AGENDA

A SPECIAL MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., MONDAY, MARCH 5, 2018

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

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

  A. Approval of the Minutes of the Regular Meeting of January 10, 2018

  B. Approval of the Minutes of the Special Meeting of February 1, 2018

  C. Approval of the Minutes of the Regular Meeting of February 14, 2018

IV. PUBLIC COMMENT

V. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated February 26, 2018)

VI. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated February 23, 2018)

VII. CONSENT ITEMS

A. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the International Corporate Governance Network (ICGN) conference on June 25–28, 2018 in Milan, Italy and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.
(Placed on the agenda at the request of Messrs. Green and Santos)
(Memo dated February 21, 2018)

B. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the National Association of Corporate Directors (NACD) - Future Trends Event on June 13, 2018 in Austin, Texas and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.
(Placed on the agenda at the request of Mr. Kehoe)
(Memo dated February 22, 2018)

C. Recommendation as submitted by Dale Johnson, Investment Officer: That the Board approve submission of LACERA's member ballots in support of the Council of Institutional Investors' General Members' Meeting Action Item #1 regarding a revised travel policy and public fund director nominees to the Council of Institutional Investors board of directors. (Memo dated February 23, 2018)

VIII. NON-CONSENT ITEMS

A. Recommendation as submitted by Amit Aggarwal, Investment Officer: That the Board approve a commitment of up to $50 million to AG Europe Realty Fund II. (Memo dated February 22, 2018)

B. Recommendation as submitted by Jon Grabel, Chief Investment Officer: That the Board approve the recommendations proposed in Meketa's March 2018 asset allocation review:

1) Adopt the use of a functional framework for LACERA's Total Fund
2) Expand LACERA's opportunity set to include a broader group of investments in Credit and Inflation Hedging/Real Assets

(Memo dated February 20, 2018)

VIII. NON-CONSENT ITEMS (Continued)

C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt the revised Legislative Policy. (Memo dated February 26, 2018)

D. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt an "Oppose" position on Assembly Bill 2571, which would restrict certain investments in alternative investment vehicles. (Memo dated February 26, 2018)

IX. REPORT

A. Status and Plan for Joint Organizational Governance Committee Items
Robert R. Hill, Interim Chief Executive Officer
(For Information Only) (Memo dated February 23, 2018

B. OPEB Master Trust
Ted Wright, Principal Investment Officer
(For Information Only) (Memo dated February 15, 2018)

C. Update on OPEB Master Trust New Strategic Asset Allocation Implementation Plan
Jon Grabel, Chief Investment Officer
(For Information Only) (Memo dated February 19, 2018)

D. 2017 Fourth Quarter Hedge Fund Performance Report
James Rice, Senior Investment Officer
(For Information Only) (Memo dated February 22, 2018)

E. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated February 23, 2018)

X. REPORT ON STAFF ACTION ITEMS

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

XII. ADJOURNMENT

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.

Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626) 564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.

REVISED as of February 20, 2018

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, JANUARY 10, 2018

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Wayne Moore

David Muir

Ronald Okum

Gina V. Sanchez

Herman B. Santos

Michael Schneider

STAFF ADVISORS AND PARTICIPANTS

Robert Hill, Interim Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Vache Mahseredjian, Principal Investment Officer

James Rice, Senior Investment Officer

Ted Wright, Principal Investment Officer

Chad Timko, Senior Investment Analyst

Scott Zdrazil, Senior Investment Officer

David Simpson, Investment Officer

Amit Aggarwal, Investment Officer

David Chu, Investment Officer

Ted Granger, Assistant Chief Financial Officer

Meketa Investment Group
    Leandro Festino, Managing Principal
    Timothy Filla, Managing Principal

StepStone Group LP
    Jose Fernandez, Partner

The Townsend Group
    Micolyn Magee, Principal

Grosvenor Capital Management
    Andrew Preda, Senior Vice President
    Sean Conroy, Director
    Robert Fu, Senior Vice President

Milliman
    Mark Olleman, Principal
    Craig Glyde, Consulting Actuary

I. CALL TO ORDER

The meeting was called to order by Chair Green at 9:12 a.m., in the Board Room of Gateway Plaza.

II. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary, and Audit Committee Member)

Mr. Rice presented a trustee request, which had been circulated to all trustees via email by staff after the agenda but before the meeting, that the Board consider taking urgency action under Government Code Section 54954.2(b)(2) to select the Board's elected member to the Joint Organizational Governance Committee. The Board discussed the request. No action was taken.

The election of officers was conducted by Secretary Kelly:

A. Chair of the Board

Mr. Green was nominated to the position of Chair of the Board of Investments by Mr. Santos.

Hearing no other nominations, the Board voted unanimously and elected Mr. Green as Chair of the Board of Investments.

Secretary Kelly announced that Mr. Green was elected to the position of Chair of the Board of Investments.

B. Vice Chair of the Board

Mr. Kehoe was nominated to the position of Vice Chair of the Board of Investments by Mr. Green.

II. ELECTION OF OFFICERS (Continued)

Hearing no other nominations, the Board voted unanimously and elected Mr. Kehoe as Vice Chair of the Board of Investments.

Secretary Kelly announced that Mr. Kehoe was elected to the position of Vice Chair of the Board of Investments.

C. Secretary

Mr. Moore was nominated to the position of Secretary of the Board of Investments by Mr. Kelly.

Hearing no other nominations, the Board voted unanimously and elected Mr. Moore Secretary of the Board of Investments.

Secretary Kelly announced that Mr. Moore was elected to the position of Secretary of the Board of Investments.

D. Audit Committee Member

Mr. Schneider was nominated to the position of Audit Committee Member by Mr. Santos.

Hearing no other nominations, the Board voted unanimously and elected Mr. Schneider as Audit Committee Member of the Board of Investments.

Secretary Kelly announced that Mr. Schneider was elected to the position of Audit Committee Member.

III. PLEDGE OF ALLEGIANCE

Mr. Schneider led the Board Members and staff in reciting the Pledge of Allegiance.

IV. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of December 13, 2017.

Mr. Santos made a motion, Mr. Okum seconded, to approve the minutes of the regular meeting of December 13, 2017. The motion passed with Mr. Muir abstaining.

V. REPORT ON CLOSED SESSION ITEMS

No items were reported out.

VI. PUBLIC COMMENT

Mr. Ramon Rubalcava addressed the Board regarding Item X.C.

VII. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated January 2, 2018)

Mr. Hill recognized elected Board member, Mr. Muir, and appointed member, Gina Sanchez, to the Board of Investments.

Mr. Hill provided a friendly reminder to the Board that the Board Offsite will take place on Tuesday, January 30, 2018, Wednesday, January 31, and Thursday, February 1, 2018.

Lastly, Mr. Hill recognized and thanked the Financial and Accounting Services Division, Communications Division and the Legal Division for their work in creating LACERA's Comprehensive Annual Financial Report.

VIII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated December 22, 2017)

Mr. Grabel provided a brief discussion on the Chief Investment Officer's Report. (Mr. Kehoe left the meeting at 9:30 a.m.)

IX. CONSENT ITEMS

Mr. Santos made a motion, Mr. Kelly seconded, to approve the following agenda items except Item. IX.E. The motion passed unanimously.

A. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the International Corporate Governance Network conference on February 28 – March 1, 2018 in Tokyo, Japan and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Kehoe)
(Memo dated December 30, 2017)

B. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 2018 SWFI Institutional Investor Forum on February 20 – February 22, 2018 in Santa Monica, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.
(Placed on the agenda at the request of Mr. Santos)
(Memo dated December 30, 2017)

C. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the Pension Bridge Annual Conference on April 10-11, 2018 in San Francisco, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Green)
(Memo dated January 3, 2018)

IX. CONSENT ITEMS (Continued)

D. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the NASP - Diverse and Emerging Manager Forum on January 26, 2018 in Houston, Texas and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Green) (Memo dated January 3, 2018)

E. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the 2018 Private Equity Objectives, Policies, and Procedures. (Memo dated December 22, 2017)

Mr. Santos made a motion, Mr. Moore seconded, to approve the agenda item. The motion passed unanimously (roll call) with Messrs. Green, Kelly, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes.

F. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the 2018 Private Equity Annual Investment Plan. (Memo dated December 22, 2017)

G. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the Minimum Qualifications and Evaluation Criteria thereby authorizing staff to initiate the Request for Proposal process for a private equity secondary advisor. (Memo dated December 22, 2017)

H. Recommendation as submitted by Shawn Kehoe, Chair, Joint Organizational Governance Committee: That the Board approve the Sexual Harassment Prevention Training Policy for Board members. (Memo dated January 2, 2018)

X. NON - CONSENT AGENDA

A. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board review the 2018 meeting calendar and reschedule meeting dates as needed. (Memo dated December 29, 2017)

Mr. Hill was present and answered questions from the Board.

Mr. Santos made a motion, Mrs. Sanchez seconded, to survey the Board to reschedule the March 2018 and November 2018 Board meeting dates. The motion passed unanimously.

B. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Board nominate Scott Zdrazil, Senior Investment Officer – Corporate Governance, for election to the Council of Institutional Investors Board of Directors.
(Memo dated December 15, 2017)

Mr. Grabel, and Mr. Zdrazil were present and answered questions from

the Board.

Mr. Santos made a motion, Mr. Kelly seconded, to approve the agenda item. The motion passed unanimously.

C. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board:

1. Accept the June 30, 2017, Retirement Benefit Actuarial Valuation prepared by the plan’s consulting actuary, Milliman.
2. Adopt recommended employer contribution rates (all tiers) and employee contribution rates (plan tiers General Plan G and Safety Plan
3. Direct the Interim Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2018, with a recommendation to implement the employer and employee rates no later than September 30, 2018.

(Memo dated December 21, 2017

X. NON - CONSENT AGENDA (Continued)

Mr. Hill and Messrs. Olleman and Glyde of Milliman provided a presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Kelly seconded, to approve the agenda item. The motion passed unanimously.

XI. REPORTS

A. 2018 Board of Investments and Committee Meeting Calendar and Workplan
Jonathan Grabel, Chief Investment Officer
(Memo dated December 20, 2017)

Mr. Grabel provided a brief presentation and answered questions from the Board.

B. LACERA Total Fund Asset Allocation
Jonathan Grabel, Chief Investment Officer
Leandro Festino, Managing Principal – Meketa Investment Group
Timothy Filla, Managing Principal – Meketa Investment Group
(Memo dated December 22, 2017)

Mr. Grabel and Messrs. Festino and Filla of Meketa Investment Group provided a brief presentation and answered questions from the Board.

C. Real Estate Performance Measurement Report – 2nd Quarter 2017
John McClelland, Principal Investment Officer
Trina Sanders, Investment Officer
Amit Aggarwal, Investment Officer
Jennifer Stevens, Principal – The Townsend Group
(Memo dated December 21, 2017)

Messrs. McClelland and Aggarwal and Mrs. Magee of the Townsend Group provided a brief presentation and answered questions from the Board.

XI. REPORTS (Continued)

D. Hedge Fund Performance Discussion – 3^{rd} Quarter 2017
James Rice, Senior Investment Officer
Andrew Preda, Senior Vice President – Grosvenor Capital Management
Sean Conroy, Director – Grosvenor Capital Management
(Memo dated December 29, 2017)

Mr. Jim Rice and Messrs. Preda and Conroy of Grosvenor Capital Management provided a brief presentation and answered questions from the Board.

(Mr. Muir left the meeting at 12:00 p.m.)

E. Private Equity Portfolio Update
Christopher Wagner, Principal Investment Officer
Jose Fernandez, Partner – StepStone Group
(Memo dated December 22, 2017)

Mr. Wagner and Mr. Fernandez of StepStone Group provided a brief presentation and answered questions from the Board.

The following items were received and filed:

F. Other Opportunities Update
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated December 22, 2017)

G. Update on H.R. 1: Unrelated Business Income Tax
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated December 28, 2017)

H. Palladium Equity Portfolio Company Meeting
David E. Simpson, Investment Officer
(For Information Only) (Memo dated December 22, 2017)

I. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated January 2, 2018)

XI. REPORTS (Continued)

J. Meketa Investment Group Self-Assessment
Leandro Festino, Managing Principal – Meketa Investment Group
Timothy Filla, Managing Principal – Meketa Investment Group
(For Information Only) (Memo dated January 10, 2018)

XII. REPORT ON STAFF ACTION ITEMS

There were no items to report out.

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

The Board and Mr. Hill welcomed Mrs. Sanchez and Mr. Muir to the Board of Investments.

Mr. Grabel thanked the Investment staff for their hard work in preparing for the Board of Investments meeting.

Mr. Green thanked Mr. Grabel for his hard work and welcomed back Bonnie Nolley.

(Mr. Okum left the meeting at 12:30 p.m.)

XIV. EXECUTIVE SESSION

A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)

1. HBK Multi-Strategy Fund L.P.

Messrs. Jim Rice and Timko, and Messrs. Preda and Fu of Grosvenor Capital Management, provided a brief presentation and answered questions from the Board.

XIV. EXECUTIVE SESSION (Continued)

Mr. Santos made a motion, Mr. Kelly seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Kelly, Moore, Santos and Mrs. Sanchez voting yes and Mr. Schneider voting no. The Board's decision and vote to approve an investment of up to $250 million to HBK Multi-Strategy Fund L.P. was reported out in open session. The initial allocation will be $125 million, with additional allocations to be considered later. The HBK Multi-Strategy Fund L.P., is a hedge fund that invests across seven strategies comprised of corporate credit, structured credit, emerging markets, event driven equities, quantitative strategies, volatility trades and developed market fixed income. Messrs. Kehoe, Muir and Okum were absent from this item.

2. BlackRock Trust Company

Messrs. Grabel, Mahseredjian, Wright and Zdrazil provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to approve staff's recommendation. The motion passed unanimously (roll call) Messrs. Green, Kelly, Moore, Santos, Schneider and Mrs. Sanchez voting yes. The Board's decision and vote to approve an account conversion and consolidation of LACERA's investments in certain public equity and fixed income commingled investment products

XIV. EXECUTIVE SESSION (Continued)

managed by BlackRock Trust Company to separate accounts, was reported out in open session. Messrs. Kehoe, Muir and Okum were absent from this item.

(Mr. Kelly left the meeting at 1:41 p.m.)

B. Conference with Legal Counsel - Existing Litigation
(Pursuant to Paragraph (1) of Subdivision (d) of Government Code Section 54956.9)

1. LACERA v. Justin Caldbeck
JAMS, Case No. 1110021489
Santa Clara County Superior Court, Case No. 17CV316347
Counsel: Glaser Weil

The Board met in Executive Session pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9. There was nothing to report at this time.

XV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:48 p.m.

Green Folder Information (Information distributed in each Board Members Green Folder at the beginning of the meeting)

1. Board Offsite Meeting Information Memo (Memo dated January 8, 2018)
2. Letter to Honorable Kevin Brady regarding the H.R. 1: Tax Cuts and Jobs Act (Memo dated December 13, 2017)

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR

MINUTES OF THE SPECIAL MEETING OF THE

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

THE HYATT REGENCY
200 SOUTH PINE AVENUE, LONG BEACH, CA

THURSDAY, FEBRUARY 1, 2018
9:00 A.M. – BEACON BALLROOM

PRESENT: David Green, BOI Chair

Shawn Kehoe, BOI Vice Chair

Joseph Kelly, BOI Secretary

Vivian Gray, BOR Chair

Herman B. Santos, BOR Vice Chair

Marvin Adams, BOR Secretary

Wayne Moore

David Muir

Ronald Okum

Gina V. Sanchez

Michael Schneider

Thomas Walsh

STAFF ADVISORS AND PARTICIPANTS

Robert R. Hill, Interim Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Steven P. Rice, Chief Counsel

Harvey Leiderman, Reed Smith LLP, Outside Fiduciary Counsel

Vache Mahseredjian, Principal Investment Officer

Ted Wright, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

James Rice, Senior Investment Officer

Meketa Investment Group
    Leandro Festino, Managing Principal
    Stephen McCourt, Managing Principal
    John Haggerty, Managing Principal
    Edmund Walsh, Vice President

StepStone Group LP
    Jose Fernandez, Partner
    Todd Lapenna, Infrastructure & Real Assets Investor & Advisor

The Townsend Group
    Jennifer Stevens, Principal

I. WELCOME

Mr. Green welcomed everyone to the 2018 Board Offsite at 9:02 a.m.

II. PUBLIC COMMENT

There were no requests from the public to speak.

III. ACTION ITEMS

A. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve rescheduling the March and November Board of Investments meeting to March 5, 2018 and November 8, 2018, respectively. (Memo dated January 23, 2018)

Mr. Santos made a motion, Mrs. Sanchez seconded, to approve the agenda item. The motion passed unanimously.

