

Chief Investment Officer Monthly Report

Board of Investments

April 14, 2021



Jonathan Grabel 
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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Market Environment

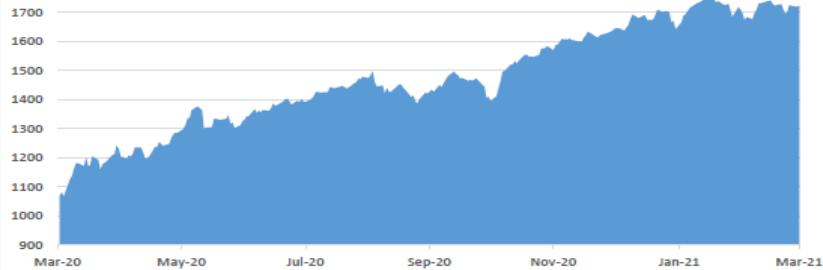


Global Market Performance as of March 31, 2021

MSCI ACWI Index (Global Equity Market)*

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
2.6	5.1	5.1	57.6	11.9	13.2	9.2

MSCI ACWI IMI Index 1-Year Performance



Russell 3000 Index (U.S. Equity Market)

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
3.6	6.4	6.4	62.5	17.1	16.6	13.8

Russell 3000 1-Year Performance



MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-1.5	2.3	2.3	58.4	6.5	12.1	3.7

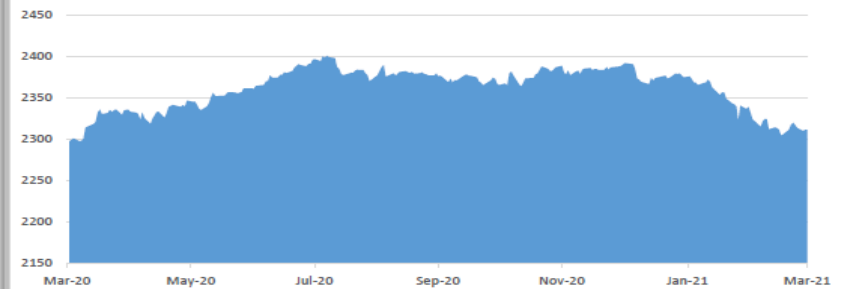
MSCI Emerging Markets 1-Year Performance



Barclays U.S. Aggregate Bond Index**

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-1.2	-3.4	-3.4	0.7	4.7	3.1	3.4

Barclays U.S. Aggregate Bond Index 1-Year Performance



*Global Equity Policy Benchmark - MSCI ACWI IMI Index

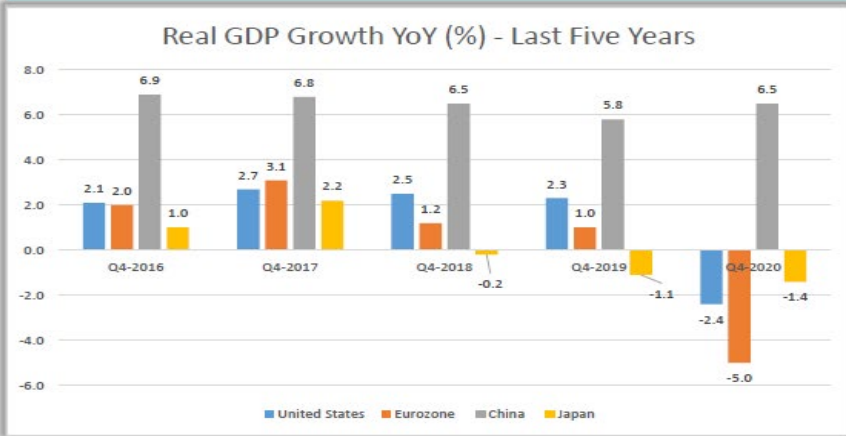
**Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

Source: Bloomberg



Key Macro Indicators*

GDP Growth of Major Economies¹



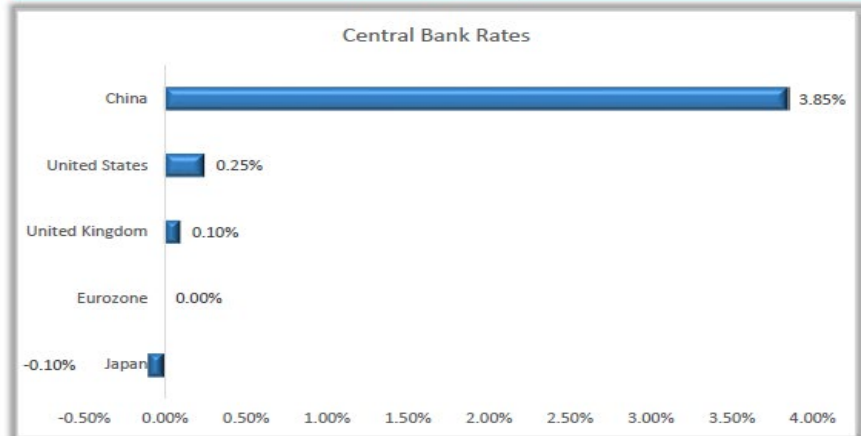
Historical Low for 10-Year Treasury Yield²



World Equity Valuation³



Central Bank Rates⁴ (as of 3/31/2021)



