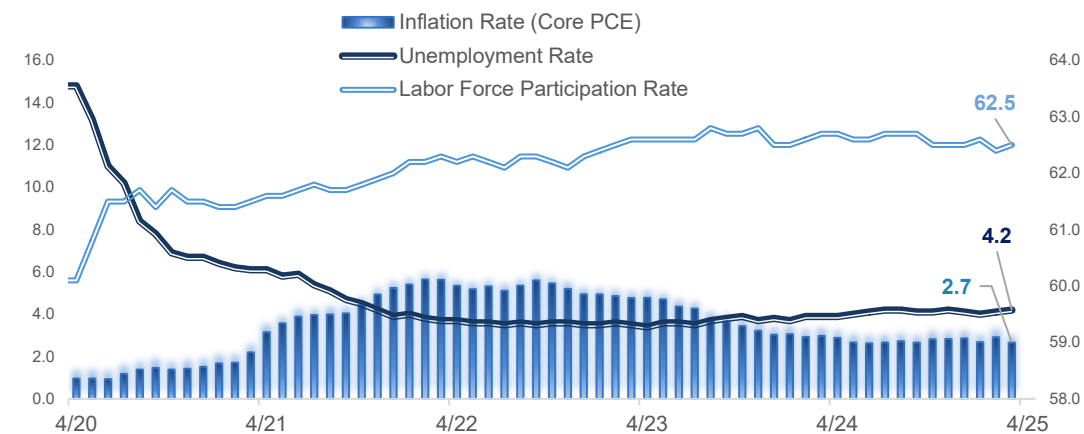
Key Macro Indicators²



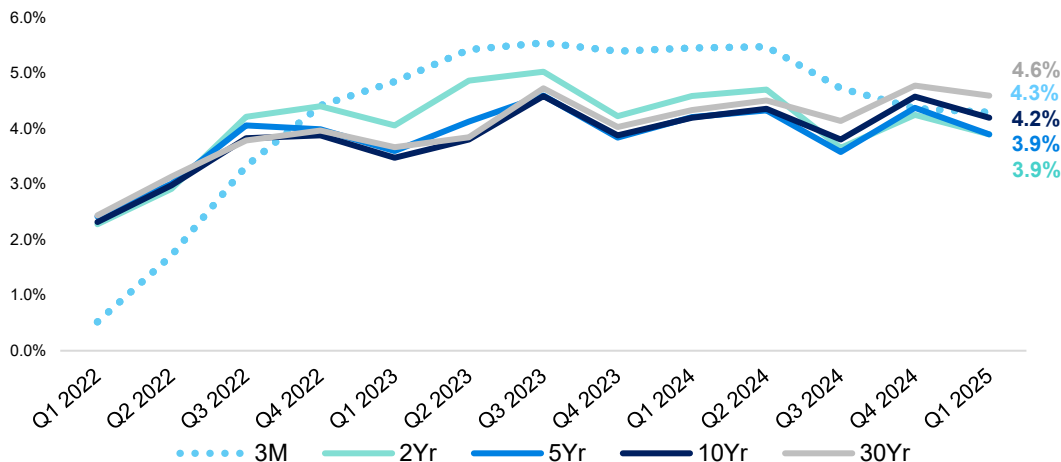
Quarterly Real GDP Growth



Inflation, Unemployment, and Labor Participation

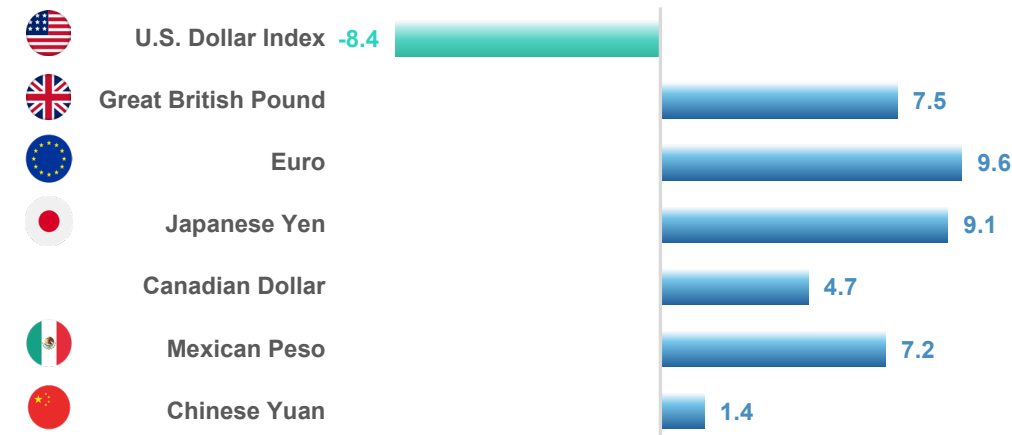


Market Yields on U.S. Treasury Securities



U.S. Dollar and Major Currency Performance

(Year-to-Date as of 5/31/2025)