B. IN THE EVENT NOT ACTED UPON BY ONE OR BOTH OF THE BOARDS UNDER ITEM III.A OF THE JANUARY 30, 2018 AGENDA: The Chairs of the Board of Retirement and Board of Investments (Boards) recommend that the Boards dissolve the Joint Organizational Governance Committee (JOGC), terminate its Charter and the Boards' prior delegation of duties to the JOGC, and rescind the Boards' September 11, 2017 action directing that the JOGC conduct the Chief Executive Officer recruitment. The former responsibilities of the JOGC will return to the Boards and their duly created committees for actions appropriate on a case-by-case basis, in accordance with applicable law and LACERA policy. (Memo dated January 24, 2018)

Mr. Santos made a motion, Mrs. Sanchez seconded, to approve the agenda item.

Mr. Muir made a substitute motion, Mr. Kehoe seconded, to table this agenda item and refer the matter to a future joint meeting of the Boards. The motion failed (roll call) with Messrs. Kehoe, Kelly, Muir, Okum voting yes; and Messrs. Moore, Santos, Schneider, Chair Green, and Mrs. Sanchez voting no.

The motion to approve the agenda item passed (roll call) with and Messrs. Moore, Santos, Schneider, Chair Green, and Mrs. Sanchez voting yes; and Messrs. Kehoe, Kelly, Muir, Okum voting no.

III. ACTION ITEMS (Continued)

C. IN THE EVENT NOT ACTED UPON BY ONE OR BOTH OF THE BOARDS UNDER ITEM III.B OF THE JANUARY 30, 2018 AND JANUARY 31, 2018 AGENDAS: Board of Retirement and Board of Investments Elections of Joint Organizational Governance Committee Members.

Due to the action on Item III. B, this item became moot.

IV. BRIDGING THE GAP: ACHIEVING ACTUARIAL TARGET IN A LOW EXPECTED RETURN ENVIRONMENT

Jon Grabel provided a presentation to the Board.

V. ADVANCES IN ASSET ALLOCATION AND RISK MANAGEMENT

Meketa Investment Group, Inc. provided a presentation to the Board.

VI. FIDUCIARY COUNSEL

Harvey L. Leiderman provided a presentation to the Board.

VII. REAL ASSETS: ROLE AND IMPLEMENTATION IN A PORTFOLIO

Meketa Investment Group, Inc., Stepstone Group, L.P., The Townsend Group, and Investment staff provided a presentation to the Board.

VIII. INVESTMENT EXPENSE ANALYSIS

Several staff from the Investment team provided a presentation to the Board.

IX. CLOSING

There being no further business to come before the Board, the meeting was adjourned at 3:08 p.m.

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, FEBRUARY 14, 2018

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Wayne Moore, Secretary

Joseph Kelly

David Muir

Ronald Okum

Gina V. Sanchez

Herman B. Santos

Michael Schneider

STAFF ADVISORS AND PARTICIPANTS

Robert Hill, Interim Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

James Rice, Senior Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Vache Mahseredjian, Principal Investment Officer

John Mcclelland, Principal Investment Officer

Ted Wright, Principal Investment Officer

David Simpson, Investment Officer

Trina Sanders, Investment Officer

Amit Aggarwal, Investment Officer

Meketa Investment Group
    Leandro Festino, Managing Principal
    Stephen McCourt, Managing Principal

Reed Smith LLP
    Harvey L. Leiderman

StepStone Group LP
    Jose Fernandez, Partner

The Townsend Group
    Jennifer Stevens, Principal

Goldman Sachs Hedge Fund Strategies
    Richard Quigley, Managing Director

I. CALL TO ORDER

The meeting was called to order by Chair Green at 9:16 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Schneider led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of January 10, 2018.

Without objection, this item was returned to staff at the request of Mr. Kelly for revisions relating to discussion at the January 10, 2018 meeting concerning election of the Board's elected member on the Joint Organizational Governance Committee. The revised minutes will be placed on the March agenda for approval.

IV. PUBLIC COMMENT

There were no requests from the public.

V. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated February 5, 2018)

Mr. Hill provided an update regarding the LACERA OPEB account. Mr. Hill informed the Board that LACERA has received a redemption notice from the Los Angeles County Superior Court, requesting to use approximately $1.245 million each month for a three month period, from March 2018 through May 2018.

Furthermore, Mr. Hill shared feedback received from Board members regarding the 2018 Board Offsite.

Mr. Hill provided the Board an update regarding the CEO Search.

VI. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated February 2, 2018)

Mr. Grabel provided a brief discussion on the Chief Investment Officer's Report.

VII. CONSENT ITEMS

Mr. Santos made a motion, Mr. Muir seconded, to approve the following agenda items. The motion passed unanimously.

A. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 2018 MoneyConf – "The Future of Money" on June 11-13, 2018 in Dublin, Ireland and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.
(Placed on the agenda at the request of Mr. Kehoe)
(Memo dated February 5, 2018)

B. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the National Association of Corporate Directors - Global Cyber Forum on April 17-18, 2018 in Geneva, Switzerland and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Kehoe)
(Memo dated February 5, 2018)

C. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the Institutional Investor – Public Funds Roundtable on April 25-27, 2018 in Los Angeles, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Santos)
(Memo dated February 5, 2018)

D. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 15th Annual Australia & New Zealand Forum on February 28 – March 2, 2018 in Sydney, Australia and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Santos)
(Memo dated February 5, 2018)

VII. CONSENT ITEMS (Continued)

E. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board waive the Education and Travel Policy, Section 705.07 D. 4, for Trustee Sanchez and in its place approve attendance at the UCLA Anderson Executive Education – Corporate Governance Program on May 15-17, 2018 in Los Angeles, California; and approve reimbursement of all costs associated with the conference according to LACERA's Education and Travel Policy.
(Memo dated February 6, 2018)

F. Recommendation as submitted by Wayne Moore, Chair, Fixed Income/Hedge Funds/Commodities Committee: That the Board make the following changes to the Fixed Income Composite structure:

1. Increase the allocation target for the Core sub-composite from 35% to 45%;

2. Decrease the allocation target for the Core Plus sub- composite from 35% to 25%;

3. Terminate the following mandates and transition assets to the BlackRock Trust Company (BTC) U.S. Debt Index Fund:
    a. BTC Intermediate Credit Bond Index Fund (Core mandate)
    b. BlackRock Financial Management (Core mandate)
    c. LM Capital (Core Plus mandate);

4. Graduate Pugh Capital Management (Core mandate) from the Emerging Manager Program; and

5. Combine the High Yield and Opportunistic sub-composites with an allocation range of 20-40%.

(Memo dated January 31, 2018)

G. Recommendation as submitted by Shawn Kehoe, Chair, Corporate Governance Committee: That the Board approve the consolidated Corporate Governance Principles. (Memo dated January 15, 2018)

VIII. NON - CONSENT AGENDA

A. Recommendation as submitted by Trina Sanders, Investment Officer and Amit Aggarwal, Investment Officer: That the Board approve a commitment of up to $50 million to Heitman Asia-Pacific Property Investors, L.P. (Memo dated January 26, 2018)

Messrs. McClelland and Aggarwal and Ms. Sanders and Ms. Stevens of Townsend Group were present and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Kelly seconded, to approve the agenda item. The motion passed unanimously.

B. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve the attached ballot insert entitled "Powers and Duties of Investments Board Members," which will be included with the ballot materials for the election of the Third Member of the Board of Investments and posted on lacera.com. (Memo dated February 5, 2018)

Steven P. Rice and Harvey Leiderman of Reed Smith LLP were present and answered questions from the Board.

Mr. Muir made a motion, Mr. Santos seconded, to approve the agenda item with the following revisions to the Powers and Duties of Investments Board Members:

(1) Paragraph 2 of Board Member Responsibilities (Pension Fund Investments) to reference the Asset Allocation determination, and

(2) Paragraph 10 of Board Member Responsibilities (Education) to be revised to create a new paragraph 11, which will include, "Board members may participate in state and national pension and investment related organizations, including serving

VIII. NON - CONSENT AGENDA (Continued)

as an executive or committee member in these organizations," and

(3) Conflicts of Interest section to be revised to add information regarding the duty of disclosure, penalties for violation of conflict rules, and a link to the Fair Political Practices Commission website. The motion passed unanimously.

C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer and David E. Simpson, Investment Officer: That the Board allocate an additional $100 million to Morgan Stanley Alternative Investment Program, as manager of LACERA's Private Equity Co-Investment Program. (Memo dated January 26, 2018)

Messrs. Grabel, Wagner and Simpson were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Muir seconded, to approve the agenda item. The motion passed unanimously.

IX. REPORTS

A. Fund Performance Review as of December 31, 2017
Meketa Performance Report as of December 31, 2017
Jon Grabel, Chief Investment Officer

Messrs. Grabel, Mahseredjian and Wright provided a presentation and answered questions from the Board.

IX. REPORTS (Continued)

The following items were received and filed:

B. Semi-Annual Interest Crediting for Reserves as of December 31, 2017
Beulah S. Auten, Chief Financial Officer
(For Information Only) (Memo dated January 23, 2018)

C. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated February 5, 2018)

X. REPORT ON STAFF ACTION ITEMS

In regard to item III.A., the Board requested an update regarding the items that were tabled from the Joint Organizational Governance Committee. The Board also requested that an update be provided in March regarding the Board Secretary classification study.

In regards to item IX.A., the Board requested for Meketa to provide research reports to staff relevant to their work.

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

Mr. Kehoe shared that he has been recognized by the National Association Corporate Directors as a Board Leadership Fellow.

Mr. Hill announced that the CEO Search Ad-Hoc Committee has been established and the Committee members are David Green, BOI Chair, Vivian Gray, BOR Chair, Shawn Kehoe, BOI Vice Chair, and Herman Santos, BOR Vice Chair.

XII. EXECUTIVE SESSION (This item was held out of order, after XIII.)

A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)

1. Davidson Kempner Institutional Partners, L.P.

Messrs. Jim Rice and Richard Quigley of Goldman Sachs Hedge Fund Strategies, provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to approve staff's recommendation. The motion passed unanimously (roll call) with Messrs. Green, Kehoe, Kelly, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes. The Board’s decision and vote to approve an investment of up to $250 million in Davidson Kempner Institutional Partners. L.P., with an initial investment of $125 million and potential additional investments to be considered in the future was reported out in open session. It was also reported that Davidson Kempner Institutional Partners is a multi-strategy hedge fund investing in two primary strategies, distressed investments and merger arbitrage, with smaller allocations in four other strategies (convertible arbitrage, distressed new opportunities, long/short equities, and long/short credit).

XIII. RECOGNITION

A. National Association of Securities Professionals – F.A.S.T. Track Program

Participating students from Crenshaw High School’s Business and Entrepreneurship Academy and mentors from the F.A.S.T. Program were recognized and introduced to the Board.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 11:58 a.m.

<u>Green Folder Information (Information distributed in each Board Members Green Folder at the beginning of the meeting)</u>

1. Secondary Advisor RFP Quiet Period – List of Respondents (Memo dated February 12, 2018)
2. Davidson Kempner Institutional Partners, L.P. Investment Recommendation--Additional Information (Memo dated February 13, 2018)
3. CIO Report Presentation slides (Memo dated February 14, 2018)

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR

LACERA

February 26, 2018

TO: Each Member
Board of Retirement
Board of Investments

FROM: Robert R. Hill
Interim Chief Executive Officer

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT**

I am pleased to present the Chief Executive Officer's Report that highlights a few of the operational activities that have taken place during the past month, key business metrics to monitor how well we are meeting our performance objectives, and an educational calendar.

March Madness

We refer to the period beginning in December through the end of March as "March Madness" because retirements tend to spike during this period as members desire to retire in time to be eligible for any April 1ST cost-of-living adjustment (COLA) that may be approved. As we have in years past, we are continuing our commitment to share the annual March Madness statistics in the Chief Executive Officer's report. There are two key statistics we track during this time of year.

How well are we keeping up with our member's requests to retire? The chart below shows the total number of pending retirement elections. All incoming retirement requests are triaged by staff to facilitate processing those retirements with immediate retirement dates and those which will require special handling (i.e. legal splits and those with uncompleted service credit purchases).

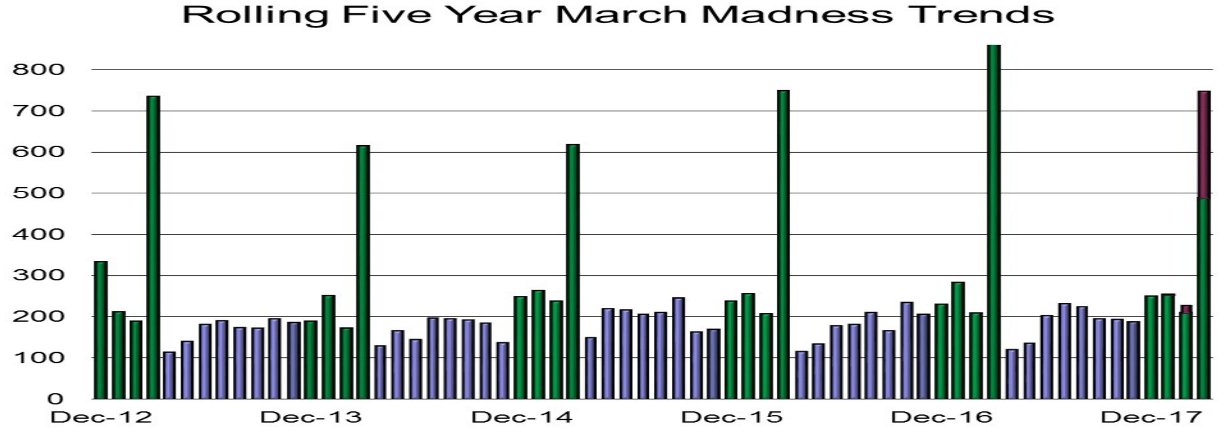
Retirement Month	Retirement Elections
December 2017	**0**
January 2018	**3**
February 2018	**19**
March 2018	**260**
Pending Disability Cases	**71**
Total Pending	**353**

The 282 retirement elections not completed for December - March are pending for the following reasons: pending member action (usually waiting for a signed election) (1), additional research or information required (2), pending processing (279).

The Pending Disability Cases represents the number of approved disability cases being processed by the Benefits Division. Once a disability has been granted by the Board, the Benefits Division staff work with the member and their employer to select a disability effective date, determine the member's option election, and bring them on payroll. These disability cases are pending for the following reasons: pending a decision on the effective date (13), currently in process (13), and waiting for an action by the member (45). These cases are not assigned to a specific month in the "March Madness" period because the final effective date has not been determined. As with service retirements, some cases have mitigating factors such as legal splits and uncompleted purchases which can also extend processing. We expect to successfully meet the retirement agenda deadlines for a majority of our March Madness retirees.

The second key statistic is the volume of retirements during the year, and especially during March Madness. This gives us an indication on the severity of the stress being placed on our capacity to meet our various member service requests and demands placed upon our staff.

The green bars in the following chart reflect those members who have been approved to retire (i.e., their retirement elections have been approved and completed). The red bars reflect those cases that have not been processed as of the date of this report. As of February 22, 2018, we have processed 1,199 out of 1,481 retirements for the March Madness period so far. Comparing the total processed and pending per month we are running on par for the five-year average (last five competed years) for December (249 vs. avg. of 247), and on par for January (256 vs. avg. of 253), and above average for February (228 vs. avg. of 202). March (748 vs. avg. of 716) is still in play and running above average. Putting this into perspective, during last year's March Madness 1,588 members retired, which was higher than the rolling five-year average of 1,418 (the five year averages may change from month to month as disability cases are processed due to retroactive retirement dates).



New CEO Report Dashboard

This month we are happy to introduce the new CEO Report Dashboard. The new report has been updated with a new look and feel that modernizes the report, making it easier to read at a glance. The report focuses on metrics presented in five key areas that we felt would be important to the Boards in their oversight functions:

> ***Striving for Excellence in Service***: This area brings together all the service related metrics from Member Services, RHC, Disability Retirement Services, and Disability Litigation. Where appropriate we have also added trend data such as the Key Performance Indicator for the Member Services Call Center.
>
> ***Striving for Excellence in Quality***: This area provides key data from our Quality Assurance division to provide you with insights on how well we are meeting our critically important quality metrics.
>
> ***Member Snapshot***: This area re-packages the traditional membership information that you are familiar with seeing every month. Our hope is this section is now more reader friendly.
>
> ***Key Financial Metrics***: This area also re-packages the traditional financial information you are used to seeing. We have also added a new payroll trend graph. Again, our hope is this section is now more reader friendly.
>
> ***Coming Soon*****:** We are working to identify additional metrics that the Boards may be interested in seeing.