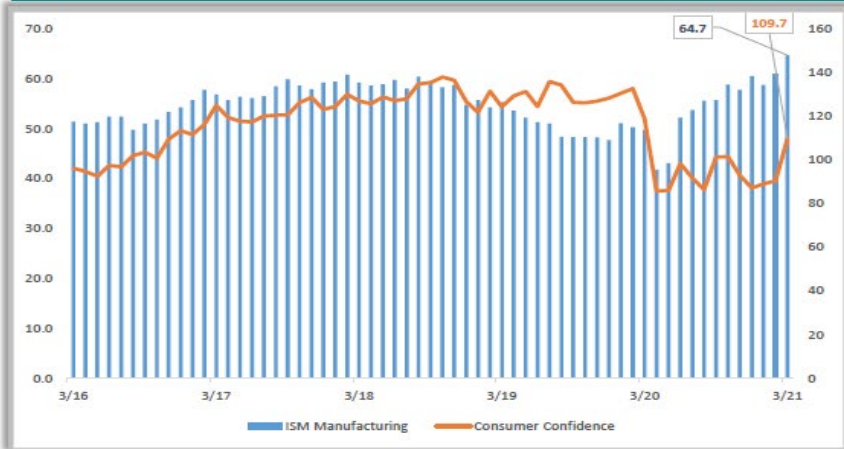
Sources: 1. Bloomberg 3. FactSet
2. St. Louis Federal Reserve 4. FactSet

*The information on the "Key Macro Indicators" charts is the best available data as of 3/31/21 and may not reflect the current market and economic environment.

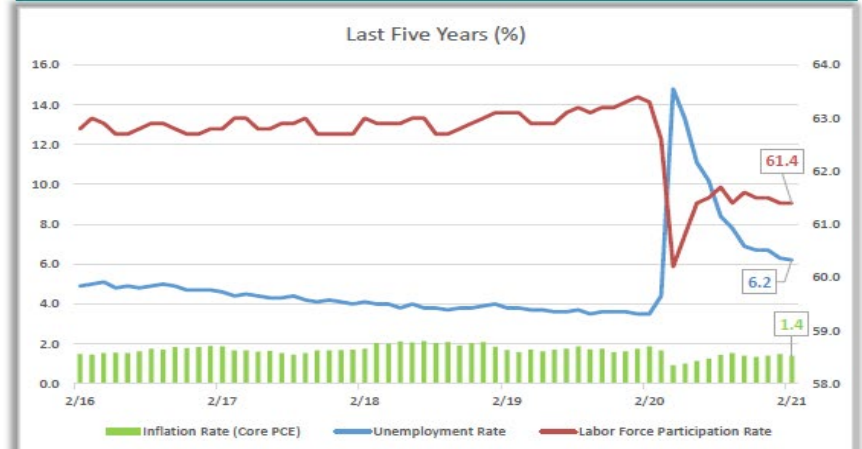


Key Macro Indicators*

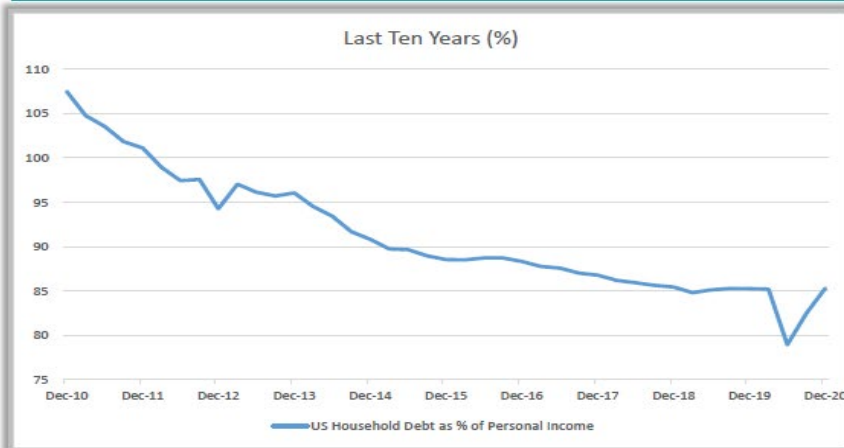
Consumer Confidence & ISM Manufacturing¹



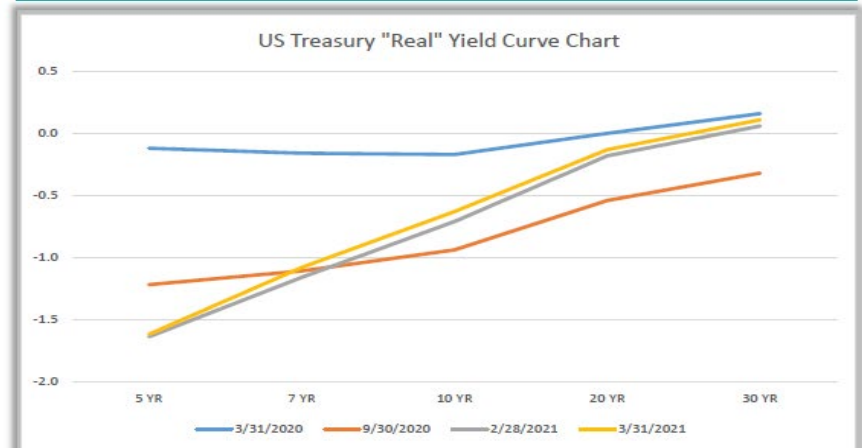
U.S. Inflation, Unemployment, & Labor Force Participation²



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 3/31/21 and may not reflect the current market and economic environment.