Sources: Bloomberg, St. Louis Federal Reserve



02



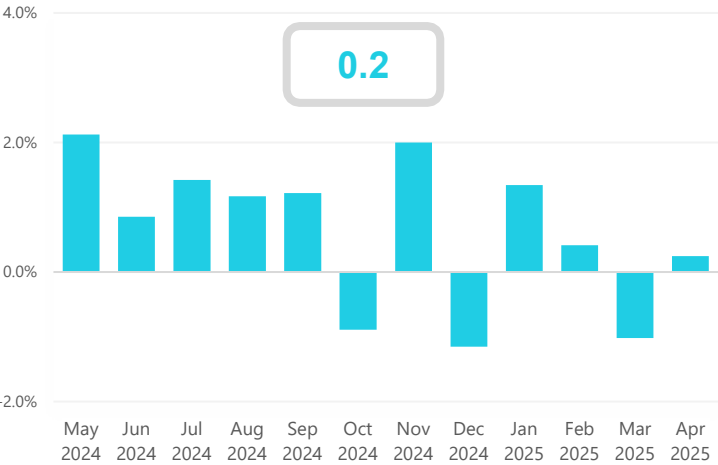
Total Fund Performance & Risk

Total Fund

Performance Summary as of April 2025



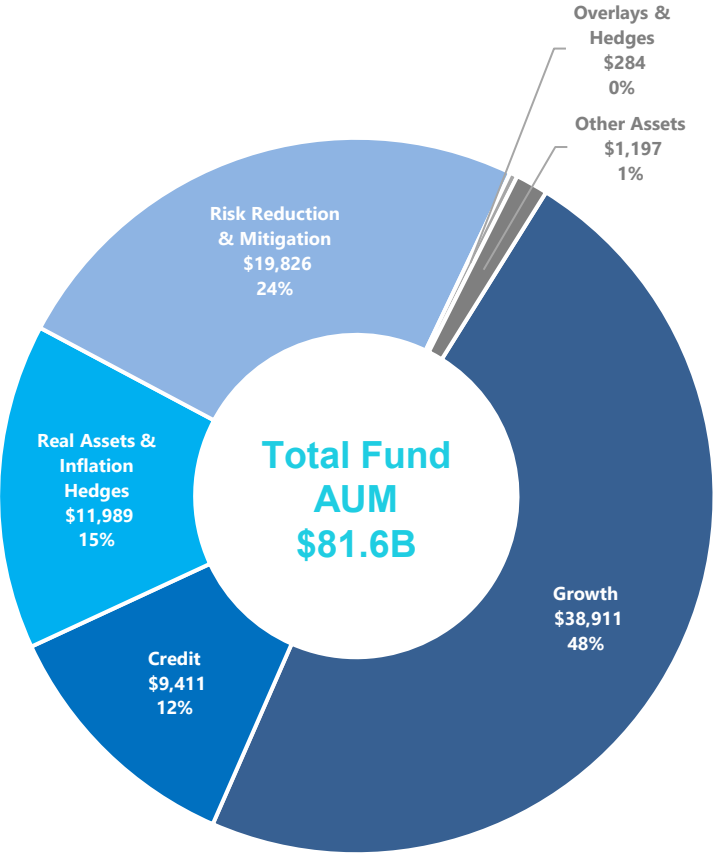
Monthly Return (net)



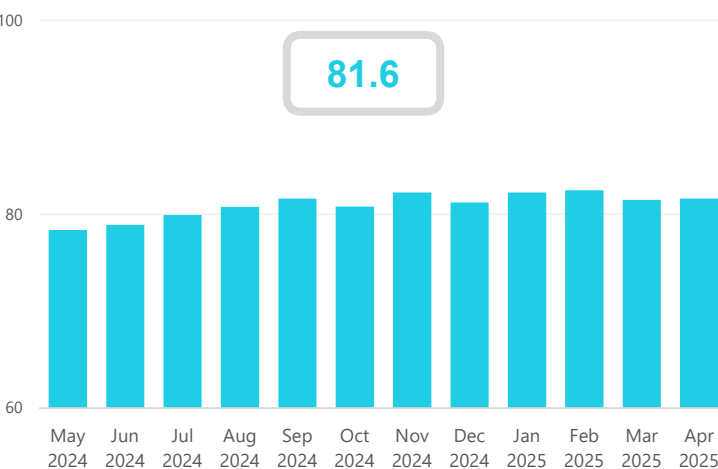
Growth of a Dollar (trailing 5Y)³



Asset Allocation (in millions)⁴



Total Market Value (in billions)



Cash (in millions)

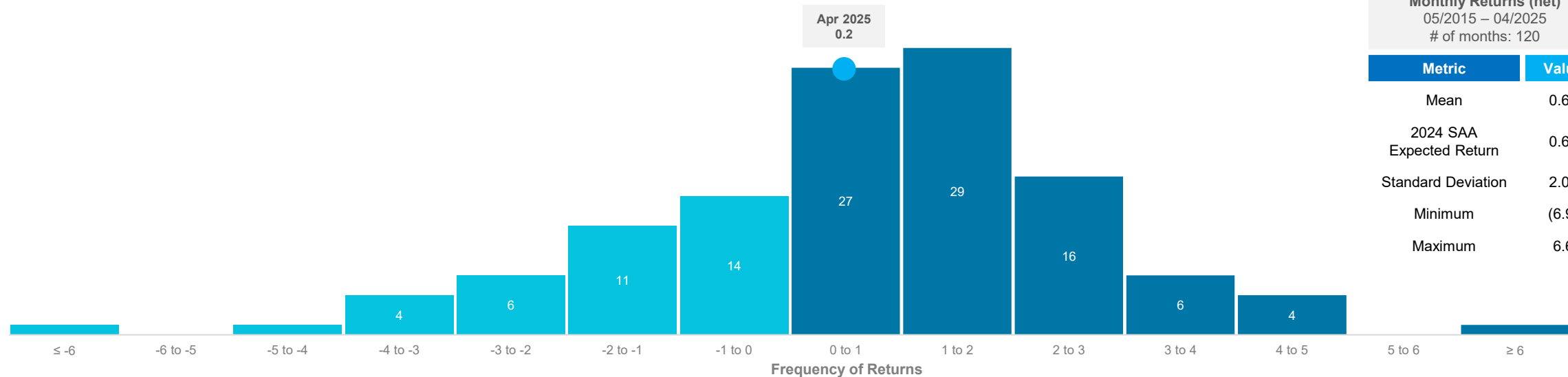


Total Fund

Historical Net Performance as of April 2025



LACERA Pension Fund⁵



Monthly Returns (net)	
05/2015 – 04/2025	
# of months: 120	
Metric	Value
Mean	0.61
2024 SAA Expected Return	0.60
Standard Deviation	2.02
Minimum	(6.9)
Maximum	6.6

	Market Value (\$ mm)	% of Total Fund	Target	1 Month	3 Month	FYTD	YTD	1 Year	3 Year	5 Year	10 Year
Total Fund	81,619	100.0%	100.0%	0.2%	-0.4%	4.8%	1.0%	7.9%	5.7%	9.5%	7.4%
Total Fund Policy Benchmark				1.1%	0.5%	6.5%	1.2%	10.6%	6.1%	8.2%	7.0%
Total Fund Actuarial Hurdle				0.6%	1.7%	5.8%	2.3%	7.0%	7.0%	7.0%	7.0%
Growth	38,911	47.7%	48.0%	0.8%	-1.9%	4.3%	0.2%	8.8%	7.3%	13.6%	
Growth Policy Benchmark				1.8%	-0.6%	7.7%	0.7%	14.1%	9.3%	13.0%	
Credit	9,411	11.5%	13.0%	-0.8%	0.1%	7.4%	0.6%	10.0%	8.6%	9.7%	
Credit Policy Benchmark				-0.4%	1.0%	6.9%	1.4%	8.2%	6.7%	6.2%	
Real Assets & Inflation Hedges	11,989	14.7%	15.0%	0.7%	2.2%	4.8%	3.3%	4.9%	0.9%	6.7%	
RA & IH Policy Benchmark				1.2%	0.6%	3.8%	-0.1%	4.2%	-0.4%	6.2%	
Risk Reduction & Mitigation	19,826	24.3%	24.0%	0.2%	2.1%	5.0%	2.6%	7.5%	2.3%	0.9%	
RR & M Policy Benchmark				0.3%	2.3%	4.9%	2.8%	7.7%	2.2%	0.1%	
Overlays & Hedges	284	0.3%									
Other Assets	1,197	1.5%									

