



MINUTES OF THE JULY 3, 2024, INVESTMENT COMMITTEE MEETING

To: Members of the Board of Retirement
From: Jaime Godfrey – Chair
Subject: Summary of July 3, 2024 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, July 3, 2024, at 10:30 a.m. The Committee members present were, Ophelia Basgal, Keith Carson, Ross Clippinger, Tarrell Gamble, Jaime Godfrey, Henry Levy, and Elizabeth Rogers. Also present were Alternate General Member Cynthia Baron and Alternate Safety Member Kevin Bryant. ACERA Senior Managers and Presenting Staff present were, Lisa Johnson –Assistant Chief Executive Officer, Jeff Rieger – Chief Counsel (via Zoom), Harsh Jadhav – Chief of Internal Audit, Julius Cuaresma – Investment Analyst, Clint Kuboyama – Investment Officer, John Ta – Investment Officer, Betty Tse – Chief Investment Officer, and Susan Weiss – Investment Counsel (via Zoom).

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

1. Discussion and Possible Motion to Recommend that the Board to Adopt an Asset Allocation Mix
 - At our last ICM, NEPC representatives presented the result of an Asset Liability Study for Mix C. In addition, NEPC also presented three proposed Mixes D, E and F for the Committee’s consideration. Since then and after incorporating input from trustees, staff, and after completing the Asset Liability Studies for Mixes D and G (new Mix since the June ICM), NEPC added Mix G in lieu of Mixes E and F for today’s discussion.
 - NEPC worked collaboratively with Staff and Callan towards a consensus recommendation. All three alternatives Mixes C, D, and G are clearly superior to the current Asset Allocation Policy Targets in terms of expected returns, Sharpe ratio, and risk-adjusted return. All three Asset Allocation Mixes C, D, and G are prudent options for ACERA. However, both NEPC and the CIO agree Mix C exhibits a relatively higher risk-adjusted return profile than Mixes D and G and should be considered more favorably.
 - Trustee Rogers moved, seconded by Trustee Clippinger, to recommend that the Board Adopt Mix C based on the relatively higher risk-adjusted return profile and Sharpe ratio.
 - The motion carried with 8 Yes (Basgal, Baron, Bryant, Carson, Clippinger, Godfrey, Levy, and Rogers), 1 No (Gamble), and 0 Abstention.

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 December 31, 2023 – Real Estate

- Callan provided a review of ACERA's Real Estate portfolio for the period ending 12/31/2023. General market commentary was provided along with an overview of the Real Estate portfolio performance and diversification.
- For the last 6-months ending 12/31/2023, ACERA's Real Estate portfolio had a net return of -4.86%, outperforming the NFI-ODCE benchmark return of -7.00%.
- For the trailing 1-year period, ACERA's Real Estate portfolio had a net return of -10.53% outperforming the NFI-ODCE benchmark return of -12.73%.

2. Semiannual Performance Review for the Period Ending December 31, 2023 – Private Equity

- As of 12/31/2023, the Private Equity Portfolio had a total market value of \$1.15 billion, which represented 10.2% of the Total Fund in comparison to its 11.0% asset class target. For the one-year period ending 12/31/2023, the Private Equity Portfolio returned a net IRR of 13.04% vs the Refinitiv C|A Global All Private Equity Benchmark net IRR of 5.89%. For the three-year period ending 12/31/2023, ACERA's Private Equity Portfolio returned a net IRR of 15.08% vs the Refinitiv C|A Global All Private Equity Benchmark net IRR of 11.15%.

3. Semiannual Performance Review for the Period Ending December 31, 2023 – Private Credit

- As of 12/31/2023, the Private Credit Portfolio had a total market value of \$314.61 million which represented 2.8% of the Total Fund (asset-class target is 4.0%). Since the Private Credit Portfolio's inception through 12/31/2023, the Portfolio's net IRR was 8.52%, 2.25% above the same cash flows invested in the Morningstar LSTA Leveraged Loan Index of 6.27%.

4. Semiannual Performance Review for the Period Ending -March 31, 2024 – Absolute Return

- As of 03/31/2024, the Absolute Return Portfolio had a total market value of \$947.39 million, which represented 8.1% of the Total Fund (asset-class target is 8.0%). For the 3-month and 1-year periods ending 03/31/2024, the Absolute Return Portfolio produced net returns of 4.3% (vs its benchmark return of 4.2%) and 11.1% (versus its benchmark return of 9.7%), respectively.

5. Semiannual Performance Review for the Period Ending December 31, 2023 – Real Assets

- As of 12/31/2023, the Real Assets Portfolio had a total market value of \$665.72 million, representing 5.91% of ACERA's Total Fund (asset-class target is 6.0%). For the one-year period ending 12/31/2023, the Real Assets Portfolio produced a 5.12% 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 3.23%. For

the three-year period ending 12/31/2023, ACERA's Real Assets Portfolio's net IRR was 10.29% versus its blended benchmark return of 8.75%.

6. Status Update for the Emerging Markets Equity Manager Search

- Staff gave a quick overview of the Emerging Markets Equity Manager Search. This RFI Search, approved in June 2023, is part of the Phased Implementation Transition Plan for the Modified International Equity Structure. However, this Search was put on hold in the third quarter of 2023 due to the near completion of the General Investment Consultant ("GIC") Search.
- Now, with due diligence and contributions from ACERA's new GIC, NEPC, Staff and NEPC updated the Committee about the estimated target allocation and the projected timeline for the RFI Search.

PUBLIC INPUT

CIO Betty Tse informed the Committee that Clint Kuboyama and John Ta have been promoted to the newly created Senior Investment Officer job classification effective June 9, 2024.

TRUSTEES INPUT:

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, August 7, 2024

ADJOURNMENT

The meeting ended at 12:04 p.m.

To view the July 3, 2024 Investment Committee Meeting in its entirety, click on the link below: <https://www.youtube.com/watch?v=-6lUiw3izN0>