Market Themes and Notable Items to Watch

Recent Themes

- COVID-19
 - More than 128 million cases and 2.8 million deaths worldwide
 - Increase in vaccine options and availability
 - More than 15% of U.S. population has been fully vaccinated against the coronavirus
 - Vaccine passport and travel permissions or behaviors
- The U.S. 10-year treasury yield ended March at 1.74%, up from 0.93% at the end of 2020
- Rising and higher rates adjusts investors cost of capital considerations and impacts markets across many dimensions:
- \$2.3 trillion “American Jobs Plan” unveiled
- Global equities up 3% on the month
- Leverage, volatility, and liquidations
 - Highly levered and directional positions caused a family office to liquidate a reported \$20-30 billion of positions in late March; losses reportedly extended to investment bank counterparties

What to Watch

- COVID-19
- Global GDP growth rate
- Social equity and civil rights initiatives
- Unemployment and consumer spending
- Potential government infrastructure spending
- State of liquidity across financial markets
- Inflation pressures and trends
- Geopolitical risks and trade arrangements
- Potential continued rising interest rates
- Economic and consumer behavior impacts as vaccination rates increase



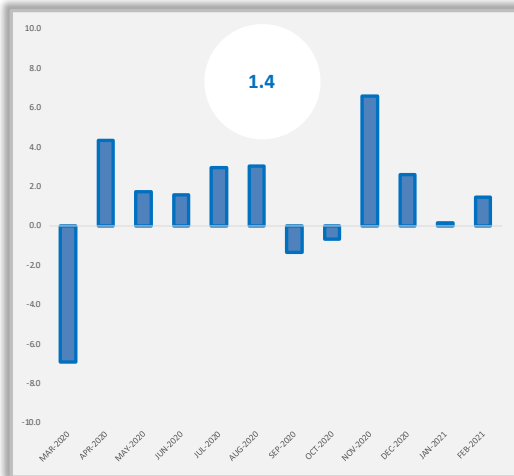
Portfolio Performance Updates



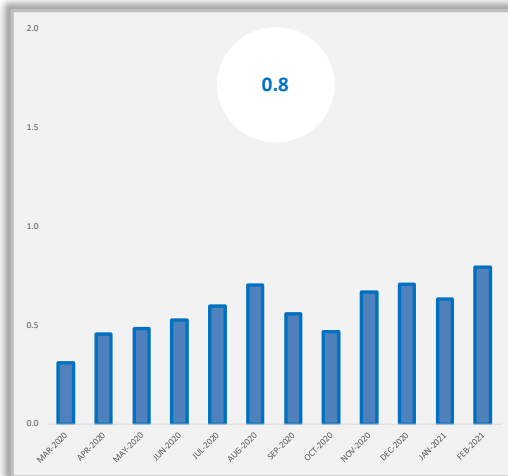
Total Fund Summary

as of February 2021

Monthly Return (% net)

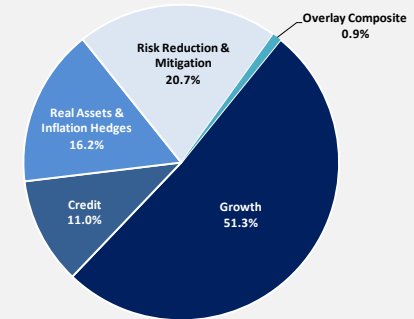


Sharpe Ratio (3-Year Annualized)

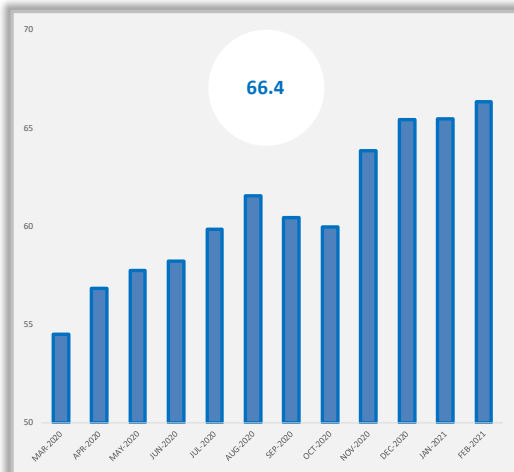


Asset Allocation

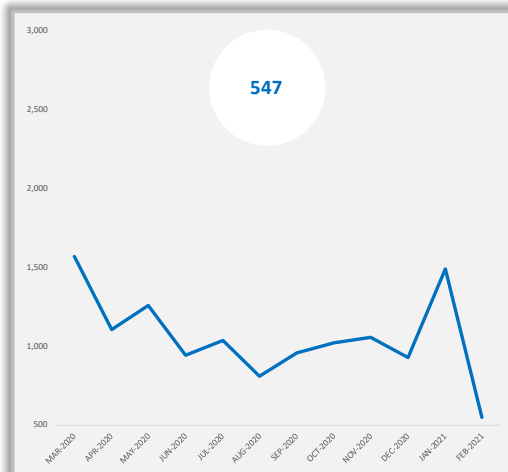
	Market Value ¹ (\$ millions)	% of Total	Final Target ²
TOTAL FUND	66,355	100.0%	
Growth	34,034	51.3%	47.0%
Global Equity	25,241	38.0%	35.0%
Private Equity ³	8,219	12.4%	10.0%
Opportunistic Real Estate ⁴	574	0.9%	2.0%
Credit	7,277	11.0%	12.0%
High Yield	2,164	3.3%	3.0%
Bank Loans	2,582	3.9%	4.0%
Emerging Market Debt	867	1.3%	2.0%
Illiquid Credit ^{3,4,5}	1,664	2.5%	3.0%
Real Assets & Inflation Hedges	10,735	16.2%	17.0%
Core & Value Added Real Estate ⁴	4,554	6.9%	7.0%
Natural Resources & Commodities	2,843	4.3%	4.0%
Infrastructure	1,775	2.7%	3.0%
Treasury Inflation-Protected Securities	1,564	2.4%	3.0%
Risk Reduction & Mitigation	13,710	20.7%	24.0%
Investment Grade Bonds	11,231	16.9%	19.0%
Diversified Hedge Fund Portfolio ⁵	1,931	2.9%	4.0%
Cash	547	0.8%	1.0%
Overlay Composite ⁵	599	0.9%	—