Total Fund

Forecast Volatility as of April 2025⁶



VOLATILITY

Measures how much a portfolio can fluctuate over 1Y

TOTAL FUND
VOLATILITY

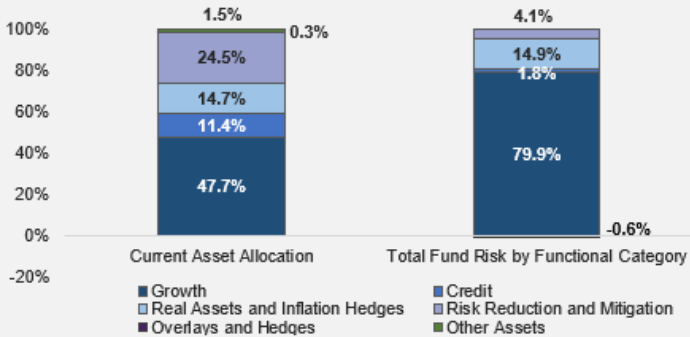
9.6%

BENCHMARK
VOLATILITY

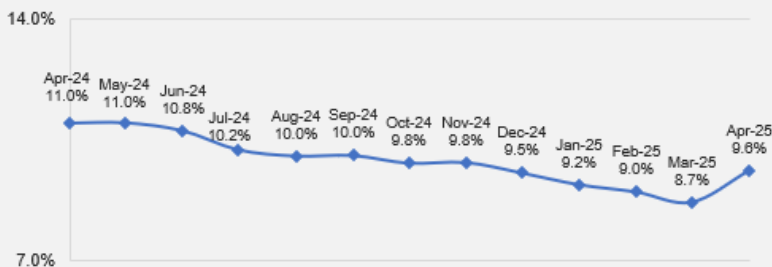
9.9%

Total Fund Asset Allocation

Capital-based versus Risk-based



Forecasted Total Fund Volatility Trend



ACTIVE RISK

1Y forecast that measures how closely the portfolio tracks the benchmark

TOTAL FUND
ACTIVE RISK

1.12%

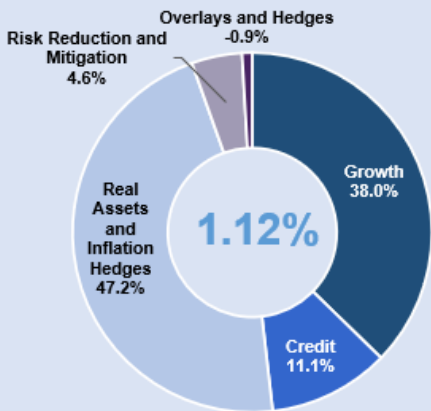
ALLOCATION
RISK

0.04%

SELECTION
RISK

1.09%

Functional Category Contributions to Active Risk



Forecasted Active Risk Trend



Source: MSCI BarraOne

Total Fund






Geographic Exposure by AUM as of April 2025^{7,8}

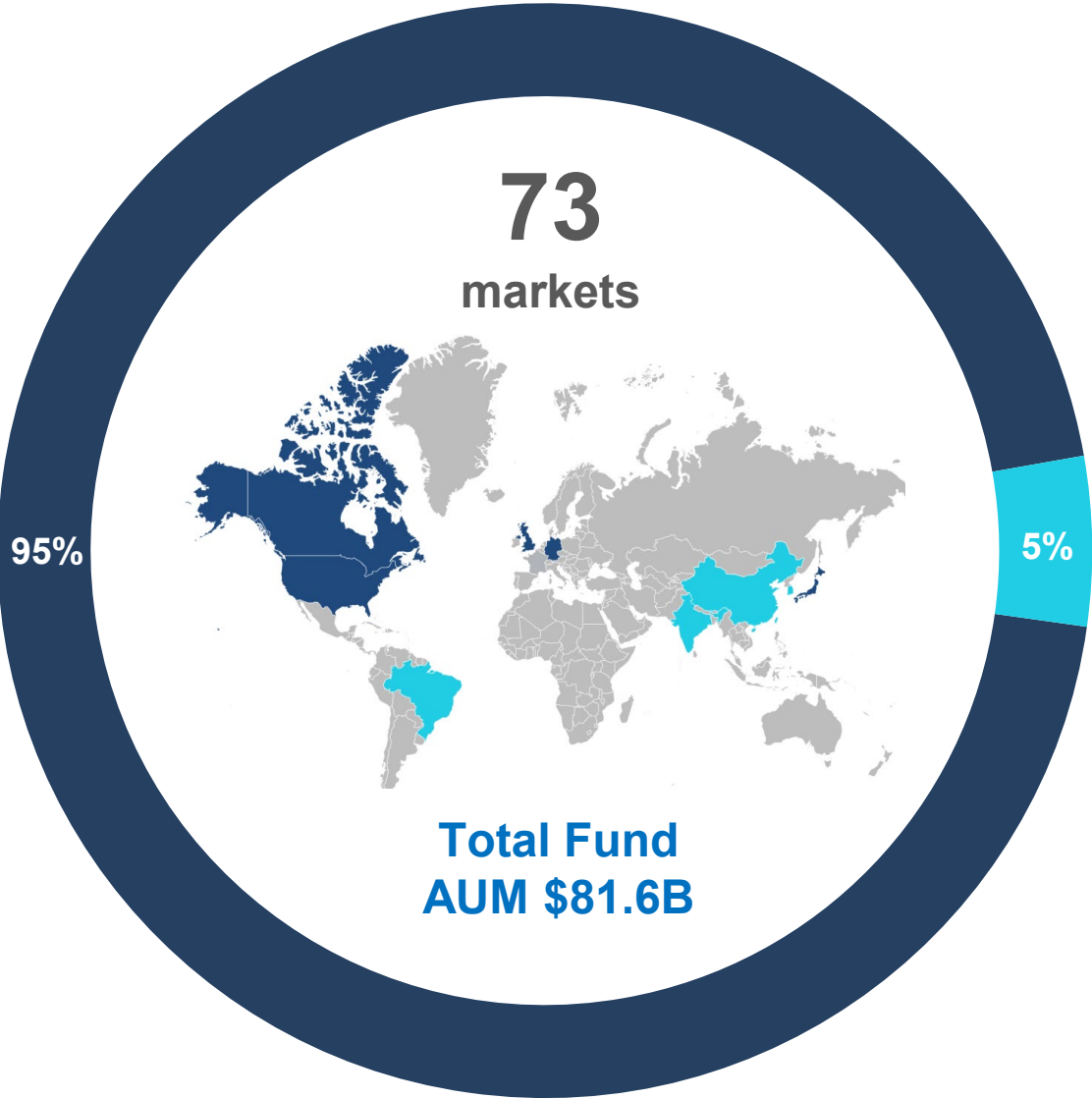





25

developed markets





Top 5 Countries		Portfolio
	United States	76.5%
	United Kingdom	4.5%
	Canada	2.3%
	Japan	1.7%
	Germany	1.7%





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emerging & frontier markets

Top 5 Countries		Portfolio
	China	1.9%
	Taiwan	0.6%
	India	0.5%
	Brazil	0.4%
	South Korea	0.4%