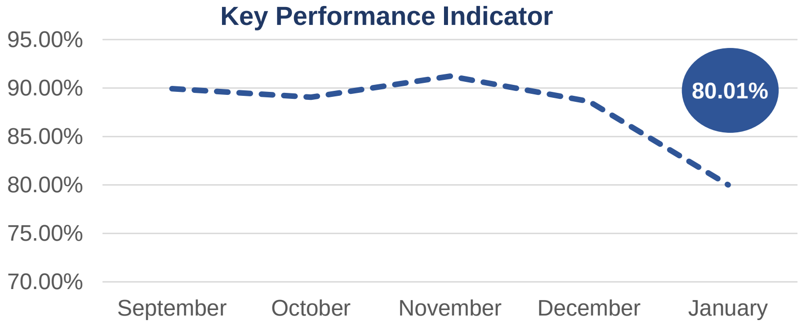
Over the next two months we will be presenting the new CEO Report Dashboard along with the old metrics report until the transition is complete.

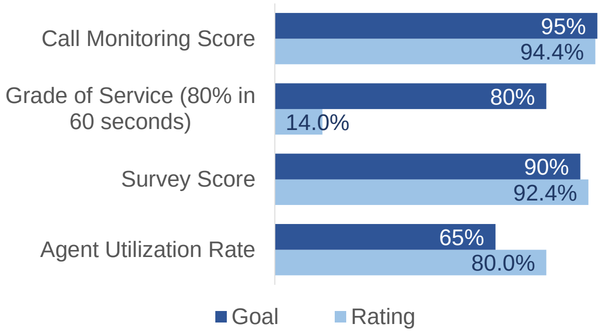
RH: jp
CEO report Mar. 2018.doc
Attachments

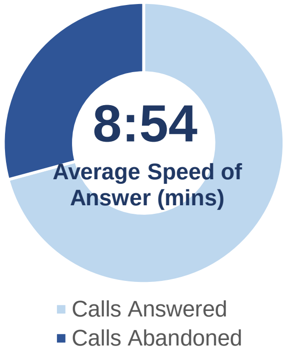
Striving for Excellence in Service

Outreach Attendance	**Outreach Events**	**Outreach Satisfaction**	**Member Services Center**	**Member Services Calls**
3,094	**22**	**100.0%**	**100.0%**	**16,818**
21,700 YTD	263 Year-to-Date	0.0% Since Last Mo.	0.0% Since Last Mo.	12,150 3 Mo. Avg.

Member Services


Key Performance Indicator



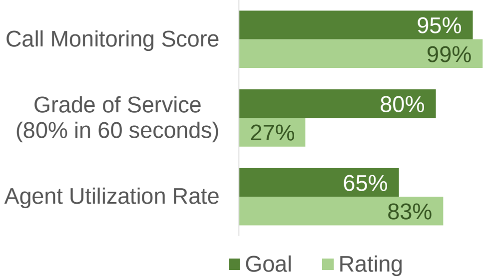


Top Calls

1. Workshop Info/Appointments Inquiry
2. Insurance Benefits: General Info
3. My LACERA: Portal Login Issues

522 Emails
9:07 hours
Avg. Response Time (ART)

Retiree Healthcare



Top Calls

1. Part B Premium Reimbursement
2. Medical Benefits - General Inquiries
3. Medical-New Enroll./Change/Cancel

805 Emails
2 day
Avg. Response Time (ART)

Disability

Applications

613
On Hand

35	Received
315	Year-to-Date
0	Re-opened
1	Year-to-Date
53	To Board - Initial
274	Year-to-Date
7	Closed
43	Year-to-Date
588	In Process
588	Year-to-Date

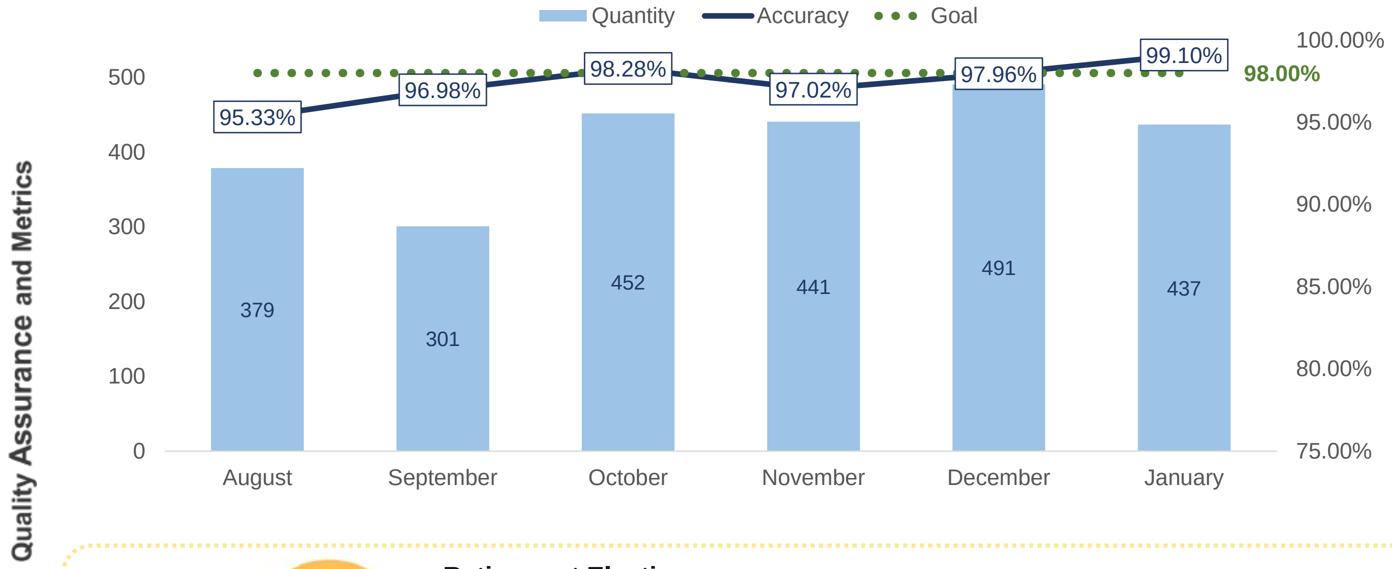
Appeals

123
On Hand

2	Received
21	Year-to-Date
2	Admin Closed/Rule 32
15	Year-to-Date
2	Referee Recommended
8	Year-to-Date
1	Revised/Reconsidered for Granting
3	Year-to-Date
120	In Process
120	Year-to-Date

Striving for Excellence in Quality

Audits of Retirement Elections, Payment Contracts, and Data Entry

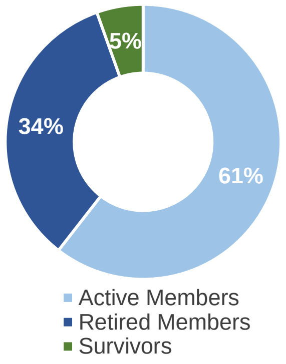


January 2018

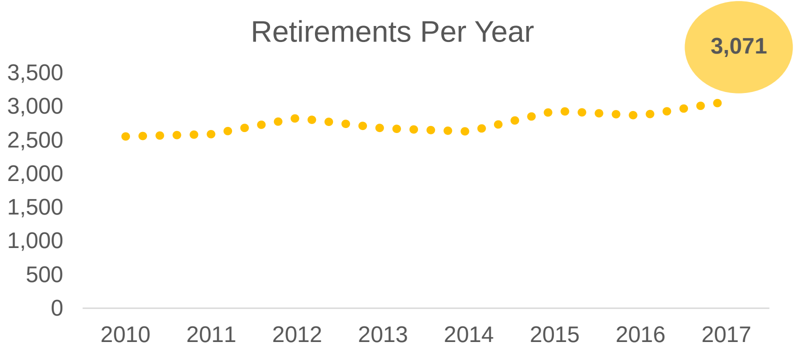
	Retirement Elections	Payment Contracts	Data Entry
Samples	300	47	90
Accuracy	98.74%	100.00%	98.55%

Member Snapshot

	Members as of 12/27/2017				
	Plan	**Active**	**Reti**	**Survivors**	**Total**
General	**Plan A**	161		4,576	**22,730**
	Plan B	53		67	**807**
	Plan C	63		62	**548**
	Plan D	44,393		1,254	**59,131**
	Plan E	18,989		1,037	**32,107**
	Plan G	21,658		0	**21,667**
	Total General	**85,317**		**6,996**	**136,990**
Safety	**Plan A**	7		1,575	**7,138**
	Plan B	10,585		267	**15,862**
	Plan C	2,317		0	**2,321**
	Total Safety	**12,909**		**1,842**	**25,321**
TOTAL MEMBERS		**98,226**		**8,838**	**162,311**

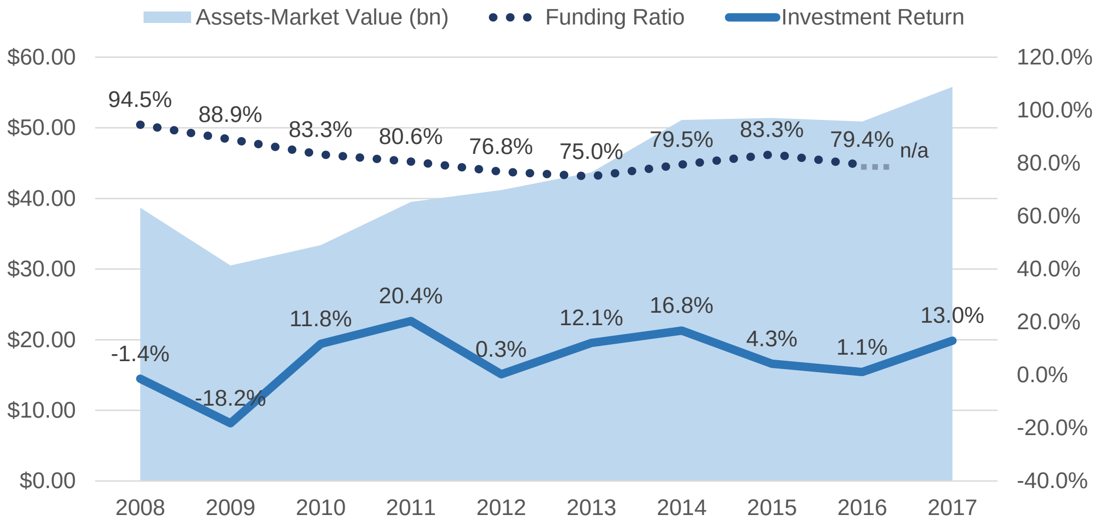


Retirements Per Year



	Healthcare Program (YTD)			**Healthcare Enrollments (Monthly)**
	Employer	Member		
Medical	$276.06m	$23.38m	Medical	49,193
Dental	$24.72m	$2.55m	Dental	50,309
Part B	$33.12m	xxxx	Part B	32,927
			LTC	697
Total	**$333.9m**	**$25.94m**	**Total**	**133,126**

Key Financial Metrics



Funding Metrics
(as of 6/30/17)

Employer NC	9.97%
UAAL	9.73%
Assumed Rate	7.25%
Star Reserve	$614m
Total Assets	$52.7b

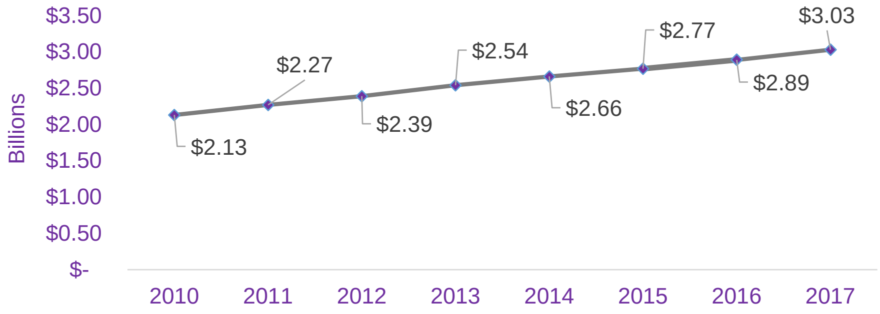
Contributions
(as of 6/30/17)

	Employer	Member
Annual Add	$1331.4m	$526.6m
% of Payroll	19.70%	6.65%

Retired Members Payroll

Monthly Payroll	$266.03m
Payroll YTD	$1.9b
New Retired Payees Added	330
Seamless %	100.00%
New Seamless Payees Added	1,954
Seamless YTD	99.69%
By Direct Deposit %	4.00%
By Direct Deposit %	96.00%

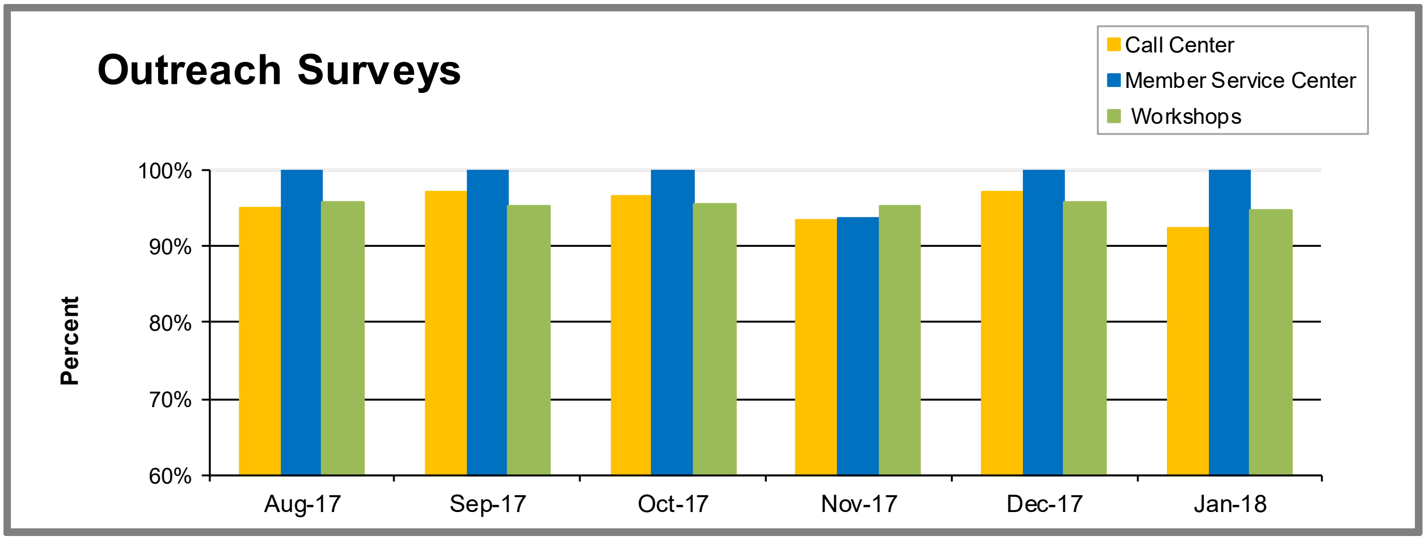
Retiree Payroll by Year

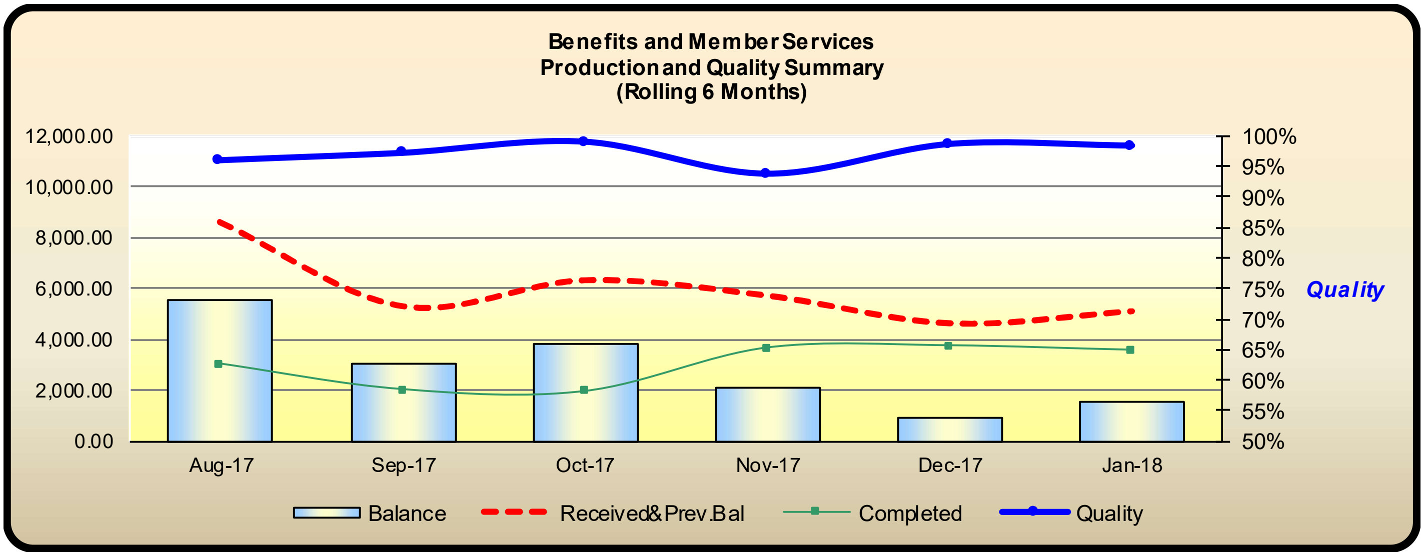


MORE COMING SOON!