Total Market Value (\$ billions)



Cash (\$ millions)



1. Transition balances are included in each subcategory total, if applicable
 2. Final target weights effective as of 10/1/19
 3. Private Equity market values reflect latest available and are adjusted for cash flows

4. Real Estate market values reflect a 3-month lag and best available values
 5. Hedge Fund market values reflect a 1-month lag
 6. Reflects net cash position for overlay investing

Historical Net Performance

as of February 2021

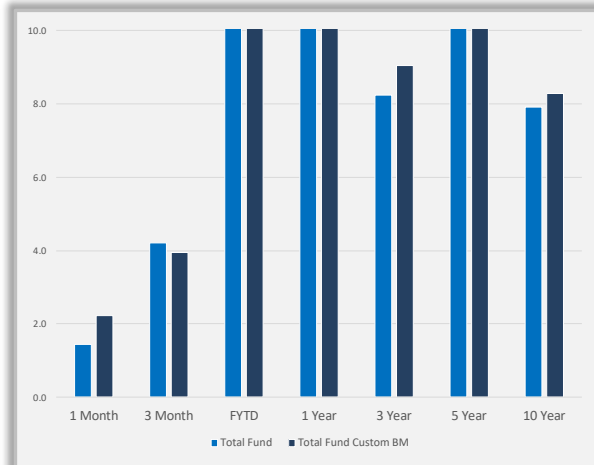
LACERA Pension Fund

(% net)

	Market Value (\$ millions)	% of Total Fund	Final Target ¹	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
TOTAL FUND	66,355	100.0%	100.0%	1.4	4.2	15.5	15.9	8.2	10.3	7.9
<i>Total Fund Custom BM</i>				<i>2.2</i>	<i>4.0</i>	<i>16.2</i>	<i>15.7</i>	<i>9.0</i>	<i>10.3</i>	<i>8.3</i>
<i>7% Annual Hurdle Rate</i>				<i>0.57</i>	<i>1.71</i>	<i>4.61</i>	<i>7.00</i>	<i>7.00</i>	<i>7.00</i>	<i>7.00</i>
Functional Composites²				1 Month	3 Month	FYTD	1 Year			
GROWTH	34,034	51.3%	47.0%	2.5	6.5	25.4	26.9			
<i>Growth Custom BM</i>				<i>4.7</i>	<i>7.4</i>	<i>30.6</i>	<i>28.5</i>			
CREDIT	7,277	11.0%	12.0%	1.0	4.6	13.3	7.5			
<i>Credit Custom BM</i>				<i>-0.1</i>	<i>1.9</i>	<i>8.0</i>	<i>6.8</i>			
REAL ASSETS & INFLATION HEDGES	10,735	16.2%	17.0%	1.9	3.9	8.7	6.8			
<i>Real Assets & Inflation Hedges Custom BM</i>				<i>1.6</i>	<i>3.7</i>	<i>8.8</i>	<i>8.1</i>			
RISK REDUCTION & MITIGATION	13,710	20.7%	24.0%	-1.0	-0.8	1.5	3.3			
<i>Risk Reduction & Mitigation Custom BM</i>				<i>-1.1</i>	<i>-1.5</i>	<i>-0.4</i>	<i>1.6</i>			
OVERLAY COMPOSITE	599	0.9%	—							

Historical Returns

(% net)



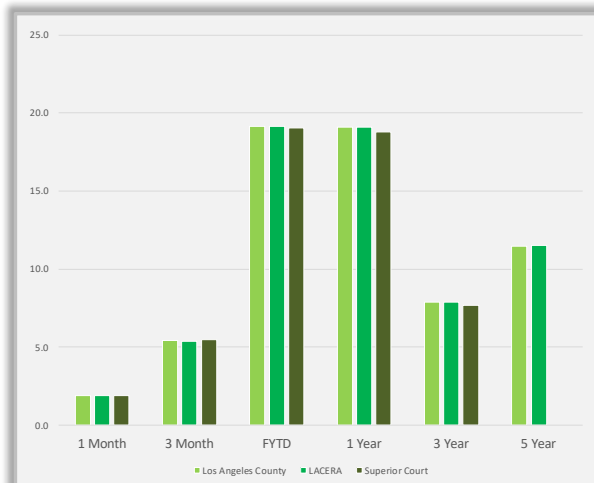
OPEB Master Trust Fund

(% net)

Sub-Trusts	Market Value (\$ millions) ³	Trust Ownership %	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
TOTAL OPEB MASTER TRUST	1,945								
Los Angeles County	1,884	96.9%	—	1.9	5.4	19.2	19.1	7.9	11.5
LACERA	7	0.4%	—	1.9	5.4	19.2	19.1	7.9	11.5
Superior Court	54	2.8%	—	1.9	5.5	19.0	18.8	7.7	—
Functional Composites				1 Month	3 Month	FYTD	1 Year	3 Year	
OPEB Growth	985	50.7%	50.0%	2.7	7.6	28.3	31.8	10.6	
<i>Custom OPEB MT Growth Pool</i>				<i>2.7</i>	<i>7.6</i>	<i>28.2</i>	<i>31.5</i>	<i>10.3</i>	
OPEB Credit	379	19.5%	20.0%	-0.1	1.8	9.0	5.7	—	
<i>Custom OPEB MT Credit Pool</i>				<i>-0.1</i>	<i>2.3</i>	<i>9.9</i>	<i>6.5</i>	<i>—</i>	
OPEB Real Assets & Inflation Hedges	395	20.3%	20.0%	3.5	7.1	17.0	7.7	—	
<i>Custom OPEB MT RA & IH Pool</i>				<i>3.5</i>	<i>7.1</i>	<i>17.0</i>	<i>7.2</i>	<i>—</i>	
OPEB Risk Reduction & Mitigation	185	9.5%	10.0%	-1.2	-1.6	-0.6	1.3	4.8	
<i>Custom OPEB MT RR & M Pool</i>				<i>-1.2</i>	<i>-1.6</i>	<i>-0.7</i>	<i>1.2</i>	<i>4.6</i>	
Operating Cash	0.2	0.0%	—						