03



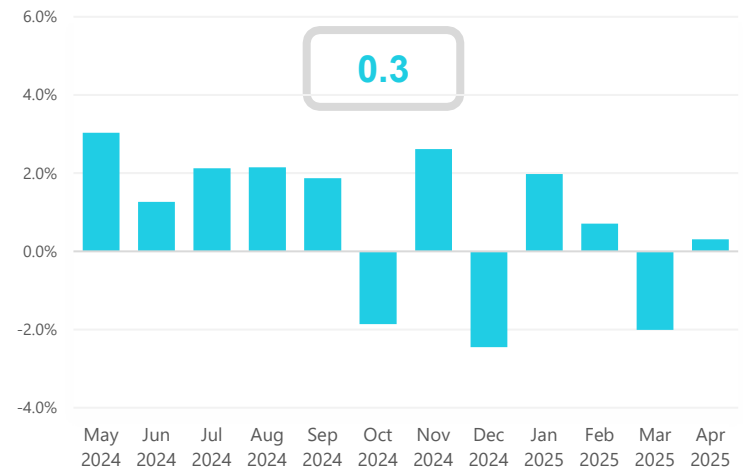
OPEB Trust Performance & Risk

OPEB Trust

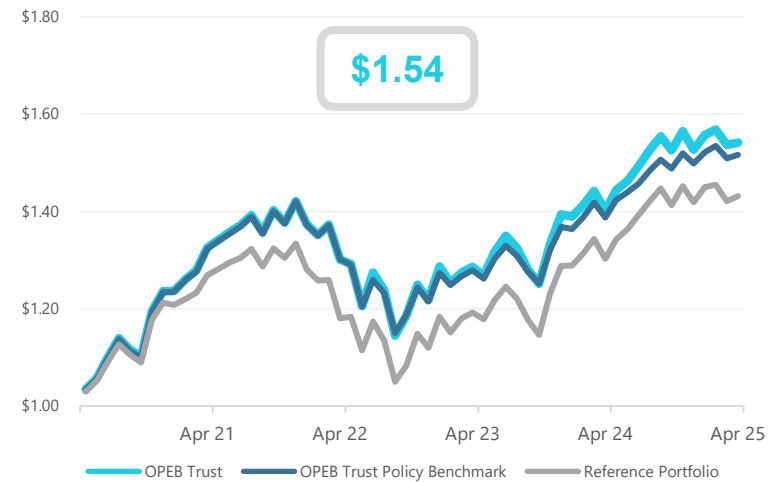
Performance Summary as of April 2025



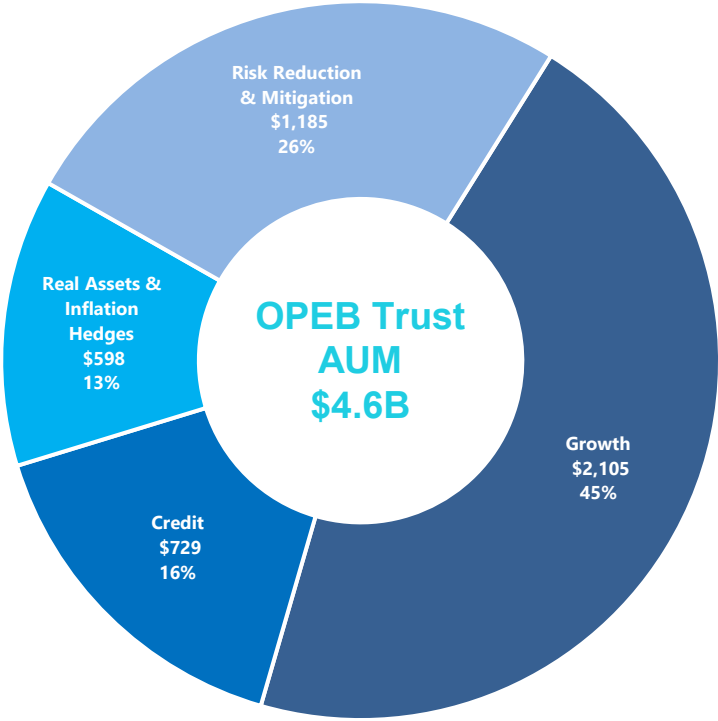
Monthly Return (net)



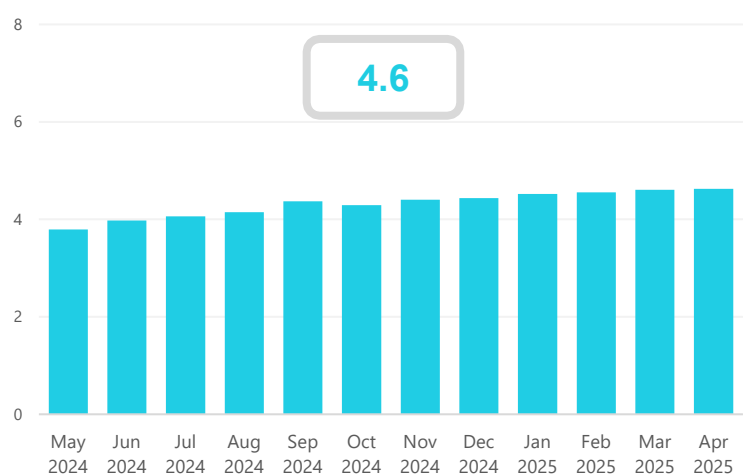
Growth of a Dollar (trailing 5Y)⁹



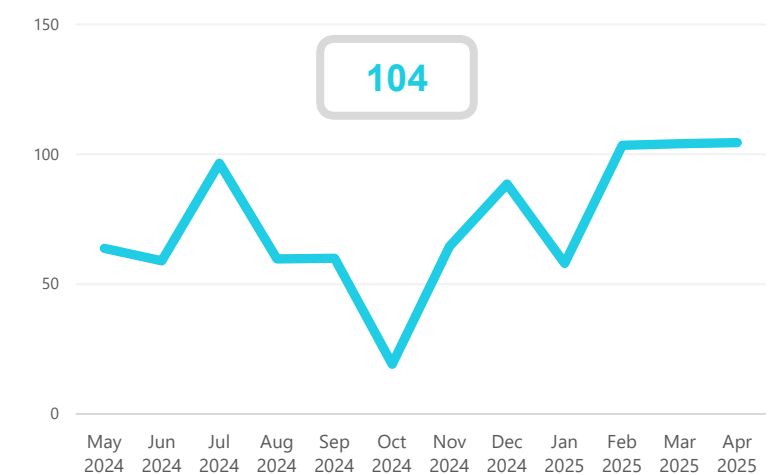
Asset Allocation (in millions)



Total Market Value (in billions)