LACERA's KEY BUSINESS METRICS

OUTREACH EVENTS AND ATTENDANCE				
Type	**# of WORKSHOPS**		**# of MEMBERS**	
	Monthly	**YTD**	**Monthly**	**YTD**
Benefit Information	3	103	113	5,678
Mid Career	0	7	0	234
New Member	10	89	236	1,898
Pre-Retirement	7	55	168	1,472
General Information	1	3	227	342
Retiree Events	1	6	14	626
Member Service Center	Daily	Daily	2,336	11,450
TOTALS	**22**	**263**	**3,094**	**21,700**





Member Services Contact Center			**RHC Call Center**	**Top Calls**
Overall Key Performance Indicator (KPI)		80.01%		
Category	**Goal**	**Rating**		Member Services
Call Center Monitoring Score	95%	94.40%	99%	1) Workshop Info.\Appointments: Inquiry
Grade of Service (80% in 60 seconds)	80%	14%	27%	2) Insurance Benefits: General Info
Call Center Survey Score	90%	92.38%	xxxxx	3) My LACERA: Portal Login Issues
Agent Utilization Rate	65%	80%	83%	
Number of Calls		16,818	7,102	Retiree Health Care
Number of Calls Answered		11,907	5,583	1) Part B Premium Reimbursement
Number of Calls Abandoned		4,911	1,518	2) Medical Benefits - General Inquiries
Calls-Average Speed of Answer (hh:mm:ss)		00:08:54	00:10:02	3) Medical-New Enroll./Change/Cancel
Number of Emails		522	805	
Emails-Average Response Time (hh:mm:ss)		09:07:12	(Days) 2	Adjusted for weekends

Metrics YTD from July 1, 2017 through January 31, 2018

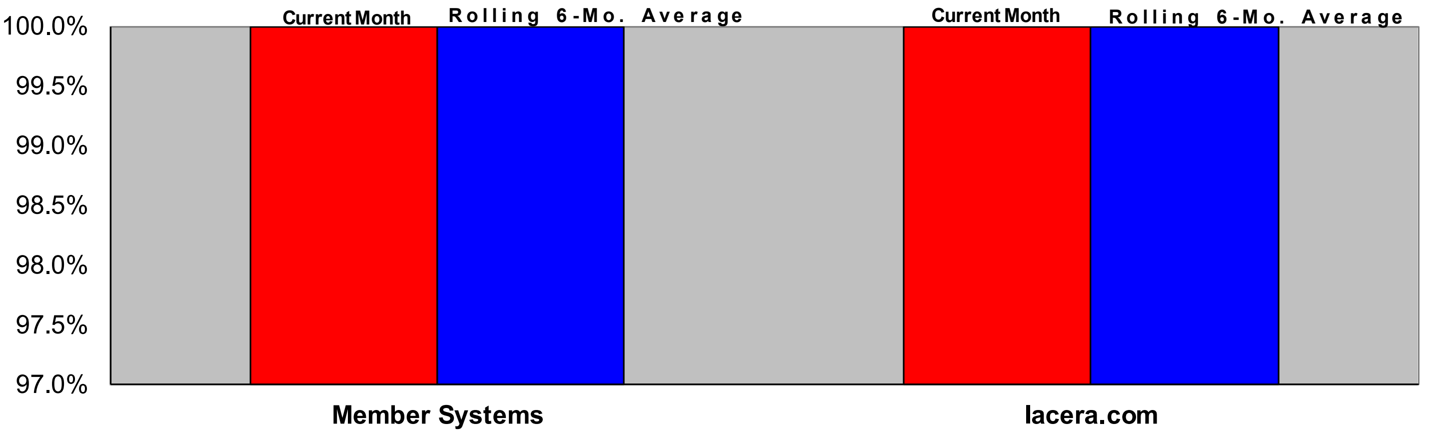
LACERA's KEY BUSINESS METRICS

Fiscal Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets-Market Value	$38.7	$30.5	$33.4	$39.5	$41.2	$43.7	$51.1	$51.4	$50.9	$55.8
Funding Ratio	94.5%	88.9%	83.3%	80.6%	76.8%	75.0%	79.5%	83.3%	79.4%	n/a
Investment Return	-1.4%	-18.2%	11.8%	20.4%	0.3%	12.1%	16.8%	4.3%	1.1%	13.0%

DISABILITY INVESTIGATIONS

APPLICATIONS	TOTAL	YTD		APPEALS	TOTAL	YTD
On Hand	613	xxxxxxx		On Hand	123	xxxxxxx
Received	35	315		Received	2	21
Re-opened	0	1		Administratively Closed/Rule 32	2	15
To Board – Initial	53	274		Referee Recommendation	2	8
Closed	7	43		Revised/Reconsidered for Granting	1	3
In Process	**588**	**588**		**In Process**	**120**	**120**

SYSTEMS AVAILABILITY - JANUARY 2018



Active Members as of 2/22/18	
General-Plan A	161
General-Plan B	53
General-Plan C	63
General-Plan D	44,393
General-Plan E	18,989
General-Plan G	21,658
Total General	**85,317**
Safety-Plan A	7
Safety-Plan B	10,585
Safety-Plan C	2,317
Total Safety	**12,909**
TOTAL ACTIVE	**98,226**

Retired Members/Survivors as of 2/22/18	Retirees	Survivors	Total
General-Plan A	17,993	4,576	22,569
General-Plan B	687	67	754
General-Plan C	423	62	485
General-Plan D	13,484	1,254	14,738
General-Plan E	12,081	1,037	13,118
General-Plan G	9	0	9
Total General	**44,677**	**6,996**	**51,673**
Safety-Plan A	5,556	1,575	7,131
Safety-Plan B	5,010	267	5,277
Safety-Plan C	4	0	4
Total Safety	**10,570**	**1,842**	**12,412**
TOTAL RETIRED	**55,247**	**8,838**	**64,085**

Retired Members	
Monthly Payroll	266.03 Million
Payroll YTD	1.9 Billion
No. Monthly Added	330
Seamless %	100.00%
No. YTD Added	1,954
Seamless YTD %	99.69%
Direct Deposit %	96.00%

Health Care Program (YTD Totals)	Employer Amount	Member Amount
Medical	276,061,366	23,389,699
Dental	24,723,072	2,550,346
Med Part B	33,123,861	xxxxxxxxxx
Total Amount	**$333,908,299**	**$25,940,045**

Health Care Program Enrollments (Monthly)	
Medical	49,193
Dental	50,309
Med Part B	32,927
Long Term Care (LTC)	697

Funding Metrics as of 6/30/17	
Employer Normal Cost	9.97%*
UAAL	9.73%*
Assumed Rate	7.25%*
Star Reserve	$614 million
Total Assets	$52.7 billion

Member Contributions as of 6/30/17	
Annual Additions	$526.6 million
% of Payroll	6.65%*

Employer Contributions as of 6/30/17	
Annual Addition	$1,331.4 million
% of Payroll	19.70%*

*Effective July 1, 2017, as of 6/30/16 actuarial valuation.

Metrics YTD from July 1, 2017 through January 31, 2018

Date	Conference
April, 2018	
9-11	IFEBP (International Foundation of Employment Benefit Plans) Investments Institute Naples, FL
10-11	Pension Bridge Annual Conference San Francisco, CA
16-18	CRCEA (California Retired County Employees Association) Spring Conference Santa Barbara, CA
17-18	National Association of Corporate Directors (NACD) Global Cyber Forum Geneva, Switzerland
23-26	Portfolio Concepts & Management *(prev. Fundamentals of Money Management)* Wharton School, University of Pennsylvania
25-27	Institutional Investor – Public Funds Roundtable Los Angeles, CA
29-May 2	World Healthcare Congress Washington D.C.
29-May 2	Milken Institute Global Conference Beverly Hills, CA
30-May 2	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Denver, CO
May, 2018	
6-9	Government Finance Officers Association (GFOA) Annual Conference St. Louis, MO
13-16	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference New York, NY
15-17	UCLA Anderson Executive Education – Corporate Governance Program Los Angeles, CA
15-18	SACRS Anaheim, CA
21-22	IFEBP (International Foundation of Employment Benefit Plans) Legislative Update Washington D.C.
21-23	IACP Technology Conference Providence, RI
21-25	Investment Strategies & Portfolio Management *(prev. Pension Fund & Investment Mgmt.)* Wharton School, University of Pennsylvania

L//ACERA

February 23, 2018

TO: Each Member
Board of Investments

FROM : Jon Grabel
Chief Investment Officer

SUBJECT: **CHIEF INVESTMENT OFFICER'S REPORT—JANUARY 2017**

The following memorandum and attachments constitute the CIO report for January 2018. **Attachment 1** presents summary investment information including market values, actual and target allocations, and returns. **Attachment 2** is a summary investment report for the OPEB Master Trust. A list of all current applicants for public investment-related searches is included as **Attachment 3** and will be provided on a monthly basis to identify firms with whom LACERA is in a quiet period.

PERFORMANCE

The Total Fund finished with an approximate investment balance of $56.5 billion.[1] The month had a positive net return of 2.2%. All asset categories except for fixed income registered investment gains for the month. For the fiscal year to date, the Total Fund has gained 9.8%.

The OPEB Master Trust continued to generate positive performance in January. For the month, the L.A. County, LACERA, and Superior Court funds all had net gains of 4.4%, 4.3%, and 4.4%, respectively. For the fiscal year to date, L.A. County, LACERA, and Superior Court funds had respective net gains of 14.2%, 14.1%, and 13.8%.

CASH FLOWS, CASH BALANCES, AND FIDUCIARY NET POSITION[2]

As illustrated in Chart 1 below, included to provide detail on the sources of monthly transactional flows, the Plan's fiduciary net position increased by $1.2 billion during the month of January as investment income more than offset net benefit payments. Over the last twelve months, the Plan's net position has increased by $6.9 billion.

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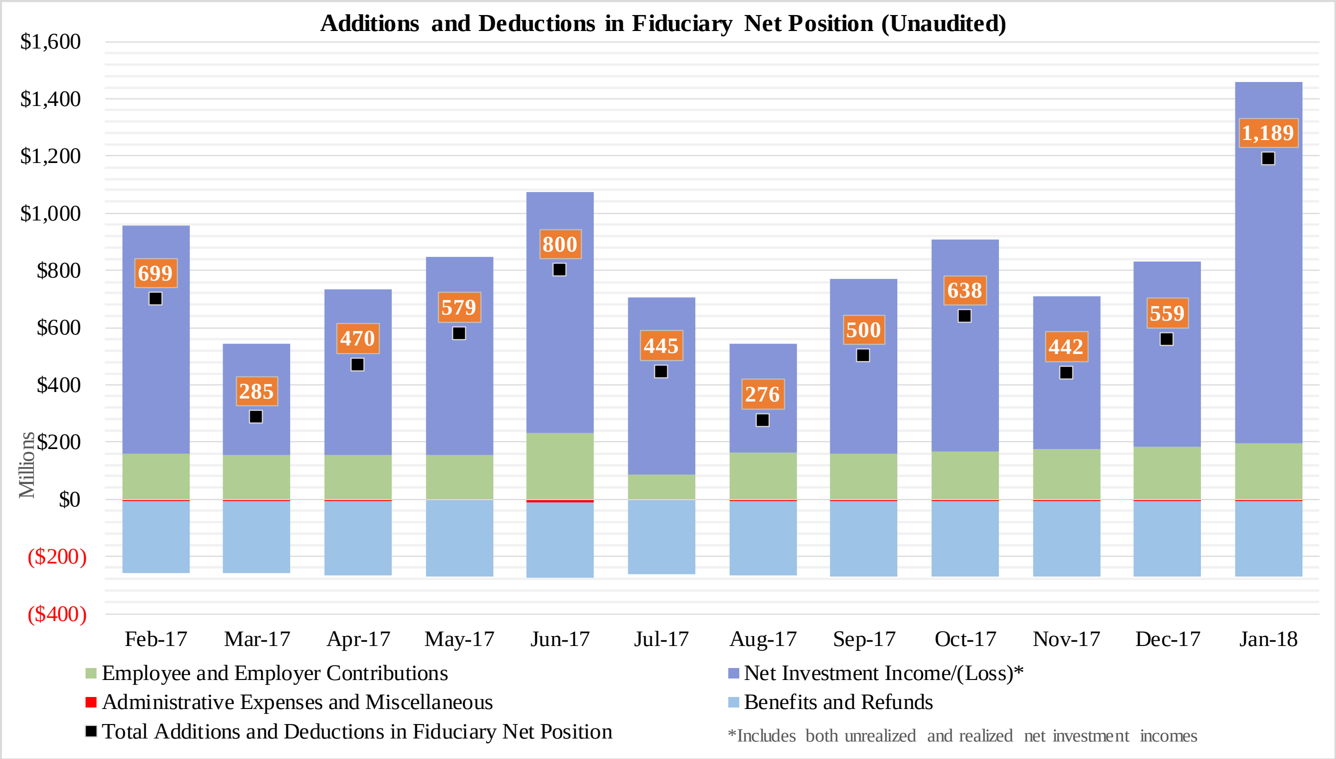
[1] For months that coincide with calendar quarter end, the Total Fund value is calculated using the custodian's quarter-end market values for all asset classes. For inter-quarter periods, the Total Fund value is calculated using the custodian's month-end market value for all asset classes except for private equity and real estate. Private equity and real estate market values are calculated by adjusting the preceding quarter-end market value for subsequent cash flows.

[2] LACERA's Fiduciary Net Position is an unaudited snapshot of account balances as of the preceding month end and reflects assets available for future payments to retirees and their beneficiaries, including investment fund assets, as well as any liabilities owed as of the report date. The Plan's net position is inclusive of both investment and operational net assets, while the Total Fund's position includes investment net assets only.

Chart 1: Additions and Deductions in Fiduciary Net Position (Unaudited)



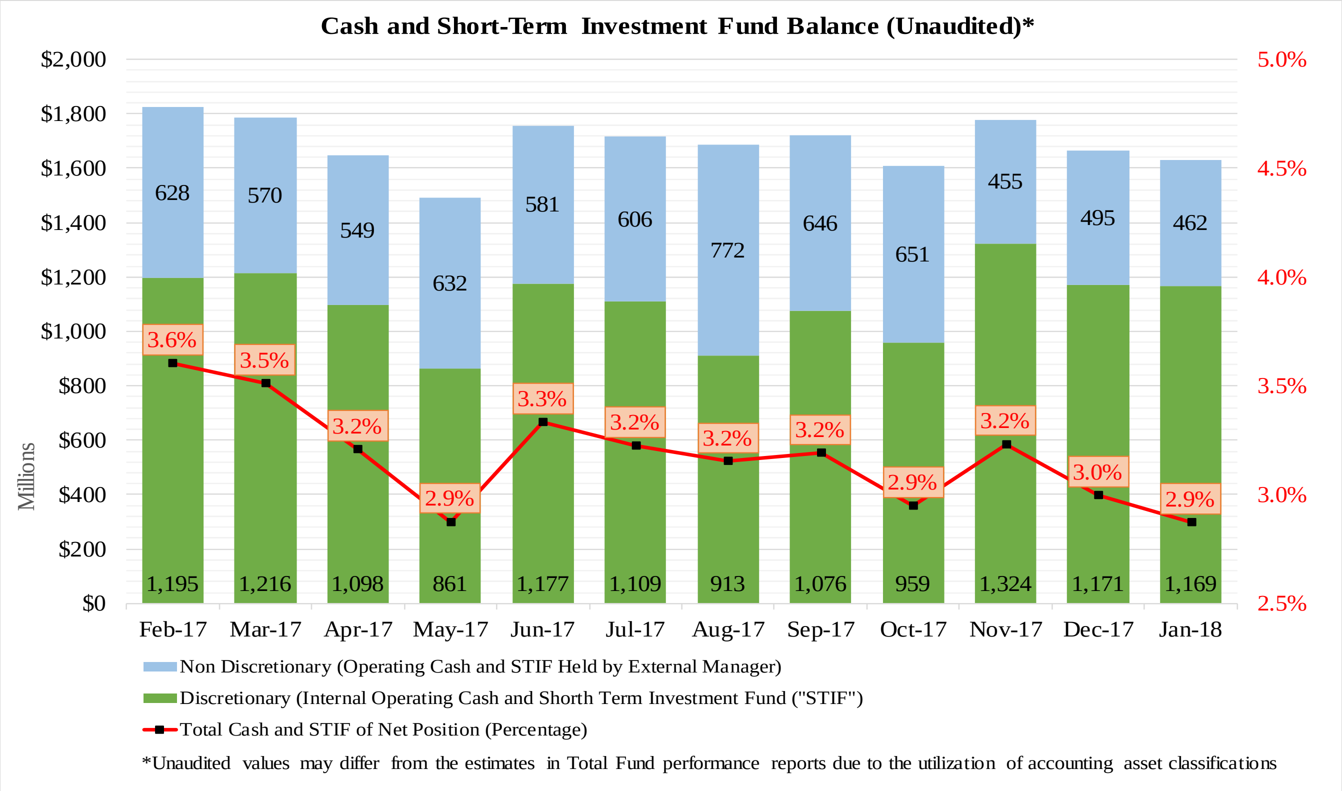
With respect to cash, LACERA finished the month of January with approximately $1.1 billion in the Fund's primary operating account, as reported by the master custodian and identified as "cash" on various Total Fund reports. There was additional cash held in internal accounts dedicated to asset categories with frequent cash flows as well as cash held by select external managers. As illustrated in Chart 2 below, LACERA held a total of $1.2 billion of internal operating cash and short-term investments across all of its operating accounts and a further $462 million in cash and short-term investments was held by LACERA's external investment managers.