Historical Returns

(% net)



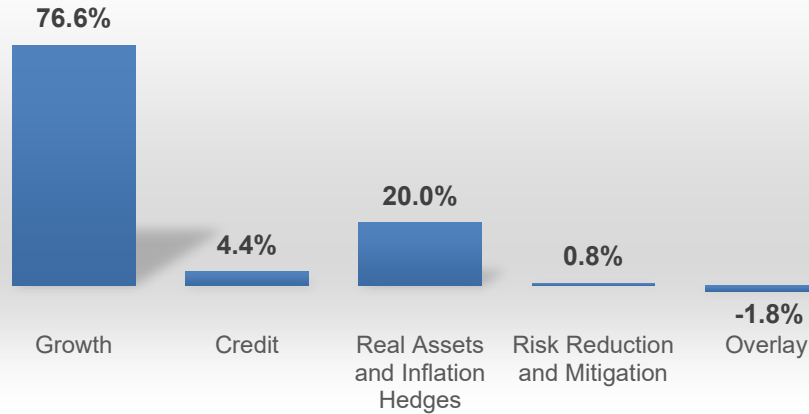
1. Final target weights effective as of 10/1/19
2. Functional composites were adopted on 4/1/19

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

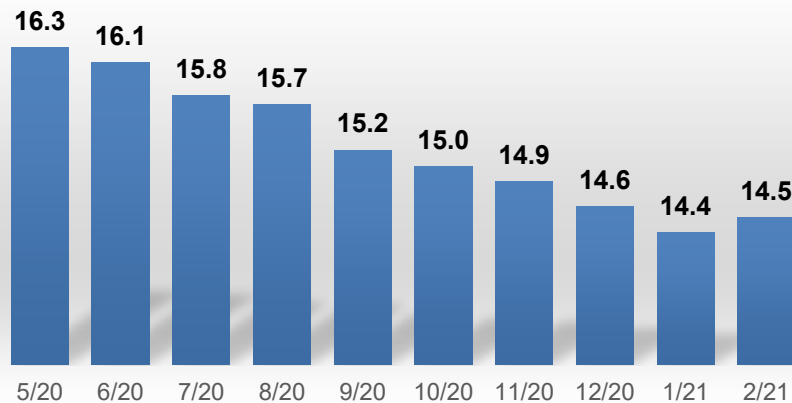
Total Fund Forecast Risk*

as of February 2021

%Contribution to Total Risk



Total Risk Trend



	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
Total Fund			14.5	13.3
Growth	51.6%	76.6%	21.9	22.0
Global Equity	38.3%	55.1%	21.5	21.8
Private Equity	12.4%	20.7%	28.6	29.3
Opportunistic Real Estate	0.9%	0.8%	21.7	21.6
Credit	11.2%	4.4%	6.7	5.4
High Yield Bonds	3.3%	1.4%	7.6	6.7
Bank Loans	4.0%	1.1%	5.9	7.0
Illiquid Credit	2.6%	1.3%	9.8	3.8
Emerging Market Debt	1.3%	0.7%	10.5	9.7
Real Assets & Inflation Hedges	15.6%	20.0%	20.8	16.2
Core & VA Real Estate	7.0%	10.5%	31.0	21.6
Natural Resources & Commodities	3.4%	5.0%	24.4	22.6
Infrastructure	2.7%	4.2%	23.8	23.9
TIPS	2.4%	0.3%	5.2	5.1
Risk Reduction and Mitigation	20.7%	0.8%	4.0	3.0
Investment Grade Bonds	17.2%	0.6%	4.6	3.8
Diversified Hedge Funds	2.7%	0.2%	2.4	0.2
Cash	0.8%	0.0%	1.3	0.2
Overlay	1.0%	-1.8%	-	-

*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change.