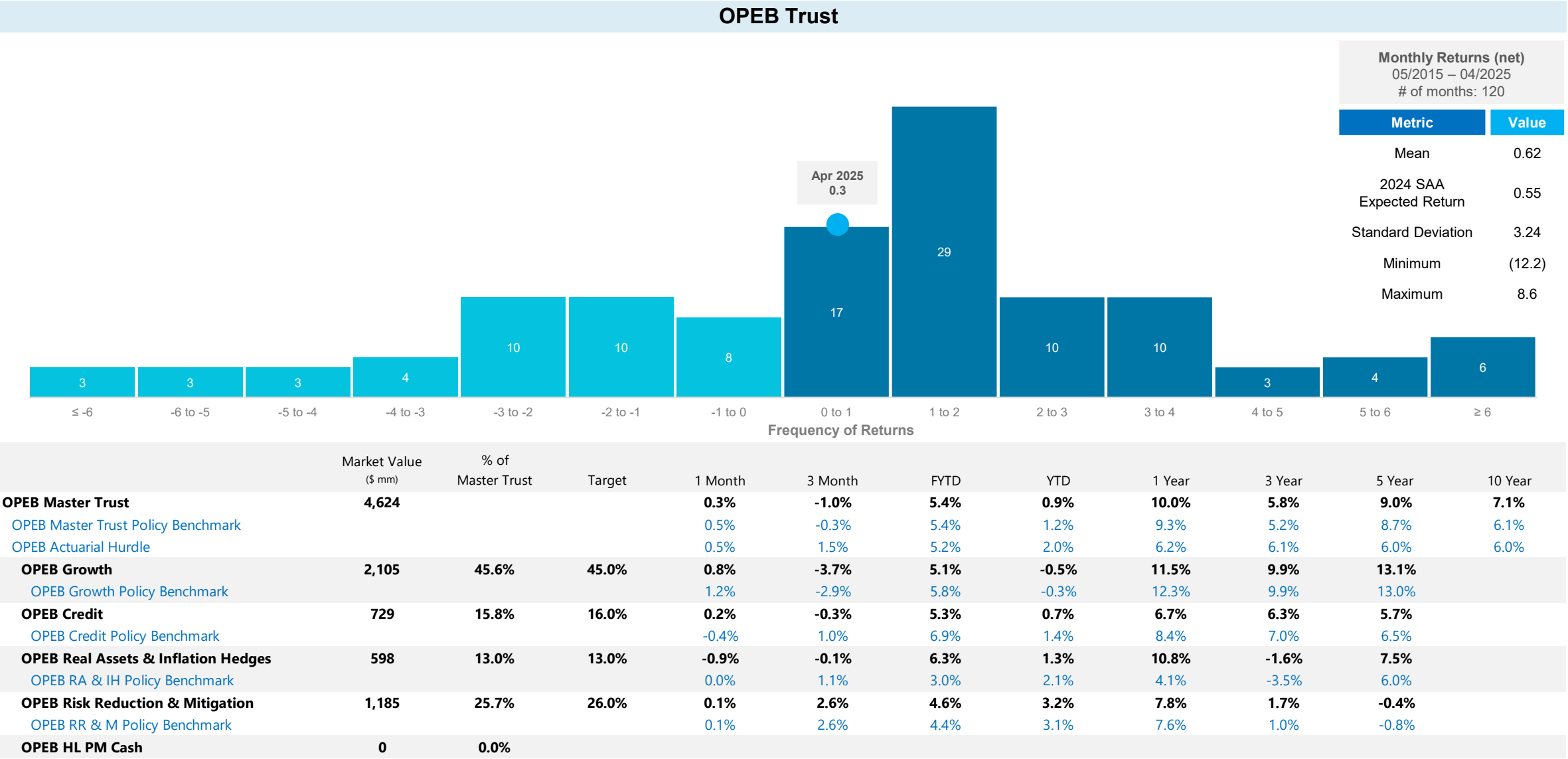


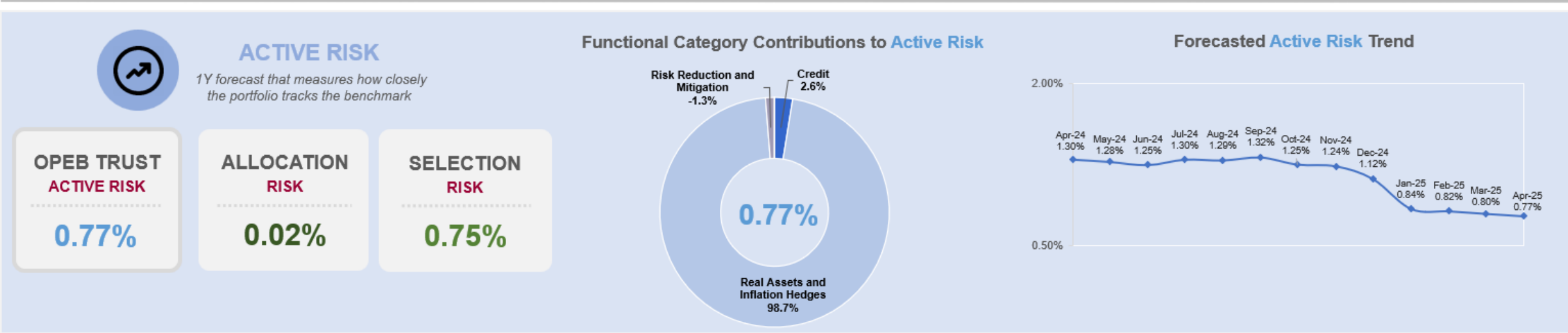
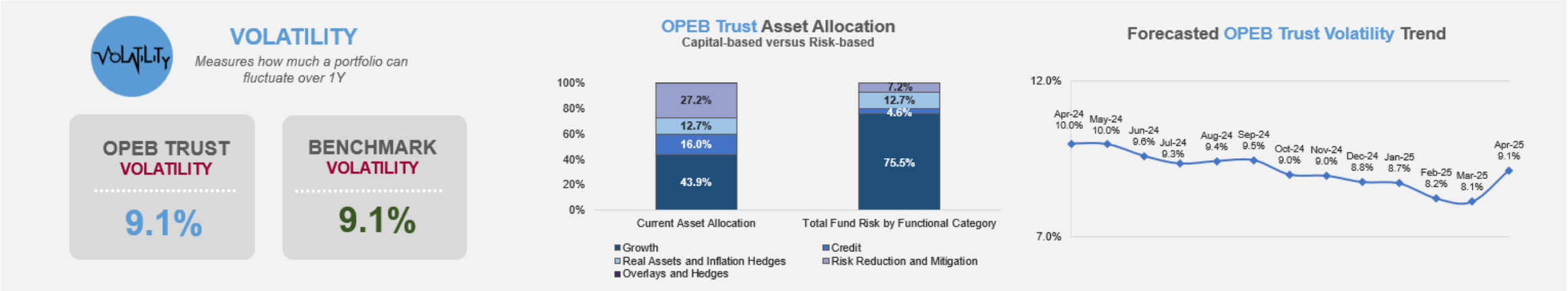
Cash (in millions)