In total, LACERA held approximately $1.6 billion in cash and short-term investment funds at the end of January, which can be categorized as follows:

- Non-discretionary (operating cash and STIF balances held by external investment managers): $462 million
- Discretionary (internal operating cash and Short Term Investment Fund ("STIF") balances accessible for the daily operating needs of the plan): $1.2 billion

The Fund's total cash and short-term investment fund balance represented 2.9% of the Plan's unaudited net position of $56.8 billion as of January 31, 2017, while its discretionary cash and short-term investment fund balance represented 2.1% of the Plan's unaudited net position.

Chart 2: Cash and Short-Term Investment Fund Balance (Unaudited)



*Unaudited values may differ from the estimates in Total Fund performance reports due to the utilization of accounting asset classifications

The following table (Table 1) provides a summary of cash flows at the asset class level. For the month of January, Private Equity, Public Equity, and Real Estate had net investment distributions (cash inflows) totaling $77.8 million. Other asset categories did not have contribution or distribution activity during the month.

Table 1: Asset Class Cash Flows

Asset Category and Activity	**$ in Millions**	**Cash Impact**
Private Equity		
Distributions	$86.1	Inflow
Capital calls	-$82.5	Outflow
Private Equity	*$3.6*	*Net Inflow*
Public Equity: U.S.		
Contributions	-$0.3	Outflow
U.S. Equity	*-$0.3*	*Net Outflow*
Public Equity: Non-U.S.		
Contributions	-$2.4	Outflow
Currency hedge	$35.7	Inflow
Non-U.S. Equity	*$33.3*	*Net Inflow*

Fixed Income		
No activity	$0.0	Net Flow
Fixed Income	*$0.0*	*n/m*
Commodities		
No activity	$0.0	Net Flow
Commodities	*$0.0*	*n/m*
Hedge Funds		
No activity	$0.0	Net Flow
Hedge Funds	*$0.0*	*n/m*
Real Estate		
Commingled fund net activity	$3.5	Inflow
Separate account net activity	$37.7	Inflow
Real Estate	*$41.2*	*Net Inflow*

The Public Equity asset class realized a $35.7 million cash inflow from the Non-U.S. Equity currency hedging program. LACERA's Asset Allocation Policy requires that the developed markets Non-U.S. Equity allocation, currently $10.4 billion, maintain a passive currency hedge overlay on 50% of its investment value. Note that when the currency overlay program sustains a loss due to a depreciating U.S. dollar, underlying Non-U.S. equity values should be positively impacted. Conversely, in an appreciating U.S. dollar environment, the currency hedging program will have a gain, while underlying Non-U.S. equity values should be negatively impacted. Due to currency market movements in the previous three months, the currency hedges maturing in early January realized a gain and $35.7 million was transferred to cash from LACERA's passive currency overlay account. The hedged Non-U.S. Equity portfolio gained 4.1% net of fees, or approximately $422.1 million during the month. A change in currency valuation is one of many variables that influences returns for a hedged Non-U.S. Equity portfolio. Cash flow from the currency hedging program and the related equity portfolio can both deliver positive or negative results in a given period due to the staggered rolling of multiple futures contracts across three months.

ACTIVE SEARCHES

This section is intended to keep the Board of Investments apprised of active investment-related searches that include Requests for Proposal (RFP), Information (RFI), and Quote (RFQ). At this time, there are five searches currently underway.

The first is a targeted search requesting information from select investment management firms that have an offering in the multi-strategy Hedge Fund category. Candidate firms have been identified in conjunction with LACERA's Hedge Fund Advisors. Staff has evaluated responses, conducted on-site due diligence meetings, and made recommendations to the Board at the December 2017 and January 2018 meetings. A third recommendation is scheduled for the February meeting.

The second is a targeted search requesting information from select investment management firms that have an offering in the relative value Hedge Fund category. Candidate firms have been identified in conjunction with LACERA's Hedge Fund Advisors. Responses have been submitted to LACERA. Staff will conduct due diligence and possibly make recommendations to the Board in the second quarter of 2018.

The third search currently underway is an RFI for active U.S. small capitalization equity investment management services. The RFI was issued in July with responses due in August. The review process is currently in the due diligence phase and a recommendation is scheduled for the March Board meeting.

The fourth search is an RFP issued for active U.S. and non-U.S. public equity emerging managers to manage direct mandates in separate accounts. The RFP was issued in October and manager responses due in November. The review process is underway and a recommendation is expected to be made in the second quarter of 2018.

The fifth search is for a private equity secondary advisor. The Board has approved minimum qualifications for this external service provider and the RFP was released in January 2018.

UPDATES

This section provides a brief synopsis of recent developments, near-term work priorities and upcoming projects.

Total Fund

- In conjunction with Meketa, a Total Fund strategic asset allocation study is in process with BOI presentations scheduled monthly through the remainder of the fiscal year.
- State Street continues to make modifications to version 1.0 of the TruView risk system, including the onboarding of OPEB Trust assets. The December 2017 TruView report was included in the December 2017 Total Fund Performance Review booklet that was part of the February BOI materials.
- A new Principal Investment Officer for Portfolio Analytics joined LACERA's Investments division in February.
- The asset allocation glide path previously approved by the Board continues to be implemented.

Public Equity

- Staff continues to integrate factors into its analysis of the U.S. equity portfolio. Construction of non-U.S. factor indices for use in analyzing the non-U.S. portfolio continues apace.

Private Equity

- A personnel search has been launched for a Senior Investment Officer to focus on secondary activity, co-investments, and alternative private equity structures.

Fixed Income

- The Board approved a new Fixed Income structure in February; implementation has begun.
- A review of the securities lending program is scheduled for the June meeting of the Fixed Income/Hedge Funds/Commodities Committee.
- An RFP for emerging managers is scheduled for later in 2018.

Real Estate

- Staff continues to work on a performance attribution analysis project with the Real Estate Consultant.
- A structure review is scheduled for the April Real Estate Committee meeting.

Commodities

- A structure review is scheduled for the September meeting of the Fixed Income/Hedge Funds/Commodities Committee.

Hedge Funds

- A direct portfolio is being built with individual manager recommendations occurring throughout 2018.

Corporate Governance

- The recently adopted *Corporate Governance Principles* policy is being translated into LACERA's proxy voting platform to implement the new policy and execute proxy votes this proxy season.
- Assessment of public markets managers' ESG practices continues to be refined, with takeaways integrated into LACERA's public market manager searches and monitoring.

OPEB

- Following the Board's approval of a new asset allocation for the OPEB trusts, staff has begun updating the IPS. An update is anticipated at the April BOI meeting.

COMPLIANCE MONITOR

Evaluating the Fund's investment portfolios against established policies and guidelines is an integral part of the ongoing portfolio management process and is commonly referred to as compliance. The Fund's portfolio is implemented in a nuanced way across multiple asset categories, so LACERA utilizes a multi-faceted approach to evaluate compliance. A summary of compliance activities across the Total Fund identifying advisory notifications where appropriate is provided on a calendar quarter basis. Compliance categories include allocation target weights, portfolio policies such as the use of leverage, and guidelines for various items such as types of permissible holdings. The next report is scheduled to be provided as part of the March CIO Report.

INVESTMENT MANAGER MEETINGS

The purpose of this section is to promote transparency and governance best practices through the timely listing of manager meeting requests that the staff and/or consultant(s) receive from either the Chief Executive Officer (CEO) or a member of the Board of Investments.

In the normal course of business, the CEO or a Board member might recommend that staff meet with a specific manager; there might even be a subsequent discussion regarding a specific manager. If a third communication about the manager takes place within a rolling one-year period, LACERA's Investment Policy Statement directs that the full Board be notified of the requests. This process is designed to preserve the integrity of the decision-making process. Such contact would be reported in this section.

There are no contacts to report this month.

FEBRUARY FORECAST

The S&P 500 stock index began February by reaching 404 consecutive trading days without a 5% peak to trough decline. This streak was broken as global stocks declined broadly by approximately 10% from a peak on January 26th through mid-day February 9th. Following this decline, broad market public indices rallied in mid-February and are down approximately 4% for the month through February 22nd.

The economic backdrop has evolved in recent weeks, as data points of strengthening inflation have become more common. Increasing inflation threatens the goldilocks market environment characterized by synchronized global growth, muted inflation, and accommodative monetary policies. In response to recent inflation data, interest rates have continued to rise. The 10-year U.S. Treasury yield began 2018 at 2.40% and is at 2.92% as of February 22nd. Rising rates threaten equity valuations both by offering an increasingly compelling alternative to investors and by decreasing the value of future earnings when discounted back to present value.

The increased level of market volatility and early March Board meeting date makes forecasting LACERA’s return for February challenging. As of publication of this report, the Total Fund would have its first negative month since October 2016.

Attachments

JG:cq

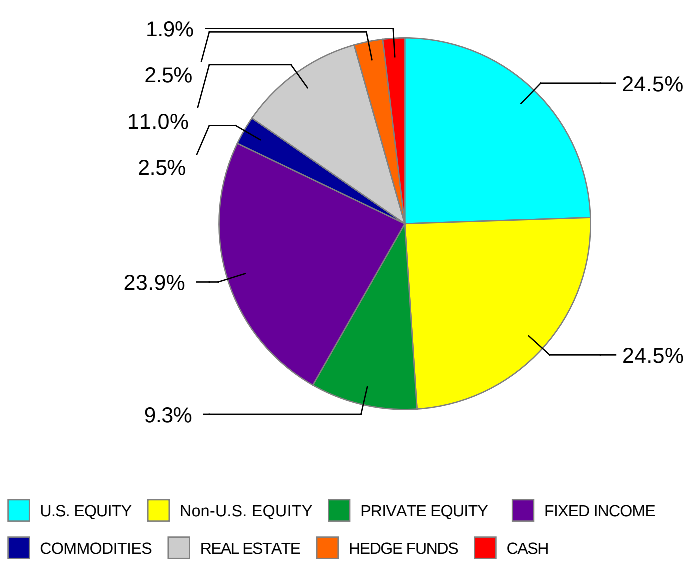
Attachment 1

LACERA'S *ESTIMATED* TOTAL FUND

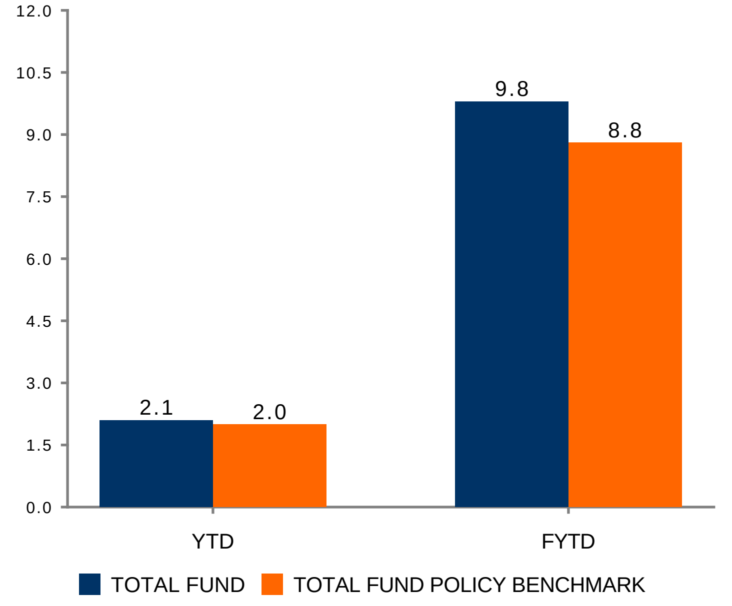
January 31, 2018

	Market Value (millions)	Actual % Total Fund	Target % Total Fund	TOTAL RETURNS (NET)				
				YTD	FYTD	3 Year	5 Year	10 Year
U.S. EQUITY	**13,912.3**	**24.5**	**22.4**	**5.1**	**16.5**	**13.7**	**15.3**	**9.7**
RUSSELL 3000 (DAILY)				5.3	17.1	14.1	15.5	9.8
Non-U.S. EQUITY (Hedged)	**13,879.7**	**24.5**	**21.0**	**4.1**	**15.7**	**10.7**	**9.1**	**4.5**
CUSTOM MSCI ACWI IMI N 50%H				4.1	15.6	10.2	8.8	4.3
PRIVATE EQUITY [1]	**5,270.7**	**9.3**	**10.0**	**0.0**	**10.4**			
PRIVATE EQUITY TARGET [2]				1.0	7.3			
FIXED INCOME	**13,554.5**	**23.9**	**26.6**	**-0.5**	**1.4**	**3.0**	**3.2**	**5.1**
FI CUSTOM INDEX				-1.0	0.4	1.8	2.4	4.2
REAL ESTATE [1]	**6,233.4**	**11.0**	**11.0**	**0.0**	**3.8**			
REAL ESTATE TARGET				0.6	4.0			
COMMODITIES	**1,428.1**	**2.5**	**2.8**	**2.0**	**11.4**	**-1.6**	**-7.2**	**-5.6**
Bloomberg Commodity Index Total Return				2.0	9.5	-3.3	-8.5	-7.0
HEDGE FUNDS [3]	**1,397.1**	**2.5**	**4.2**	**0.8**	**3.8**	**2.9**	**5.1**	
HEDGE FUND CUSTOM INDEX [3]				0.5	3.5	5.4	5.3	
CASH	**1,091.4**	**1.9**	**2.0**	**0.1**	**0.7**	**0.8**	**0.6**	**0.7**
Citigroup 6 M Treasury Bill Index				0.1	0.7	0.5	0.3	0.5
TOTAL FUND [1]	**56,767.1**	**100.0**	**100.0**	**2.1**	**9.8**			
TOTAL FUND POLICY BENCHMARK				2.0	8.8			

Asset Allocation



Net Returns



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[1] Returns for private equity and real estate are calculated on a quarterly basis and are not updated intra quarter. Therefore, 3-, 5- and 10-year returns are only calculated at quarter-end for private equity and real estate. In addition, the Total Fund's returns are based on the latest available quarterly returns for these two asset classes.

[2] Rolling ten-year return of the Russell 3000 plus 500 basis points (one-quarter lag).