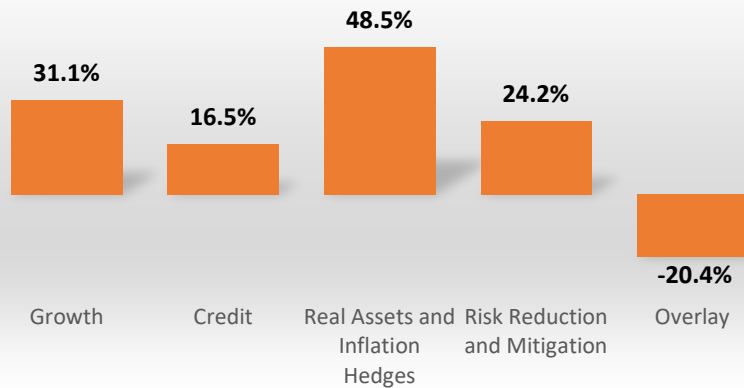
**BMK Risk stands for Benchmark Risk



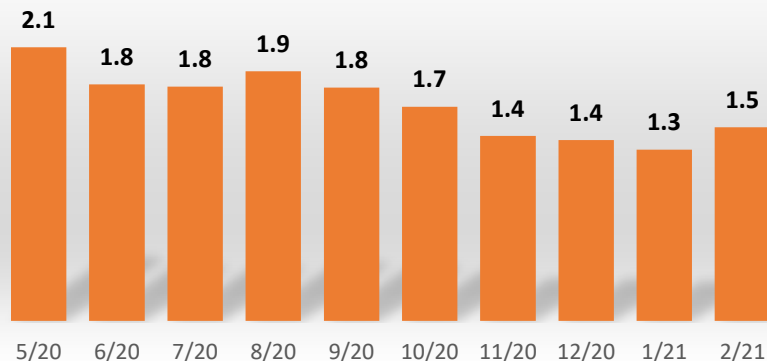
Total Fund Forecast Active Risk*

as of February 2021

%Contribution to Active Risk



Active Risk Trend

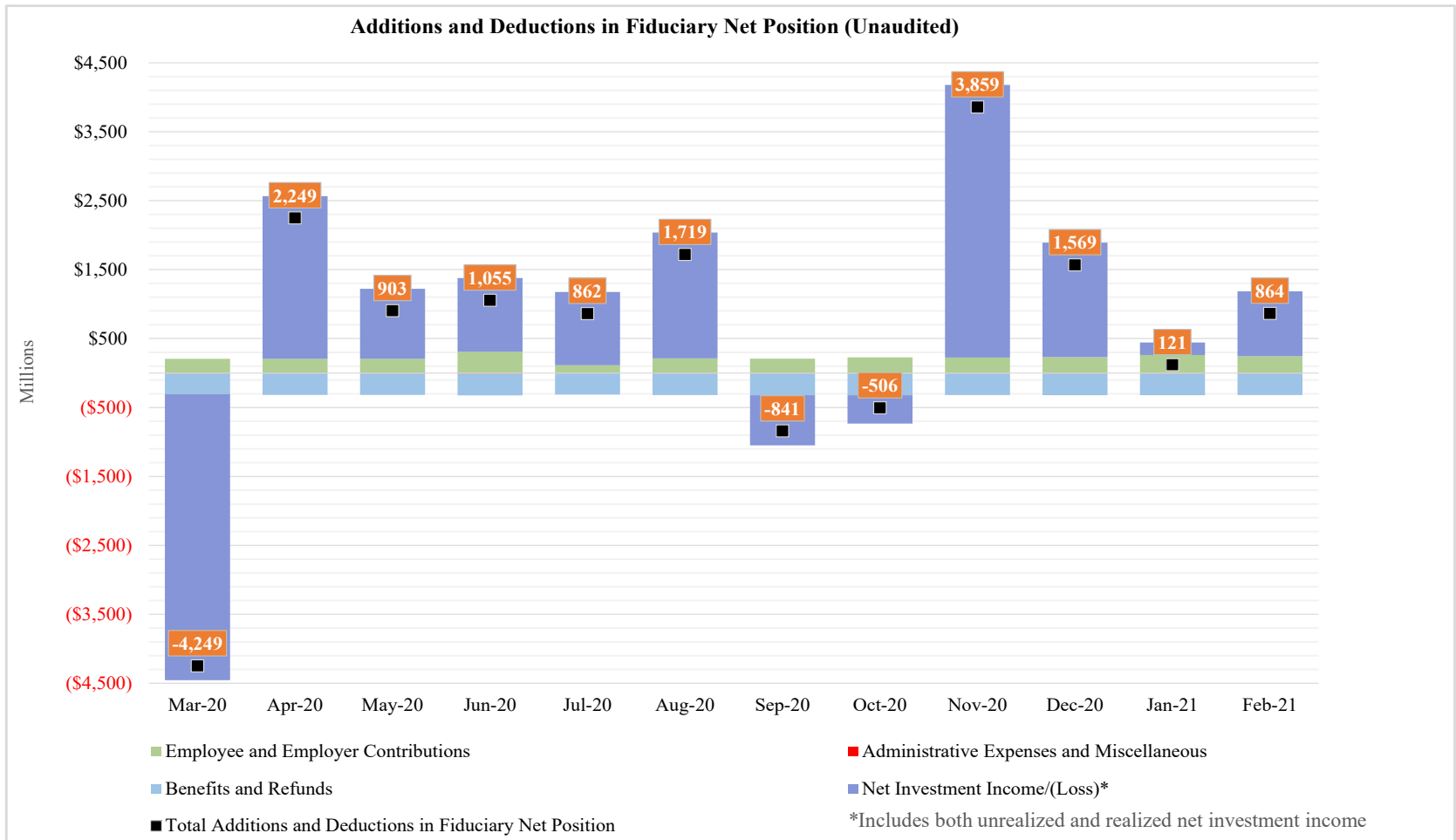


	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
Total Fund			1.49	0.39	1.11
Growth	51.6%	4.56%	0.46	0.31	0.16
Global Equity	38.3%				
Private Equity	12.4%				
Opportunistic Real Estate	0.9%				
Credit	11.2%	-0.81%	0.25	0.06	0.19
High Yield Bonds	3.3%				
Bank Loans	4.0%				
Illiquid Credit	2.6%				
Emerging Market Debt	1.3%				
Real Assets & Inflation Hedges	15.6%	-1.38%	0.72	-0.01	0.74
Core & VA Real Estate	7.0%				
Natural Resources & Commodities	3.4%				
Infrastructure	2.7%				
TIPS	2.4%				
Risk Reduction and Mitigation	20.7%	-3.32%	0.36	0.33	0.03
Investment Grade Bonds	17.2%				
Diversified Hedge Funds	2.7%				
Cash	0.8%				
Overlay	1.0%	0.95%	-0.30	-0.30	0.00

*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change.



Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-19	4	8	\$1.9 billion
FY-20	5	7	-
FY-21	2	6	\$7.6 billion



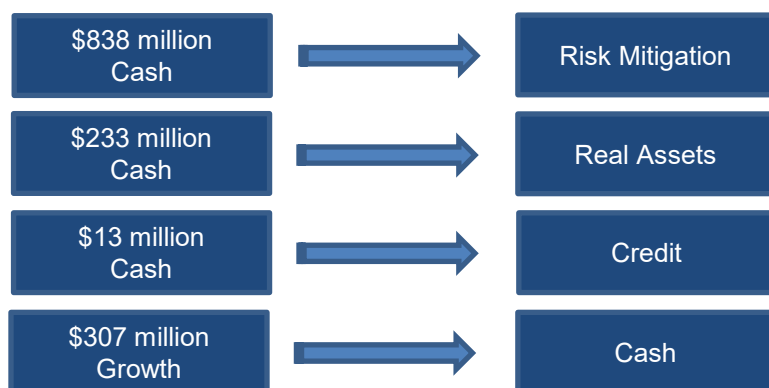
Portfolio Structural Updates



Portfolio Structural Updates

Portfolio Movements

Rebalancing Activity



Hedges and Overlays

Program	February Return	February Gain/Loss	Inception* Gain/Loss
Currency Hedge**	0.1%	-\$41.3 Million	\$816.6 Million
Cash/Rebalance Overlay***	-0.2%	-\$11.0 Million	\$24.5 Million

Current Search Activity

Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	BOI Review
High Yield Fixed Income Investment Management Services	●	●	April 2021 BOI
Private Equity Advisor Services	●	●	Anticipated Summer 2021
Proxy Research and Proxy Voting Platform Services	●	●	April 2021 BOI

Quiet Period for Search Respondents

Please see the Appendix for this month's list of respondents to active searches

*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



Key Initiatives and Operational Updates



Notable Initiatives and Operational Updates

Key Initiative Updates

- Onboarding process of new risk, performance system, and real estate administrator continues
- Ongoing implementation and development of LACERA TIDE initiative
- Strategic Asset Allocation Study is ongoing

Completed Actions

- Financial Analyst II & III searches for Public Equity, Portfolio Analytics (Corporate Governance) and Real Assets were completed
- Legal work for the securities lending program has been completed

Operational Updates

- Completed the Annual Contract Compliance exercise for public markets
- Investments formed a “Back To Office” working group
- Financial Analyst III search
 - Credit

Manager/Consultant Updates

- IDR, manager of the Core Property Index Fund, ownership has changed. The firm is now majority owned by the U.S.-based institutional management firm that previously owned a minority interest. Management and governance of the vehicle remains unchanged.



Commentary



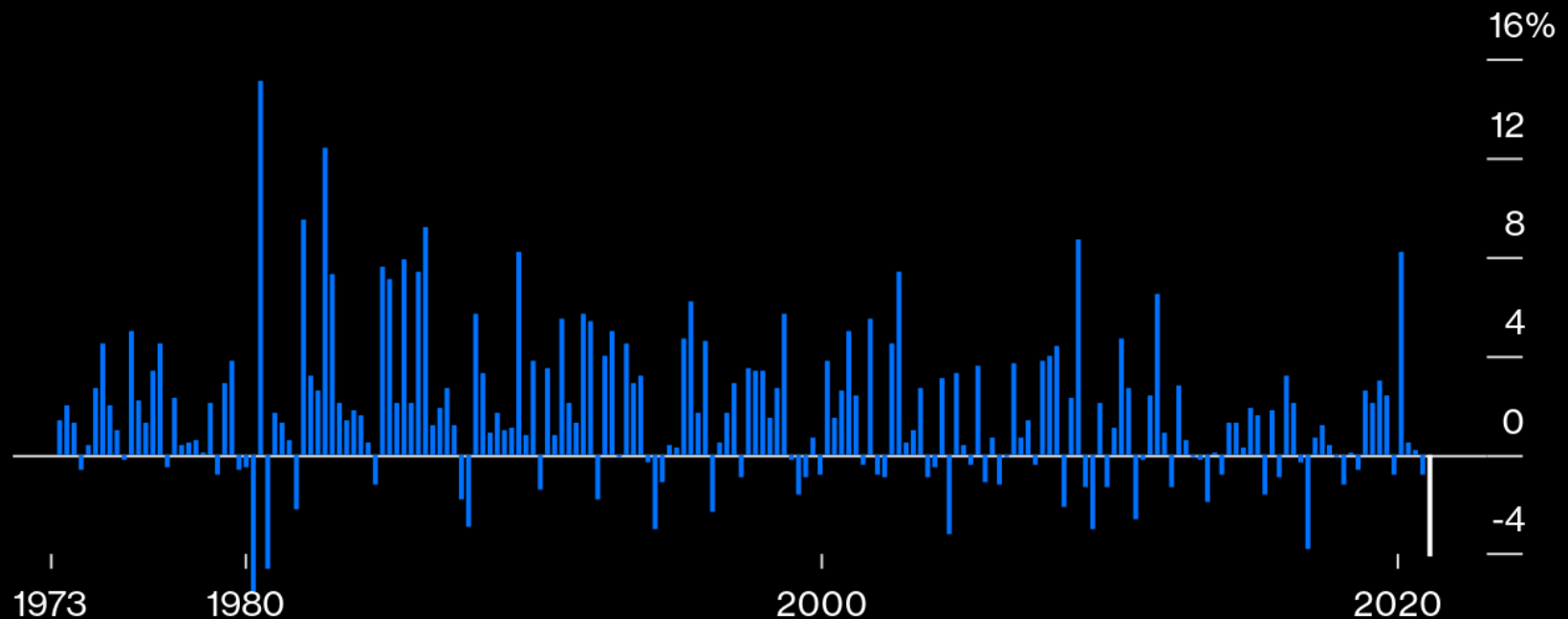
Staff Chart of the Month*

U.S. Treasuries; Worst Quarter since 1980

A Bad Quarter for Bonds

Bloomberg Barclays treasury index fell more than 4% for first time since 1980

■ Quarterly Change



Source: Bloomberg Opinion, March 31, 2021.

