



MINUTES OF THE DECEMBER 6, 2023 INVESTMENT COMMITTEE MEETING

To: Members of the Board of Retirement
From: Tarrell Gamble – Chair
Subject: Summary of December 6, 2023 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, December 6, 2023 at 11:10 a.m. The Committee members present were Ross Clippinger, Tarrell Gamble, Henry Levy (via Zoom with “just cause”), Elizabeth Rogers, Kellie Simon, and George Wood. Also present were Alternate General Member Cynthia Baron and Alternate Safety Member Kevin Bryant. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Executive Officer, Carlos Barrios – Assistant Chief Executive Officer, Jeff Rieger – Chief Counsel, Betty Tse – Chief Investment Officer, Julius Cuaresma – Investment Analyst, Clint Kuboyama – Investment Officer, and John Ta – Investment Officer.

Action Item: Matters for discussion and possible motion by the Committee

There are no action items.

Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports

1. Semiannual Performance Review for the Period Ending June 30, 2023 – Real Estate
 - Callan provided a review of ACERA’s Real Estate portfolio for the period ending 06/30/2023. General market commentary was provided along with an overview of the Real Estate portfolio performance and diversification.
 - For the last 6-months ending 06/30/2023, ACERA’s Real Estate portfolio had a net return of -5.69%, outperforming the NFI-ODCE benchmark return of -6.16%.
 - For the trailing 1-year period, ACERA’s Real Estate portfolio had a net return of -9.67% outperforming the NFI-ODCE benchmark return of -10.73%.
2. Semiannual Performance Review for the Period Ending September 30, 2023 – Total Fund Review Highlighting Public Markets Asset Classes and Absolute Return
 - Verus provided their Total Fund Review presentation.

- For the 6-month period ending 09/30/2023, ACERA's Total Fund returned 0.66% net, compared to the Policy Index return of 0.63%. For the year ending 09/30/2023, the Total Fund returned 10.86% net compared to the Policy Index of 10.61%. The Total Fund's net results ranked in the 47th and 39th percentile for the semi-annual and one-year periods, respectively.
- Specific to equities, the U.S. Equity asset class returned 4.51% net (vs. its benchmark return of 4.86%) and 19.97% net (vs. its benchmark return of 20.46%) for the 6-month and 1-year periods ending 09/30/2023, respectively. The International Equity asset class returned -2.14% net (vs. its benchmark -0.87%) and 21.20% net (vs. its benchmark 20.82%) for the 6-month and 1-year periods ending 09/30/2023, respectively.
- Specific to Fixed Income, the asset class return was -3.85% net (vs. its benchmark return of -3.91%) and 2.07% net (vs. its benchmark return of 1.88%) for the 6-month and 1-year periods ending 09/30/2023, respectively.
- Specific to the Absolute Return asset class, the 6-month and 1-year returns for the periods ending 09/30/2023 were 4.87% net (vs. its benchmark return of 2.07%) and 4.25% net (vs. its benchmark return of 4.61%), respectively.
- As of 09/30/2023, the market value of the Total Fund was \$10,585,220,615.

3. Semiannual Performance Review for the Period Ending June 30, 2023 – Private Equity

- Verus provided a review of ACERA's Private Equity portfolio for the period ending 06/30/2023. General market commentary was provided along with an overview of the Private Equity portfolio performance and diversification.
- As of 06/30/2023, the Private Equity Portfolio had a total market value of \$1.05 billion, which represented 9.7% of the Total Fund in comparison to its 11.0% asset class target. For the one-year period ending 06/30/2023, the Private Equity Portfolio returned a net IRR of 9.58% vs the Refinitiv C|A Global All Private Equity Benchmark net IRR of -1.82%. For the three-year period ending 06/30/2023, ACERA's Private Equity Portfolio returned a net IRR of 24.09% vs the Refinitiv C|A Global All Private Equity Benchmark net IRR of 21.29%.

4. Semiannual Performance Review for the Period Ending June 30, 2023 – Private Credit

- Verus provided an overview of the Private Credit Asset Class's performance. As of 06/30/2023, the Private Credit Portfolio had a total market value of \$295.35 million which represented 2.7% of the Total Fund (asset-class target is 4.0%). Since the Private Credit Portfolio's inception through 06/30/2023, the Portfolio's net IRR was 8.29%, 3.67% above the same cash flows invested in the Morningstar LSTA Leveraged Loan Index of 4.62%.

5. Semiannual Performance Review for the Period Ending June 30, 2023 – Real Assets

- Verus discussed the performance of the Real Assets Portfolio. As of 06/30/2023, the Real Assets Asset Class had a total market value of \$635.23 million, representing about 5.8% of ACERA's Total Fund (asset-class target is 6.0%). For the one-year period ending 06/30/2023, the Real Assets Portfolio produced a -3.65% net IRR versus its blended benchmark (60% S&P Global Infrastructure Index/35% Global LargeMidCap Commodity and Resources Index/5% Bloomberg Commodity Index) return of 3.38%. For the three-year period ending 6/30/2023, ACERA's Real Assets Portfolio's net IRR was 14.70% net versus its blended benchmark return of 10.65%.

6. Semiannual Performance Review for the Period Ending June 30, 2023 – Real Estate

- Callan provided a review of ACERA's Real Estate portfolio for the period ending 06/30/2023. General market commentary was provided along with an overview of the Real Estate portfolio performance and diversification.
- For the last 6 months ending 06/30/2023, ACERA's Real Estate portfolio had a net return of -5.69%, outperforming the NFI-ODCE benchmark return of -6.16%.
- For the trailing 1-year period, ACERA's Real Estate portfolio had a net return of -9.67% outperforming the NFI-ODCE benchmark return of -10.73%.
- For the trailing 3-year period, ACERA's Real Estate portfolio had a net return of 8.01%, outperforming the benchmark return of 7.04%.
- For the year ending 06/30/2023, ACERA's Real Estate portfolio was valued at \$785.01 million, representing 7.22% of the Total Fund. The Real Estate Market Value and Unfunded Commitment as of that date were \$894.33 million, representing 8.22%.

7. Annual Update – ESG Implementation

- Staff discussed ACERA's First Annual ESG Risk Disclosure Report.
- Staff and the Committee discussed Staff's ongoing ESG due diligence, including reviewing ACERA's ESG Policy.
- Staff also expressed gratitude to Verus for their contributions to ACERA's ESG initiatives and efforts.

8. CA Gov. Code § 7514.7 Information Report

- Staff discussed its annual CA Gov. Code § 7514.7 Alternative Investment Vehicles Information Report with the Investment Committee.

Investment Committee Meeting Minutes
December 6, 2023

PUBLIC INPUT:

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, January 3, 2024

ADJOURNMENT

The meeting ended at 11.53 a.m.