[3] One-month lag. Performance included in the Total Fund beginning 10/31/11

These are preliminary returns

Periods greater than 1-year are annualized

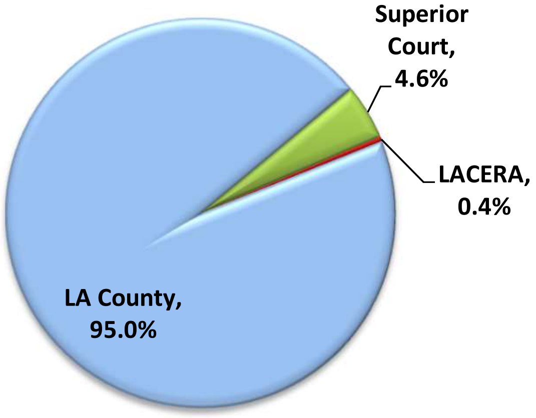
Attachment 2

OPEB MASTER TRUST

January 31, 2018

Fund Name		Inception Date	Market Value (millions)	Trust Ownership	Month	3 Month	FYTD	1 Year	3 Year	Since Incept.
Los Angeles County:	Gross	Feb-2013	$868.2	95.0%	4.39	7.50	14.18	22.27	10.38	7.13
	Net				4.38	7.48	14.16	22.22	10.34	7.09
	Net All				4.38	7.48	14.14	22.18	10.27	7.04
LACERA:	Gross	Feb-2013	$3.3	0.4%	4.30	7.43	14.16	22.32	10.41	7.15
	Net				4.29	7.42	14.14	22.27	10.36	7.11
	Net All				4.28	7.34	13.66	21.23	9.68	6.70
Superior Court:	Gross	Jul-2016	$41.9	4.6%	4.43	7.59	13.78	21.12	---	16.07
	Net				4.43	7.58	13.76	21.07	---	16.04
	Net All				4.42	7.55	13.65	20.71	---	14.94
TRUST OWNERSHIP TOTAL:			**$913.4**	**100.0%**						

Trust Ownership



Allocation		Inception Date	Market Value (millions)	Allocation %	Month	3 Month	FYTD	1 Year	3 Year	Since Incept.
OPEB Global Equity:	Gross	Mar-2014	$745.7	81.6%	5.40	9.28	17.52	27.60	12.43	9.81
	Net				5.40	9.27	17.50	27.55	12.39	9.77
Benchmark: MSCI ACWI IMI Net					5.39	9.21	17.35	27.19	12.04	9.43
Excess Return (Gross - Benchmark)					*0.01*	*0.07*	*0.18*	*0.41*	*0.39*	*0.38*
OPEB Enhanced Cash:	Gross	Feb-2013	$167.7	18.4%	0.13	0.32	0.81	1.34	0.91	0.69
	Net				0.13	0.31	0.78	1.29	0.86	0.63
Benchmark: Citigroup 6 M T-Bill Index					0.11	0.31	0.66	0.95	0.49	0.33
Excess Return (Gross - Benchmark)					*0.02*	*0.01*	*0.14*	*0.39*	*0.42*	*0.36*

These are preliminary returns

Periods greater than 1-year are annulized

ATTACHMENT 3

PUBLIC INVESTMENT-RELATED SEARCHES APPLICANTS

This document identifies firms who have pro-actively submitted an application to LACERA in response to a publicly posted request. These publicly posted requests are commonly referred to as searches and may include minimum qualifications. When an external firm submits an application to a search, LACERA is in a quiet period with the applying firm while the search is active.

The following firms have responded to a request for information regarding an active U.S. small capitalization equity mandate:

AB L.P.
Aberdeen Asset Management Inc
American Century Investment Management, Inc.
Aristotle Capital
Brandywine Global Investment Management, LLC
Brown Advisory LLC
ClearBridge Investments
Cooke & Bieler, LP
Cornerstone Capital Management Holdings LLC
Cortina Asset Management
Cramer Rosenthal McGlynn, LLC
FIAM LLC
Fisher Investments
Hotchkis and Wiley Capital Management, LLC
Investment Counselors of Maryland, LLC
Kayne Anderson Rudnick Investment Management, LLC
LMCG Investments, LLC
Macquarie Investment Management
Martingale Asset Management
Matarin Capital
Mesirow Financial Investment Management Inc.
MFS Institutional Advisors, Inc
PanAgora Asset Management, Inc
Quantitative Management Associaties LLC
Ranger Investment Management
River Road Asset Management, LLC
Rothschild Asset Management Inc
Systematic Financial Management, L.P.
The Boston Company Asset Management LLC
Tributary Capital Management, LLC
Victory Capital Management Inc
Voya Investment Management
Wellington Management Company LLP
Wells Capital Management, Inc.

Westfield Capital Management Company, L.P.
William Blair Investment Management, LLC
Ziegler Capital Management, LLC

The following firms have responded to a request for proposal regarding an active emerging manager equity mandate:

361 Capital
AltraVue Capital
AMP Wealth Management
Applied Research Investments
Arabesque Asset Management
Ativo Capital Management
Blackcrane Capital, LLC
Bowling Portfolio Management
Bridge City Capital, LLC (BBC)
Business Technology Associates
Cedar Street Asset Management
Compass Group LLC
CornerCap Investment Counsel
Decatur Capital Management
Denali Advisors
Dundas Global Investors
Eastern Shore Capital Management
Empiric Institutional LLC
Global Alpha Capital Management
Goelzer Investment Management, Inc.
Granahan Investment Management
Granite Investment Partners
High Pointe Capital Management LLC
Hillcrest Asset Management
Isthmus Partners, LLC
Marietta Investment Partners
Mark Asset Management
Martin Investment Management LLC
Maryland Capital Management (MCM)
Matarin Capital Management
Metis Global Partners
Monarch Partners
New Amsterdam Partners LLC
Oak Associates LTD
OakBrook Investments LLC
Osmosis Investment Management US LLC

Pacific Ridge Capital Partners, LLC
Pacific View Asset Management LLC
Redwood Investments
RVX Asset Management, LLC
Seamans Capital Management
Semper Augustus Investments Group LLC
Spyglass Capital Management LLC
Summit Global Investments
Sustainable Insight Capital Management
Union Square Park Capital Management LLC

The following firms have responded to a request for proposal regarding a private equity secondary advisor:

Campbell Lutyens & Co. Inc.
Citigroup
Credit Suisse
Elm Capital USA Ltd
Evercore Group L.L.C.
Greenhill Cogent, LP
Houlihan Lokey
Lazard
Melting Point Solutions
Park Hill Group
Setter Capital, Inc.
Triago Americas, Inc.

JG: cq

LACERA

February 21, 2018

TO: Each Member
Board of Investments

FROM: Robert R. Hill RRH
Interim Chief Executive Officer

FOR: Board of Investments Meeting of March 5, 2018

SUBJECT: The International Corporate Governance Network (ICGN) Conference
June 25 – 28, 2018 in Milan, Italy

This year's ICGN Conference will be held on June 25 – 28, 2018 at the Unicredit Head Offices in Milan, Italy. The conference will be hosted by Assogestioni, which represents the majority of Italian and foreign investment management firms operating in Italy. The annual conference will bring together over 500 senior global investors, company representatives, regulators, stock changes, government officials and professional advisors from around the world.

The main conference highlights include the following:

- Managing Conflict and Dissenting Voices on Boards
- Stock Exchanges and Shareholder Rights: Encouraging a Race to the Top
- Proxy Advisor Best Practice and Investor Data/Research Needs
- Governance and Technology: What are the Opportunities and Risks?

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content per day. ICGN has negotiated special rates for delegates attending the conference. The discounted hotel rates range from $300.00 to $425.00 plus applicable resort fees and taxes and the registration fee to attend is $1,120.00.

If the registration fee is insufficient to pay the cost of the meals provided by the conference sponsor, LACERA must reimburse the sponsor for the actual cost of the meals, less any registration fee paid. Otherwise, the attendee will be deemed to have received a gift equal to the value of the meals, less any registration fee paid, under California's Political Reform Act.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Board members at the International Corporate Governance Network (ICGN) conference on June 25–28, 2018 in Milan, Italy and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

RH/lg
Attachment

ICGN Annual Conference Milan

Milan Annual Conference Agenda

**Please note this programme is subject to change*

Monday, June 25, 2018 - Day 1: Committee, Member Meetings and the Welcome Reception

10:00 – 11:00

Committee Meetings

- Disclosure and Transparency
- Shareholder Responsibilities

12:15 – 13:15
Committee Meeting

- Board Governance

13:15 – 14:15
Networking Lunch

14:15 – 15:15

Committee Meetings

- Shareholder Rights
- Ethics and Systemic Risk
- Board Nomination Committee *(Open to all delegates)*

15:15 – 15:45
Refreshments

15:45 – 18:15

ICGN Annual General Meeting

18:30 – 20:00

Welcome Reception

Tuesday, June 26, 2018 Day 2: ICGN Annual Conference

08:00 – 09:00

Breakfast Session *Hosted BNP Paribas Asset Management*

08:30 – 09:00

Press Conference

09:30 – 09:40

Welcome from the ICGN Chairman

- Mike McCauley, Chairman, ICGN & Senior Officer, Investment Program & Governance, Florida SBA

09:40 – 10:00
Welcome from the Host

10:00 – 10:30

Opening Keynote Address

10:30 – 11:30

Plenary 1: Stewardship codes and networks: unfinished business?

Much progress has been made in the development of Stewardship Codes around the world, but challenges remain in making successful stewardship a reality. Is stewardship resourced as a profession within investment firms? What should be the status of stewardship professionals relative to fund managers? How should remuneration be structured? How can stewardship teams engage with their retail clients to bring individual "citizens" into the stewardship dialogue? Is there scope for investor associations to better coordinate with one another to strengthen the investor voice in dialogue with policy makers?

- Kerrie Waring, Chief Executive Officer, ICGN
- Chaired by: Dr. Stephen Davis, Associate Director and Senior Fellow, Harvard Law School Program on Corporate Governance

11:30 – 12:00
Refreshments

12:00 – 13:00

Plenary 2: Managing conflict and dissenting voices on boards

Effective boards require a balance of cohesion and creative tension. We are witnessing trends in many global markets to change board composition to add new perspectives and greater diversity. This includes greater independent representation on the boards of controlled companies, more gender diversity and investor-nominated directors (for example, Italy's vota di lista system). While these initiatives may encourage fresh perspectives, this also creates the *scope for greater board dissent. When is dissent healthy, and when might it be counterproductive? Does dissent help or hinder a board's ability to assure a good corporate culture? How should boards best integrate directors nominated by investors? What are the potential pitfalls?*

- Karina A. Litvack, Non Executive Independent Director, Eni SpA

13:00 – 14:15
Networking lunch

14:15 – 15:15

Plenary 3: Stock exchanges and shareholder rights: encouraging a race to the top

Stock exchanges are faced with an increasingly competitive global market when seeking to attract new foreign listings - particularly at a time when many companies are choosing to delist or remain private to avoid the obligations of public issuance. Some exchanges are encouraging the use of dual class shares which is seen by many companies as an attractive way to avoid undue influence by investors. But many investors are concerned that minority rights are threatened. How should exchanges balance tensions of this nature? Are the pressures on exchanges to attract new listings compromising investor protections and standards of governance?

- Jamie Allen, Founding Secretary General, ACGA
- Chaired by: George Dallas, Policy Director, ICGN

15:30 – 16:45
Hosted Sessions

Session 1 *Hosted by EY*

Session 2 *Hosted by MSCI*

Session 3 *Hosted by CAQ*

16:45 – 17:15

Refreshments

17:15 – 18:15

Plenary 4: Governance and technology: what are the opportunities and risks?

The risks and complexities posed by cyber risk and data protection can have direct financial, operational and reputational impacts on corporate success. How should company boards and institutional investors best address these emerging technology factors? Should board composition evolve to ensure there is sufficient technical understanding and capability among board members themselves – or are boards better advised to seek external expertise to provide guidance on technological issues? What assurances to investors need that boards are on top of these risks and opportunities?

- Mauro Cunha, Chief Executive Officer, Associação de Investidores no Mercado de Capitais, (AMEC)
- Sébastien Thevoux-Chabuel, ESG Analyst & Portfolio Manager, Comgest, France

18:30 – 19:00
Pre-Dinner Networking Drinks

19:00 – 21:00

Conference Dinner

Wednesday, June 27, 2018 Day 3: ICGN Annual Conference

08:00 – 09:00

Session 1: Does good governance pay? – does it create shareholder value?

09:20 – 09:30

Welcome Back!

- Kerrie Waring, Chief Executive Officer, ICGN

09:30 – 10:00
Chairman's dialogue

10:00 – 11:00

Plenary 5: Proxy advisor best practice and investor data/research needs

The Best Practice Principles for Governance Research Providers (BBP) were established in 2013 in Europe as a voluntary framework for proxy advisors and has recently been reviewed. At the same time the potential for extremely strict proxy advisor legislation in the US, runs the risk of seriously impacting the practical ability of proxy advisors to serve investors. Do proxy agencies and other data providers meet the research needs of investors? Are investors allowing proxy agencies to exercise too much power in the voting process? Should they be defending proxy agencies more forcefully to policy makers? Are the BPP fit for purpose or is there scope for further improvement? What are the implications of US legislation of proxy agencies?

- Ken Bertsch, Executive Director, Council of Institutional Investors
- Chris Hodge, Chair, Global Stewardship Code Network

11:00 – 11:30
Refreshments

11:45 – 12:45

Hosted Sessions

Session 1 *Hosted by Generali Investments*

Session 2 *Hosted by Pomerantz*

Session 3 *Hosted by*

13:00 – 13:45

Networking Lunch

14:00 – 15:00

Plenary 6: Governance, stewardship and the private company

Corporate governance is relevant for both public and private companies, and private equity has become an important asset class within many institutional investment portfolios. However, relatively little attention has been focused on the role of institutional investors in private companies – even though the decline in public listings in many markets has sparked renewed interest in governance standards of private companies. How does private company governance differ from public company governance? How is investor stewardship affected by companies without market listings? What should institutional investors in private equity funds expect from General Partners in terms of governance protections?

- Paul Lee, Head of Corporate Governance, Aberdeen Asset Management

15:15 – 16:15
Company and Investor Engagement Sessions

16:15 – 16:45

Refreshments

16:45 – 17:45

Plenary 7: Towards the meaningful integration of the Sustainable Development Goals in business and investment

The Sustainable Development Goals (SDGs) add a new dimension to the use of ESG and other non-financial issues, and bring a systemic perspective to both companies and investors. Is meaningful ESG integration a reality in institutional investment firms or a marketing enigma? Are companies providing the right information to allow investors to better understand ESG risks? What incremental data needs are required for investors to address the SDGs? Are the standard setters and data providers of ESG data sufficiently coordinated or is there overlap and confusion? Should some ESG disclosures by companies be required by legislation? If so, which?

17:45 – 18:00

2019 Announcement: ICGN Annual Conference, hosted by the Japan Exchange Group / Tokyo Stock Exchange

18:15 – 19:30

Closing Drinks Reception

LACERA

February 22, 2018

TO: Each Member
Board of Investments

FROM: Robert R. Hill RH
Interim Chief Executive Officer

FOR: Board of Investments Meeting of March 5, 2018

SUBJECT: National Association of Corporate Directors (NACD) – Future Trends
June 13, 2018 in Austin, Texas

The National Association of Corporate Directors (NACD) - Future Trends event will take place on June 13, 2018 at the Ritz Carlton Hotel in Austin, Texas. Attendees of this unique event will learn how to spur needed changes within the company, strengthen their personal areas of expertise, have a better understanding of what the next generation customer base needs and broaden their personal network.

The main conference highlights include the following:

- Terms You've Heard But Don't Fully Understand: A Guide to Blockchain, Bitcoin, and Quantum Computing
- Driving Responsible Growth
- The Future of Global Finance
- The Next-Generation Workforce and Boardroom

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content per day. The standard hotel rate at the Ritz Carlton hotel is $329.00 per night plus applicable taxes and the registration fee to attend is $1,495.00.

If the registration fee is insufficient to pay the cost of the meals provided by the conference sponsor, LACERA must reimburse the sponsor for the actual cost of the meals, less any registration fee paid. Otherwise, the attendee will be deemed to have received a gift equal to the value of the meals, less any registration fee paid, under California's Political Reform Act.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Board members at the National Association of Corporate Directors (NACD) - Future Trends Event on June 13, 2018 in Austin, Texas and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

RH/lg
Attachment

NATIONAL ASSOCIATION OF CORPORATE DIRECTORS

Future Trends

June 13, 2018 | Ritz Carlton | Austin, TX

Wednesday, June 13

7:00 a.m. – 8:00 a.m.

Registration and Breakfast

8:00 a.m. – 8:10 a.m.

Program Welcome and Overview

8:10 a.m. – 9:00 a.m.

Fueling Innovation Through Experimentation

Every company is the product of a continuous transformation that begins when it is a mere idea in its founders' minds. That continuous evolution, coupled with the globalization of the marketplace and the emergence of new technologies, compels corporate leaders to constantly consider what their company could do better, cheaper, and faster. But you don't need to overhaul your company overnight. Sometimes, small changes can lead to monumental success. In this keynote address, learn how you can source inspiration for innovation internally, minimize the impact of failed innovations, and become actively engaged in strategy setting.

9:00 a.m. – 9:15 a.m.

Networking Break

9:15 a.m. – 10:30 a.m.