OPEB Trust

Historical Net Performance as of April 2025

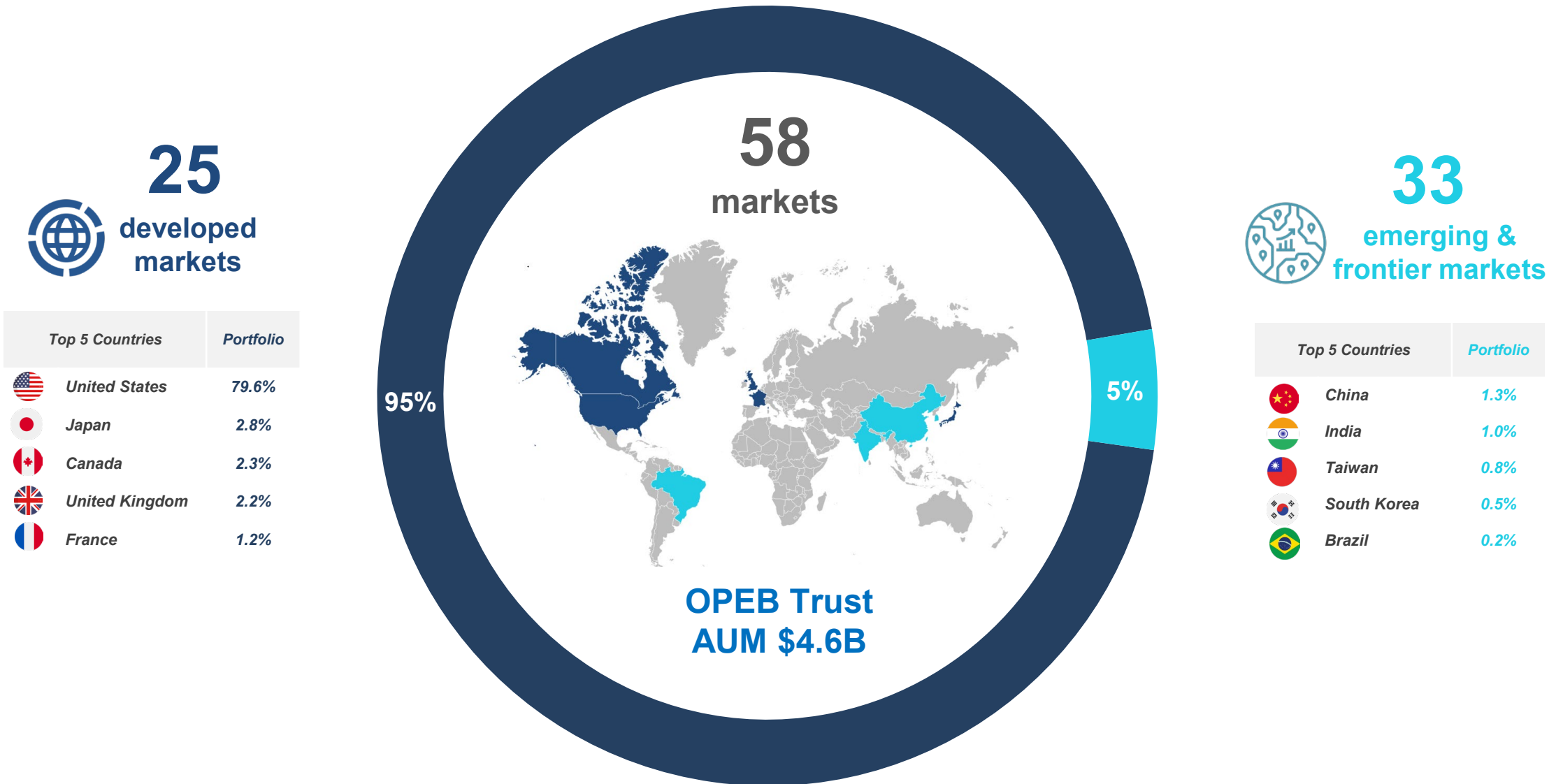




Source: MSCI BarraOne

OPEB Trust

Geographic Exposure by AUM as of April 2025^{11,12}





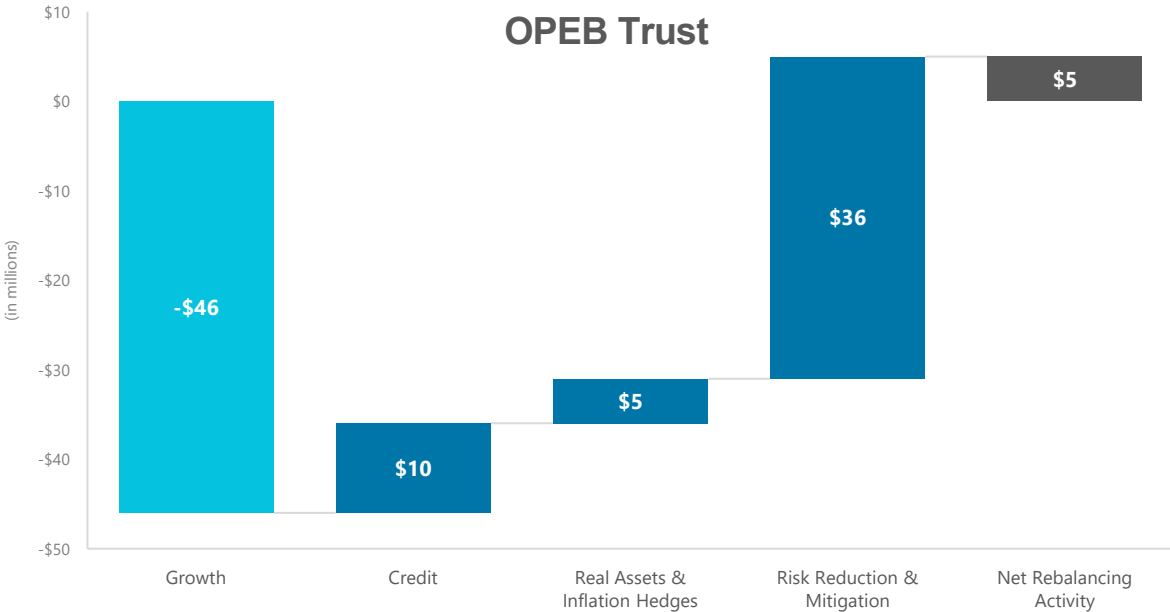
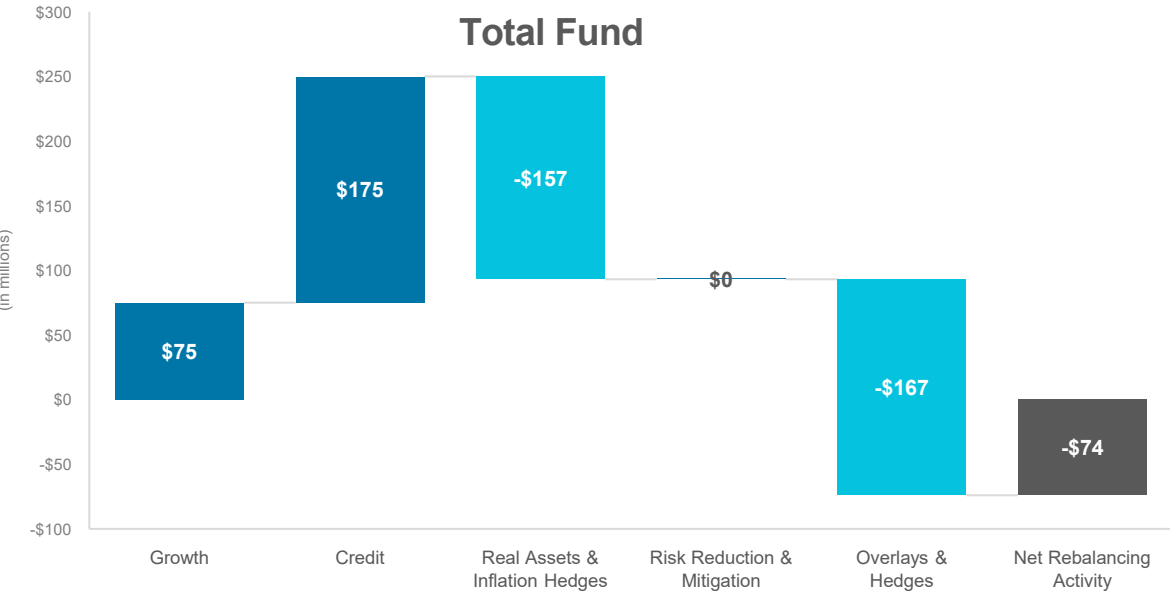
04