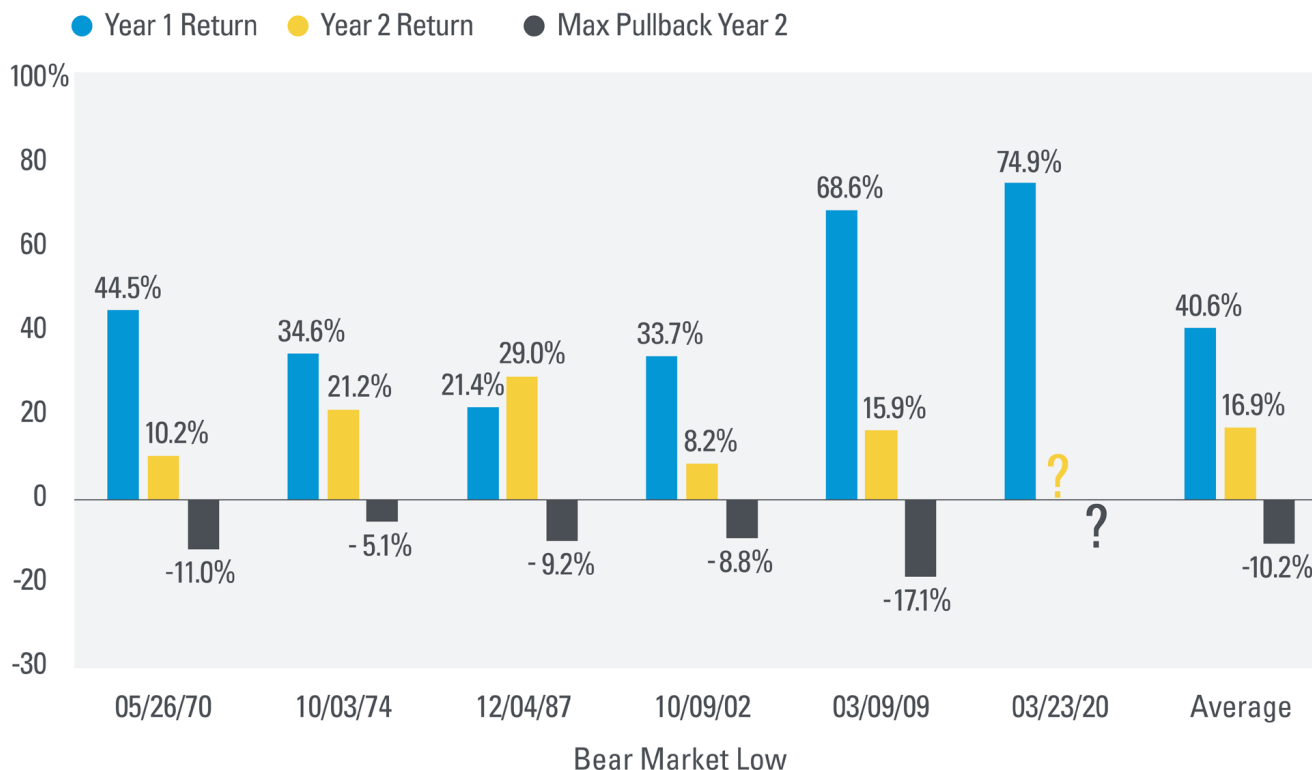


Staff Chart of the Month*

S&P 500 Performance following >30% Bear Market

NEW BULL MARKETS HISTORICALLY BUILD ON YEAR ONE GAINS IN YEAR TWO

S&P 500 Index Performance Following >30% Bear Market Bottoms



Source: LPL Research, FactSet 03/19/21

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.



Appendix



Quiet Period for Search Respondents

High Yield Fixed Income Investment Management Services

- ✓ Advent Capital
- ✓ Alliance Bernstein
- ✓ Ares
- ✓ AXA
- ✓ Barings
- ✓ BlackRock
- ✓ Columbia Threadneedle
- ✓ Credit Suisse
- ✓ Crescent Capital HY
- ✓ DDJ Capital
- ✓ Eaton Vance
- ✓ Federated Hermes
- ✓ HPS Investment Partners
- ✓ JP Morgan
- ✓ KKR
- ✓ Loomis Sayles
- ✓ Lord Abbett
- ✓ MacKay Shields
- ✓ Mellon
- ✓ Morgan Stanley
- ✓ Muzinich
- ✓ Nomura
- ✓ Payden and Rygel
- ✓ PGIM
- ✓ PIMCO
- ✓ PineBridge
- ✓ Post Advisory
- ✓ Seix Advisors
- ✓ Shenkman Capital
- ✓ T. Row Price
- ✓ Van Eck Associates
- ✓ Wellington
- ✓ Western Asset
- ✓ Yorkville Asset Management

Private Equity Advisor Services

- ✓ Albourne America LLC
- ✓ StepStone Global LLC
- ✓ Wilshire Associates Inc

Proxy Research and Proxy Voting Services

- ✓ Equilar, Inc
- ✓ Glass, Lewis & CO., LLC
- ✓ Institutional Shareholder Services Inc.
("ISS")