Terms You've Heard But Don't Fully Understand:
A Guide to Blockchain, Bitcoin, and Quantum Computing

Keeping pace with changing and emerging technologies is not only difficult but also necessary as a corporate director. When you are not fully conversant with how a new technology could affect your business, opportunities are missed, risks are heightened, and key questions about strategy are never asked. In this fast-paced, 75-minute session, three experts will give you a crash course in blockchain, bitcoin, and quantum computing, explaining what they are, how they are impacting businesses, and what you as a director need to know about them.

10:30 a.m. – 10:45 a.m.

Networking Break

10:45 a.m. – 11:30 a.m.

Driving Responsible Growth

Listen to any earnings call and the questions that are being asked by analysts typically fall into one of these categories:

- Environmental: climate, energy, and waste
- Social: employee retention, human rights, and benefits
- Governance: board composition, independence, and oversight of key functions.

Environmental, social, governance (ESG) is often a low priority for companies but it is gaining momentum as an investor priority. These issues have direct tiebacks to corporate strategy and long-term value creation. Boards must ensure that the companies they oversee view ESG as a business issue and not just as a feel-good issue. Our panel will share insights into how paying attention to ESG can potentially save your company money, strengthen your corporate culture, and help you attract and retain investors.

11:30 a.m. – 11:45 a.m.

Networking Break

11:45 a.m. – 12:30 p.m.	**The Next-Generation Workforce and Boardroom** While technology often steals the spotlight as one of the major influences on the future of work, at the core of the workplace are people. Shifting demographic trends over the next 5 to 10 years will influence everything from where you will find your next customers to who is sitting next to you at the boardroom table to how you source employees. In this keynote address, learn how you can align corporate values across generations to ensure a healthy organizational culture and how you can leverage the diversity of insights and skills available in a multigenerational workforce.
12:30 p.m. – 2:00 p.m.	**Cyber Risk/Networking Lunch**
2:00 p.m. – 2:15 p.m.	**Networking Break**
2:15 p.m. – 4:00 p.m.	**Future Trends Workshop** This interactive workshop will discuss how transformative trends on the horizon will affect your company, and how you can prepare your company now to leverage these trends in ways that will yield opportunities and minimize risk in the future. Facilitators at your tables will guide you through this exercise so that you can head back to your boardroom with some discussion points for your next meeting agenda.
4:00 p.m. – 4:15 p.m.	**Networking Break**
4:15 p.m. – 5:00 p.m.	**The Future of Global Finance** The financial industry has seen its share of crises over the past few years. The rise of new technologies, additional regulation, and the emergence of peer-to-peer lending coupled with scandals that have eroded public trust have left the financial system in questionable territory. What does the future of global finance look like? This panel will offer some predictions and share how today’s directors can build a stronger financial tomorrow.
5:00 p.m.	**Program Adjourns**

Reserve your seat today ►

LACERA

February 23, 2018

TO: Each Member
Board of Investments

FROM: Dale Johnson
Investment Officer

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: **APPROVAL OF LACERA'S COUNCIL OF INSTITUTIONAL INVESTORS MEMBER BALLOTS REGARDING A REVISED TRAVEL POLICY AND BOARD ELECTIONS**

RECOMMENDATION

That the Board approve submission of LACERA's member ballots in support of the Council of Institutional Investors' General Members' Meeting Action Item #1 regarding a revised travel policy and public fund director nominees to the Council of Institutional Investors ("CII") board of directors.

LEGAL AUTHORITY

The Board of Investments has exercised its plenary authority under the California Constitution, Article XVI, Section 17, to establish a *Corporate Governance Policy*. LACERA's *Corporate Governance Policy* provides that, time-permitting, the Board of Investments consider unique member voting items at investor associations to which LACERA has formally affiliated, as well as LACERA's support or opposition regarding candidates to the governing boards of such associations (Policy, §V[B][viii], p.4, and §V[C][vi], p.5).

DISCUSSION

As a public fund "general member" of the Council of Institutional Investors, LACERA has the right to vote on two voting items, as explained below.

Item 1: Approve Revision to CII's Board Travel Reimbursement Policy

On February 15, 2018, CII released a voting ballot and related background material for its upcoming General Members' Business Meeting, scheduled to take place during CII's Spring Conference in Washington D.C. on March 13, 2018 (See **Attachment 1** for the ballot and related materials describing the ballot item). Advance votes are due March 9, 2018, or may be cast in person at the General Members' Business Meeting on March 13, 2018.

CII general members are being asked to vote on one action item. "Action Item 1" is a proposed revision to CII's policy that determines the circumstances under which CII will reimburse CII board members for travel and associated expenses to attend CII board meetings, as further detailed in the attached materials. Whereas CII's current policy permits CII board members to request reimbursement for attendance at each board meeting, the proposed modification would exclude reimbursement for board member attendance at CII board meetings that occur in conjunction with CII's semi-annual conferences.

In practice, the proposed limit would not impact LACERA, which has had a practice of paying travel expenses of LACERA representatives who serve on CII's board, consistent with LACERA's Travel Policy. The proposed modification may impact other funds that have internal policies requiring fund representatives to seek reimbursement, when offered and available. By restricting CII's offer of reimbursement for board travel, CII will be able to preserve financial resources with limited, if any impact on the CII board's operations or effectiveness. The proposed revision is in line with board travel policies at several similar associations, as described in CII's background material (presented in **Attachment 1**). A vote in support of the action item is recommended.

Item 2: 2018 Board of Directors, Public Funds Ballot

As a public fund member of CII, LACERA may vote on public fund nominees to CII's board of directors. Public fund members elect nine members to CII's 13-person board on an annual basis. Accordingly, LACERA may cast up to nine votes. There is no cumulative voting. On February 20, 2018, CII released a ballot and related background information for the upcoming Public Fund Constituency Meeting, scheduled to also take place during CII's Spring Conference on March 13, 2018 (See **Attachment 2** for the ballot and related nominee statements of interest). The Board of Investments approved the nomination of Scott Zdrazil, Senior Investment Officer – Corporate Governance, at its January 11, 2018 meeting, who is listed on the ballot. Advance votes are due March 8, 2018, or may be cast in person at the Public Fund Constituency Meeting on March 13, 2018. As of the deadline for Board materials' distribution, support for LACERA's nominee and the candidates as designated in **Attachment 2** is recommended.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

ATTACHMENT 1

CII General Members' Business Meeting Advance Ballot

ADVANCE BALLOTS DUE BY 5 PM (ET) FRIDAY, MARCH 9, 2018

Ballots may be emailed or faxed to:
Attention: Michael Miller
Email: Michael@cii.org
Fax: 202-822-0801

Action Items:

1. Approve Revision to Board Travel Reimbursement Policy

____X____FOR _________AGAINST _________ABSTAIN

Signature: _____________________________________

Print Name: ___________________________________

Organization: __________________________________

PLEASE NOTE: One vote per fund; all ballots must be signed by a Membership representative. General Members may change their votes at GM business meetings when they have previously submitted a proxy in advance of the meetings. A majority of the General Members must be represented in person or by ballot at Council meetings for the transaction of business. Ballot items require the affirmative vote of a majority of those voting.

--ALL BALLOTS ARE CONFIDENTIAL--

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Council of Institutional Investors®

Council of Institutional Investors®
The voice of corporate governance

GENERAL MEMBERS’
BUSINESS MEETING

Tuesday, March 13, 2018
3:15 – 4:15 PM ET
Omni Shoreham Hotel, Washington, D.C.

*****PLEASE BRING THIS COPY TO THE MEETING*****

Business Meeting Booklet Publication Date: Feb. 14, 2018

APPENDIX 9
BALLOT ITEM 1: TRAVEL REIMBURSEMENT FOR DIRECTORS POLICY

The CII board of directors recommends approval of the following changes:
(Proposed changes are underlined and in ~~strikethroughs~~).

Travel Reimbursement for Directors Policy

CII maintains this policy to provide limited reimbursement for directors whose funds do not cover their travel expenses and who could not attend CII board meetings otherwise.

Upon submission of documentation satisfactory to the executive director, CII shall reimburse reasonable travel expenses of the directors in connection with meetings of the board. This policy shall not apply to meetings of the Board of Directors held in connection with CII's regular semi-annual conferences.

Reimbursement shall be payable to either (a) the employing organizations of members of CII's Board of Directors or (b) members of the Board of Directors in the event that their employing organizations are not paying for the travel.

Upon submission of documentation satisfactory to the executive director and the board chair, the employing organization of a member of CII's Board of Directors, or a board member shall be reimbursed for reasonable travel expenses incurred in connection with CII business-related trips that are requested by the executive director or that, in the opinion of the chair, are necessary in carrying out the role of board member. Neither board members nor their employers shall be reimbursed for travel expenses that board members incur in connection with events at which they represent their funds and not CII. Information regarding such trips and the related reimbursement amounts shall be reported to the Board of Directors at least quarterly.

Travel reimbursement to any one director shall be limited to an annual aggregate of $3,500. Expenses should be submitted to the executive director no more than 30 days after they are incurred. A director who expects to submit expenses for reimbursement for attending board meetings ~~at CII conferences~~ should let CII staff know 30 days in advance ~~before the conference starts~~.

Directors are expected to minimize travel expenses consistent with good time management and not charge CII for expenses that their employer will cover or that are beyond the scope of usual and customary business travel expenses. Reasonable expenses will be limited to:

- Coach-fare air travel

- Accommodations at hotels where CII staff has reserved rooms or negotiated rates or at other hotels at a rate that does not exceed the CII-negotiated rate
- Meals
- Transportation to/from the airport/train station/other hotel and meeting location(s)

Claims included in requests for reimbursement that, in the view of the executive director with concurrence of a majority of the co-chairs, do not meet the criteria for "reasonable" shall be disallowed.

This policy is effective for board member travel ~~incurred on or~~ starting with the board meeting that occurs after the semi-annual meeting at which ~~date~~ the~~is~~ policy is approved by the General Membership.

Discussion
Reimbursement for director travel to board meetings has increased in recent years. Most of the directors who seek reimbursement for travel to CII board meetings represent public funds. Many public funds have policies that *require* member representatives to seek reimbursement if it is offered; if it were not offered, their funds would cover the cost of their travel to CII board meetings.

The board approved the revised policy on January 10. It amends the policy to where it was in 2009—reimbursement for travel only to board meetings not connected to CII conferences—though at the current ceiling of $3,500 per director, per year. The original policy wording reflected the expectation that directors, as representatives of member organizations, will attend CII conferences. Board members agreed that the board could consider waivers if needed in the future, on a case-by-case basis.

Background
The reimbursement policy that General Members first approved in 2005 covered reasonable expenses associated with attending board meetings not in conjunction with CII conferences and capped reimbursement at $2,000 annually per director. The policy was revised in 2009, in response to recession-induced travel freezes at some member funds. The annual cap was raised to $3,000 and coverage was broadened to include expenses associated with attending board meetings at CII conferences. In 2014, the cap was raised to $3,500.

In practice, the number of CII directors/funds who seek reimbursement varies widely, depending on the policies of the funds that employ directors. The total amount varies too:

	2011	2012	2013	2014	2015	2016	2017
# directors reimbursed	8	5	3	4	6	7	6
Board travel expenses	$10,654	$11,415	$6,956	$10,656	$13,815	$20,477	$16,110
CII travel budget	$50,000	$60,000	$65,000	$65,000	$65,000	$63,000	$66,000

Director travel reimbursement policies vary widely at nonprofit associations. The National Association of State Retirement Administrators (NASRA) report that many member pension systems pay the travel costs associated with their representatives' service on the NASRA board. For those directors who need it, NASRA reimburses all travel costs, with no set limit. NASRA routinely covers the cost of hotel rooms for all directors via a master account. The National Conference on Public Employee Retirement Systems (NCPERS) has a similar policy.

A benchmarking survey conducted by the American Society of Association Executives found that most trade associations do not reimburse directors for board travel expenses. Specifically, 63% of all surveyed trade associations did not reimburse directors for any expenses associated with travel to board meetings, 31% did reimburse directors for expenses and 1% set an expense allowance for directors. Among trade associations with a staff of 6-10 people (comparable to CII), the survey found that 47% did not offer reimbursement, 32% reimbursed actual expenses and 6% set an annual expense allowance for directors.

Council of Institutional Investors®
The voice of corporate governance

ATTACHMENT 2

2018 BOARD OF DIRECTORS, PUBLIC FUNDS BALLOT
You may vote for up to nine candidates. No cumulative voting.

Ashbel Williams, Executive Director and Chief Investment Officer, Florida State Board of Administration (SBA)	X
Alec Stais, Chief Investment Officer Employees' Retirement System of Rhode Island	
TerriJo Saarela, Corporate Governance Director State of Wisconsin Investment Board (SWIB)	X
Matthew G. Jacobs, General Counsel California Public Employees' Retirement System (CalPERS)	X
Aeisha Mastagni, Portfolio Manager California State Teachers' Retirement System (CalSTRS)	X
Scott Zdrazil, Senior Investment Officer – Corporate Governance Los Angeles County Employees Retirement Association (LACERA)	X
Jerry Albright, Chief Investment Officer Teacher Retirement System of Texas	
Jennifer Peet, Corporate Governance Director Office of the Oregon Treasurer and Oregon Public Employees Retirement Fund	
Ron Baker, Interim Executive Director Colorado Public Employees' Retirement Association (PERA)	
Patti Brammer, Corporate Governance Officer Ohio Public Employees Retirement System	
Mary Collins, Retired Teacher Trustee District of Columbia Retirement Board (DCRB)	
Michael Garland, Assistant Comptroller, Corporate Governance and Responsible Investment, NYC Pension Funds	X
Michael Frerichs, Illinois State Treasurer Office of the Illinois State Treasurer	

Write in candidate(s) name, title and fund:______________________________________

____

Submitted By:
Printed Name: ____

Fund name: ____

Date: ______________________________

For advance voting, please return ballots before 5:00 pm (ET) on Thursday, March 8, to Michael Miller (Michael@cii.org or fax: 202.822.0801). You may also vote at the Public Fund Constituency Meeting on Tuesday, March 13. **PLEASE NOTE:** If your fund votes in advance, you may NOT change your vote at the in-person meeting. Membership dues must be paid prior to voting. If you have any questions please contact CII.

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2018 Public Fund Director Nomination Information

The following 13 nominees are standing for election as Public Fund Constituency members of the CII board of directors.

- **Ashbel Williams**, Executive Director and Chief Investment Officer
  Florida State Board of Administration (SBA)
- **Alec Stais**, Chief Investment Officer
  Employees' Retirement System of Rhode Island
- **TerriJo Saarela**, Corporate Governance Director
  State of Wisconsin Investment Board (SWIB)
- **Matthew G. Jacobs**, General Counsel
  California Public Employees' Retirement System (CalPERS)
- **Aeisha Mastagni**, Portfolio Manager
  California State Teachers' Retirement System (CalSTRS)
- **Scott Zdrazil**, Senior Investment Officer – Corporate Governance
  Los Angeles County Employees Retirement Association (LACERA)
- **Jerry Albright**, Chief Investment Officer
  Teacher Retirement System of Texas
- **Jennifer Peet**, Corporate Governance Director
  Office of the Oregon Treasurer and Oregon Public Employees Retirement Fund
- **Ron Baker**, Interim Executive Director
  Colorado Public Employees' Retirement Association (Colorado PERA)
- **Patti Brammer**, Corporate Governance Officer
  Ohio Public Employees Retirement System
- **Mary Collins**, Retired Teacher Trustee
  District of Columbia Retirement Board (DCRB)
- **Michael Garland**, Assistant Comptroller, Corporate Governance and Responsible Investment
  New York City Pension Funds
- **Michael Frerichs**, Illinois State Treasurer
  Office of the Illinois State Treasurer

Each public fund that is member may vote for up to nine candidates. There is no cumulative voting. To vote in advance of the meeting, please return ballots before 5:00 pm (ET) on Thursday, March 8, to Michael Miller (Michael@cii.org or fax: 202.822.0801). You may also vote at the Public Fund Constituency Meeting on Tuesday, March 13. **PLEASE NOTE:** ***If your fund votes in advance, you may NOT change your vote at the in-person meeting.*** Membership dues must be paid prior to voting. If you have any questions please contact Michael Miller at CII (michael@cii.org).

Nominators submitted the following information, with the biography and statement of interested limited to 200 words. Ballot order was generated randomly.