Portfolio & Structural Updates





Rebalancing Activity



Overlays & Hedges

Program	April Gain / (Loss) in \$ millions	Since Inception Gain / (Loss) in \$ millions
Currency Hedge	(33.5)	1,657.6
Cash / Rebalance Overlay	(16.8)	561.1

Key Initiatives and Operational Updates



Key Initiatives & Operational Updates

Status

Total Fund

April 2024 approved Strategic Asset Allocation implementation	In Progress
Adhering to the BOI-approved 2025 Strategic Framework	In Progress
Risk system onboarding	In Progress
Finance Analyst I Fellowship	In Progress

OPEB Trust

April 2024 approved Strategic Asset Allocation implementation	In Progress
Risk system onboarding	In Progress



Open Personnel Searches

Status

Investments Division

Principal Investment Officer – 1 position	In Development
Finance Analyst III – 3 positions	In Development
Finance Analyst II – 3 positions	In Development
Finance Analyst I – 2 positions	In Progress

Key Initiatives and Operational Updates



Strategic Updates

Firm	Nominee	New Role	Nominated By	Update
LACERA	Jon Grabel, CIO	Chair, US Asset Owners Advisory Council (USAO AC)	Council of Institutional Investors (CII)	The CII board appointed Mr. Grabel to the US Asset Owners Advisory Council (USAO AC) for the 2025-26 year. The board also appointed Mr. Grabel as Chair of the USAO AC.



Manager / Consultant Updates

Firm	Mandate	Asset Class	LACERA AUM <small>(prior month end, in millions)</small>	Update
Lazard	Separate Account	Global Equities	\$462	Nargis Hilal, Chief Compliance Officer (CCO) at Lazard Asset Management, recently announced her departure. A search for her successor is in progress, with a new global CCO expected to join in August. In the interim, Mark Anderson, Managing Director and General Counsel, will serve as acting Global CCO.

Change In Fiduciary Net Position¹³



FIDUCIARY NET POSITION

Additions

+

Deductions



ADDITIONS

Employer and Employee Contributions

Net Investment Income/(Loss)

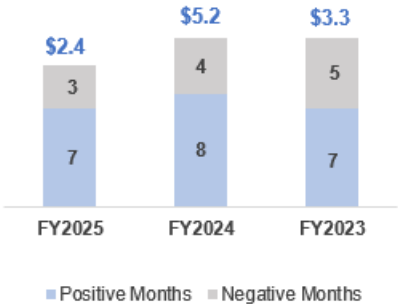


DEDUCTIONS

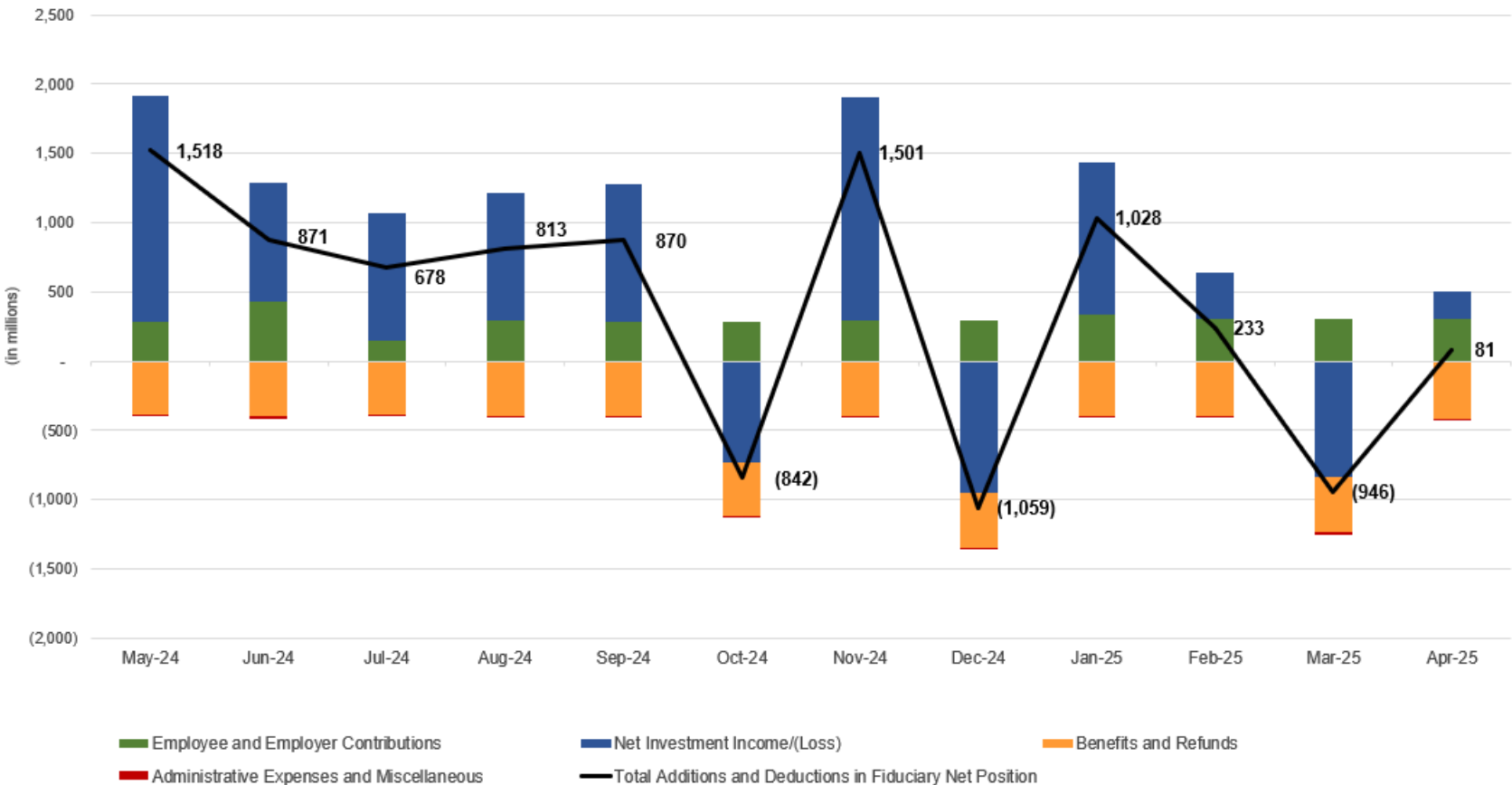
Benefits and Refunds

Administrative Expenses

Total Net Position Change Trend (in billions)



Additions and Deductions in Net Fiduciary Position (Unaudited)





05



Appendix

Staff Chart of the Month

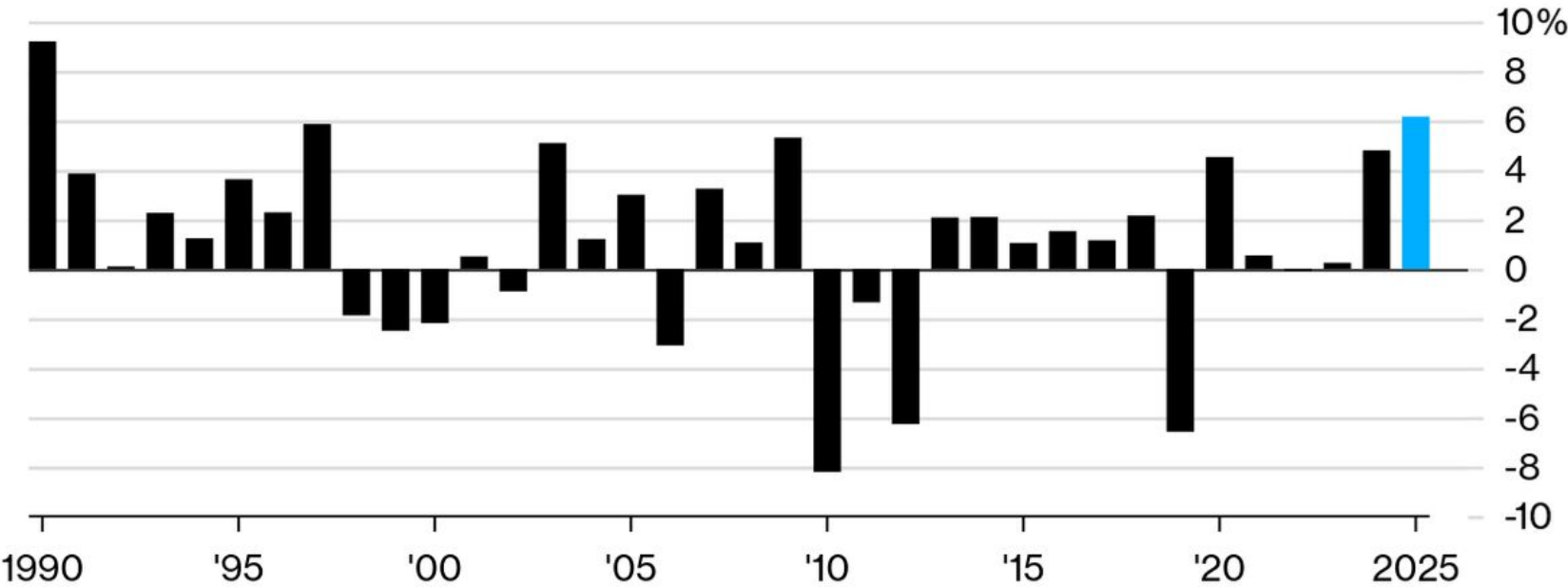
S&P 500 is on Pace for Largest May Gain in Over Three Decades



Rapid Rebound

The S&P 500 is on track for its biggest monthly gain in May since 1990

■ S&P 500 monthly percent change in May



Bloomberg

As of May 29, 2025.

Quiet Period for Search Respondents



Real Assets Emerging Manager Program Discretionary Separate Account Manager



▪ Artemis Real Estate Partners	▪ ORG Portfolio Management
▪ Aether Investment Partners	▪ Barings
▪ Neuberger Berman Group	▪ Belay Investment Group
▪ The Townsend Group	▪ Hamilton Lane
▪ BGO Strategic Capital Partners	▪ Cambridge Associates
▪ BlackRock	▪ Seed Partners
▪ StepStone	▪ Stable Asset Management
▪ GCM Grosvenor	▪ Wafra Inc.

Disclosures & Definitions



Page / Footnote	Disclosure
Page 5 / Footnote 1	NCREIF Fund Index – ODCE (Net) returns represent the latest available quarterly performance.
Page 6 / Footnote 2	The information on the “Key Macro Indicators” charts is the best available data and may not reflect the current market and economic environment.
Page 8, 13 / Footnote 3, 9	Reference portfolio = 60% MSCI ACWI IMI / 40% Bloomberg US Aggregate Bond Index.
Page 8, 9 / Footnote 4, 5	Other Assets include receivables due to deferred sales and rebalancing activity pending settlement.
Page 10, 15 / Footnote 6, 10	Real estate and private equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.
Page 11, 16 / Footnote 7, 11	Geographic exposure ex-overlays and hedges is based on the domicile country of a given security/asset.
Page 11, 16 / Footnote 8, 12	Information displayed represents best available holdings level transparency. Based on MSCI Market Classification Framework.
Page 21 / Footnote 13	Includes unrealized and realized net investment income.

Term	Definition
Active risk	Risk that a managed portfolio creates to outperform the benchmark returns.
Allocation risk	Investment manager’s decision to overweight or underweight sector weights in the portfolio versus the benchmark.
Mean	Expected return of an asset over a specified period.
Selection risk	Investment manager’s selection of securities within the portfolio versus the benchmark.
Standard deviation	Statistical measure of dispersion around the mean.
Volatility	Statistical measure of dispersion of returns for a portfolio.