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1. **Nominee: Ashbel Williams**

Title: Executive Director and Chief Investment Officer (CIO)
Organization (CII Member): Florida State Board of Administration (SBA)

Biography & Statement of Interest:

- From ’91 to ’96, and from ’08 to current, Executive Director & CIO of the SBA
- From ’99 to ’08, Managing Director at Fir Tree Partners
- From ’96 to ’99, President and CEO of Schroder Capital Management
- Chairs the Managed Funds Association’s Institutional Investor Advisory Council
- Trustee of Florida State University Foundation and National Institute for Public Finance
- Serves on Advisory Board of the Robert Toigo Foundation, Alternative Investment Forum, and Fidelity Institutional Asset Management

As an active participant and strong supporter of CII activities for close to three decades, I’ve been honored to work alongside other CII members and be a strong advocate for desired corporate governance practices to increase long term shareholder value. I’m a vigorous proponent for shareowner rights and believe investors should work to not only maintain those rights but to also strengthen corporate governance features of the firms in which they invest. As Chief Investment Officer, I bring experience in institutional investment management practices and view fiduciary duty as a critical perspective when applying corporate governance standards across global equity markets. If entrusted with another board membership term, I will continue to contribute fully and devote the necessary time to all responsibilities, functions and activities.

Submitted by: Michael McCauley
Date: February 13, 2018

2. Nominee: Alec Stais

Title: Chief Investment Officer
Organization (CII Member): Employees' Retirement System of Rhode Island

Biography & Statement of Interest: Alec is the Chief Investment Officer of the Employees' Retirement System of Rhode Island. He supervises the day-to-day investments of the Plan's defined benefit assets, which totaled $8.4 bn as of December 2017, as well as 401a and 457b assets totaling approximately $1 bn and 529 savings plan assets totaling over $6.2 bn.

He joined ERSRI in May 2017, having previously served as a Managing Director at Goldman Sachs, where he helped to design and implement multi-asset portfolios for pension plans, sovereign wealth funds, endowments and foundations. Alec is a Chartered Financial Analyst and an Associate of the Society of Actuaries.

Alec's interest in serving as a Public Fund Director of the CII is founded on his deep experience in tackling complex investment management issues as well as his commitment to serving his Fund's members in all phases of the investment program.

The ERSRI Fund, under the leadership of Rhode Island Treasurer Seth Magaziner and staff, has engaged with companies in the ERSRI investment portfolio to urge them to adopt more sustainable investment practices. This aligns with our fiduciary obligation to encourage companies to adopt business practices that are in the long-term interest of all its members.

Submitted by: Alec P. Stais
Date: 2/13/2018

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3. Nominee: TerriJo Saarela

Title: Corporate Governance Director
Organization (CII Member): State of Wisconsin Investment Board (SWIB)

Biography: TerriJo Saarela is the Corporate Governance Director for the State of Wisconsin Investment Board (SWIB), the ninth largest public pension fund in the US, with more than $104 billion in assets under management. Ms. Saarela is responsible for directing the development and implementation of SWIB's corporate governance policies, actively implementing engagement strategies with company management and boards of directors, identifying governance risks across all asset classes, overseeing the analysis and voting of global proxies, and monitoring securities class action litigation.

Ms. Saarela currently serves on the CII Board of Directors and chairs the Policy Committee. Additionally, she serves as the co-chair of the Shareholder Responsibility Committee of ICGN and serves on various industry advisory boards and committees.

Ms. Saarela earned a double major in Political Science and International Economics, and her MBA from University of Wisconsin Madison.

Statement of Interest by Nominee: It is my honor and privilege to serve the membership as a Board member and Policy Chair. The enhancements made to include more opportunities for members, such as comment periods for new policy, is positive. My strong belief is to continue the collaborative efforts of working with all members of CII to promote, advocate and educate on best corporate governance practices.

Submitted by: Rick Smirl, Executive Director
Date: January 30, 2018

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4. Nominee: Matthew G. Jacobs

Title: General Counsel
Organization (CII Member): California Public Employees' Retirement System (CalPERS)

Biography & Statement of Interest:
In my first year on CII's Board, I have seen just how much that role complements my work as CalPERS's General Counsel and vice versa. One of my duties as GC is to oversee CalPERS's plaintiffs-side securities cases. In so doing, I see first-hand how much corrupt or negligent corporate governance can harm our fund, and I have been able to leverage those insights and experience in my role as a CII director. In our securities cases, we almost always seek governance reforms that are consonant with CII's goals. In fact, in our most recent litigation victory, the only thing we sought from the defendant, IAC/Interactive, was governance reforms.

Before joining CalPERS in 2014, I was a litigation partner at DLA Piper LLP (US), and co-chaired its Government Investigations practice. Before that, I served in both private and public sector law practices, including positions with the Department of Justice in Washington and the U.S. Attorney's Office in Sacramento.

Since 2009, I have served on the Board of WEAVE, a non-profit agency. I recently joined the Board of the NACD's local chapter. I graduated with honors from UC Berkeley's undergraduate business school in 1981 and from the University of Michigan Law School in 1985.

Submitted by: Matthew G. Jacobs
Date: February 11, 2018

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5. Nominee: Aeisha Mastagni

Title: Portfolio Manager
Organization (CII Member): California State Teachers' Retirement System (CalSTRS)

Biography: Aeisha is responsible for working with the governance team, furthering CalSTRS' mission to secure the financial future and sustain the trust of California's educators. Aeisha's main areas of focus are the corporate engagement program, executive compensation, selecting and monitoring managers in the activist manager portfolio, and working with regulatory authorities on market-wide issues.

- Director, Council of Institutional Investors, 2015-2017
- Board Member, International Corporate Governance Network, 2014
- Director, Golden 1 Credit Union, 2012- present
- California State University, Sacramento, B.S., Economics

Statement of Interest: Beginning in 2003, when I joined CalPERS and later CalSTRS, I have dedicated my career to advancing corporate governance practices around the world. I believe that improved governance practices not only add value to a portfolio but also help to mitigate long-term risks.

As a collective body, I believe CII is an effective and impactful organization that advances corporate governance standards on behalf of its members. I am honored to be a part of CII and it would be a privilege to continue serving the organization as a director. I know that my experience, enthusiasm, and perspective as a major global asset owner will be a value-add to the CII Board.

Submitted by: Aeisha Mastagni
Date: February 2, 2018

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6. **Nominee: Scott Zdrazil**

Title: Senior Investment Officer – Corporate Governance
Organization (CII Member): Los Angeles County Employees Retirement Association (LACERA)

Statement of Interest: LACERA is committed to supporting CII as the preeminent voice for institutional investors of diverse profiles and asset sizes aiming to advance our common objectives in sound corporate governance, effective investor rights, and prudent financial market practices.

I would welcome the opportunity to serve on the board in order to further CII's role as a strong, stable, and sensible advocate among policymakers and companies. I appreciate your consideration.

Biography: Scott oversees LACERA's corporate governance initiatives, including policy development, proxy voting, engagement, and due diligence of external managers. LACERA currently manages approximately $56 billion in assets and serves about 160,000 beneficiaries.

He has actively supported CII, including serving on CII's inaugural Advisory Council, contributing as a speaker to CII educational training sessions, and providing input to CII's policy development on a number of issues, including accelerated equity vesting, exclusive forum provisions, and proxy access best practices.

Prior to joining LACERA in 2016, Scott was First Vice President – Director of Corporate Governance at Amalgamated Bank and Director of Strategy and Corporate Engagement for the New York City Retirement Systems.

Submitted by: Dale Johnson, Investment Officer
Date: February 8, 2018

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7. Nominee: Jerry Albright

Title: Chief Investment Officer
Organization (CII Member): Teacher Retirement System of Texas

Biography: Jerry Albright is Chief Investment Officer for the Teacher Retirement System of Texas (TRS). Mr. Albright's previously roles at TRS included Deputy Chief Investment Officer and Chief Operating Officer. He has oversight over the 23rd largest pool of capital in the world (approximately $150 billion) diversified across most major asset classes including global public equity, private markets (private equity, real assets, energy/natural resources), fixed income, hedge funds and risk parity. Prior to joining TRS, Mr. Albright was the Executive Vice President and a member of the Board of Directors of a multi-bank holding company in Texas. He also served as a Director on the Board of two affiliated banks. Mr. Albright currently serves on the Governing Board of the Toigo Foundation as Vice Chairman. He holds a bachelor's degree from Texas A& M University and is on the Advisory Board of the Texas A&M Finance Department. His wife Brenda is a former Texas public school superintendent and his daughter is a Texas public school teacher.

Statement of Interest: Jerry would like to be a meaningfully impact corporate governance with the ultimate goal of protecting and providing for the retirement of over 1.5 million public educators.

Submitted by: Jase Auby, Deputy CIO
Date: 1/30/2018

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8. Nominee: Jennifer Peet

Title: Corporate Governance Director
Organization (CII Member): Office of the Oregon Treasurer and Oregon Public Employees Retirement Fund

Biography & Statement of Interest:

- Corporate governance director and legal counsel, Oregon Treasury
- Institutional investor counsel, Foster Pepper
- Board member, 30 percent Coalition
- Advisory Board, Institutional investment Forums
- Member and presenter, National Association of Public Pension Attorneys
- JD, Lewis and Clark College School of Law
- Bachelor’s degree, Miami University of Ohio

A voice for everyone

CII amplifies our voices, protects institutional investors, and creates a platform to affect positive change. I would be honored to help guide the priorities of this vital organization as a board member. I will be a voice for investors – like Oregon, historically -- who understand the critical importance of corporate governance but possess limited internal capacity.

As Oregon Treasury’s first and only corporate governance director for more than a decade, I’ve seen firsthand the value that CII collaboration and leadership offers for investors of every size. Today, new challenges -- facing government, businesses and shareholders -- require vigilance by fiduciaries to protect beneficiaries and sustainable returns. All risks matter, and every investor stands to benefit from attention to ESG risks, shareholder-focused engagement, diversity, and improved alignment of interests. CII will continue to lead, and I would welcome an opportunity to serve and help amplify the efforts of our membership.

Submitted by: Oregon State Treasurer Tobias Read
Date: February 12, 2018

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9. Nominee: Ron Baker

Title: Interim Executive Director
Organization (CII Member): Colorado Public Employees’ Retirement Association (Colorado PERA)

Biography:

- Interim Executive Director, Colorado PERA, 2017–Present
- Chief Administrative Officer, Colorado PERA, 2013–2017
- Chief Technology Officer, Colorado PERA, 2009–2013
- Director of Application Development Division, Colorado PERA, 2007–2009
- Application Development Manager, Colorado PERA, 1999-2007
- Senior Programmer Analyst, Colorado PERA, 1994-1999

Statement of Interest: Colorado PERA, under Greg Smith’s leadership, has long since been committed to CII’s core values and its ability to advance the adoption of strong corporate governance principles. As Interim Executive Director of Colorado PERA, I pledge to continue to uphold this commitment, and, if granted the opportunity to serve on CII’s Board of Directors, to contribute my expertise in organizational operations and strategy implementation to addressing the Board’s priorities for the coming year, among them the institution of fair financial rules, board diversity, unequal voting rights, unbundling of research costs and commissions for U.S. investors, and forced arbitration, as well as the adoption of a universal proxy rule for the SEC.

I strongly believe in the strength of the collective voice represented by the membership of CII, and would be honored to serve on the CII Board. Thank you in advance for your consideration.

Submitted by: Luz Rodriguez
Date: 2/13/18

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10. Nominee: Patti Brammer

Title: Corporate Governance Officer
Organization (CII Member): Ohio Public Employees Retirement System

Biography & Statement of Interest:

- Corporate Governance Officer for the Ohio Public Employees Retirement System, 12th largest public pension fund in the U.S.
- 30% Coalition Public Policy Committee Member
- 14 year Public Pension Financial Forum Committee Member
- B.S. University of Pittsburgh, Masters University of Phoenix
- Former Registered Corporate Coach and Six Sigma Greenbelt

A fresh perspective and strength of a large public retirement system platform is what I would bring to the CII Board. Under my tenure, OPERS officially joined organizations such as the 30% Coalition, Human Capital Management Coalition, and Midwest Coalition to engage companies to enact change, enhance disclosures and increase alignment with core corporate governance practices. Balancing an approach of quiet diplomacy, we have engaged in dialogue with Directors to address important issues such as say on pay, gender parity, and enhanced disclosures. Our advocacy has been focused at the state level in Ohio as well as the federal level, providing commentary on governance issues such as gender parity, dual class shares, universal proxy and the Financial Choice Act.

I would appreciate the opportunity to join the Board and strengthen CII's strategies to increase awareness of the role Institutional Investors have as change agents to promote best practices and increase shareowner value.

Submitted by: Patti Brammer
Date: February 9, 2018

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11. Name: Mary Collins

Title: Retired Teacher Trustee
Organization (CII Member): District of Columbia Retirement Board (DCRB)

Biography:

Education:

- BS, Mathematics
- MS, Mathematics Education
- Investment training by Wharton School of Business, Stanford University, and the International Foundation
- Yearly trustee training in investments for pension plans

Employment History:
University of District of Columbia – 1971 - 1976
DC Public Schools – 1976 -2009
Washington Teachers Union – 2009 – 2010

Statement of Interest: Having served on the CII Board of Directors during the 2017 term, I would appreciate your support for the 2018 term.

I have diligently worked with CII during the 2017 year to increase Trustee participation by presenting at a CII Trustee workshop and will continue to do so.

Based on my experiences as a former CII Board member and serving as the Chair of Policy for CII for three years, I would be a valuable asset to the mission of CII as a Trustee. In addition, I have served as a Trustee of DCRB for 16 years, serving as the Chair for 3 years, and a member of the Investment Committee for 16 years.

I have the qualifications, commitment and desire to promote the mission of CII and would be a voice from a trustee prospective bringing diversity to the Board.

Submitted by: Mary Collins
Date: February 6, 2018

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12. Nominee: Michael Garland

Title: Assistant Comptroller, Corporate Governance and Responsible Investment
Organization (CII Member): NYC Pension Funds

Statement of Interest: It has been a privilege to serve on the CII Board for the past two years. During this period, the Board oversaw important organizational changes, including onboarding a new Executive Director and implementing a new dues structure, while keeping CII focused on its core mission of member education and advocacy.

Going forward, it will be essential that CII continue to spearhead the institutional investor response the mounting legislative and regulatory proposals to weaken the rights of investors and the independence of our advisors. As an experienced advocate for strong, sustainable and transparent corporate governance and robust investor rights at both the company and regulatory levels, I would welcome the opportunity to continue representing the interests of investors on the CII Board.

Biography: As Assistant Comptroller for Corporate Governance and Responsible Investment, Mike and his team are responsible for voting proxies, engaging portfolio companies on corporate governance and sustainability, and advocating for regulatory reforms to protect investors and strengthen shareholder rights. Most recently, he spearheaded the NYC Pension Funds' successful proxy access campaign.

Mike has previously worked for the AFL-CIO Office of Investment, CtW Investment Group, Locker Associates, National Westminster Bank USA and the OECD.

Submitted by: Scott Evans, Chief Investment Officer, NYC Pension Funds
Date: February 12, 2018

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13. Name: Michael Frerichs

Title: Illinois State Treasurer
Organization (CII Member): Office of the Illinois State Treasurer

Biography & Statement of Interest: Michael Frerichs was elected Illinois State Treasurer in November 2014. As such, he serves as Illinois' Chief Investment Officer, responsible for managing $25 billion and administering the state's multiple banking functions and financial services. Mike is also a Trustee on the Illinois State Board of Investment, Chair of the National Association of State Treasurer's ABLE Committee, a Certified Public Finance Officer, and former State Senator.

As State Treasurer, Mike has worked diligently to transform and optimize the office's investment approach. For the first time in the office's history, he ushered in an investment philosophy that combines traditional investment objectives – safety of principal, optimal returns, and diversification – with a focus on corporate accountability, sustainability, and the integration of environmental, social, and governance (ESG) factors.

Mike's vision for the future of government investing aligns exceptionally with CII's mission, values, and activities. Mike wholeheartedly believes in and understands the value of good corporate governance, strong shareowner rights, and active shareowner participation. It's these practices that help protect investors, strengthen long-term performance, and enhance corporate accountability. If Mike is given the privilege to serve on CII's Board, he would work intently to help CII realize these objectives and broaden its impact.

Submitted by: Max Dulberger, Investment Operations Manager
Date: February 2, 2018

INTERNATIONAL REAL ESTATE
COMMINGLED FUND
ANGELO, GORDON EUROPE REALTY FUND II

MARCH 5, 2018

AMIT AGGARWAL
INVESTMENT OFFICER - REAL ESTATE

LACERA
INVESTMENTS

LACERA

February 22, 2018

TO: Each Member
Board of Investments

FROM: Amit Aggarwal AA
Investment Officer – Real Estate

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: **INTERNATIONAL REAL ESTATE COMMINGLED FUND**
Angelo, Gordon Europe Realty Fund II

RECOMMENDATION

Approve a commitment of up to $50 million to AG Europe Realty Fund II.

LACERA

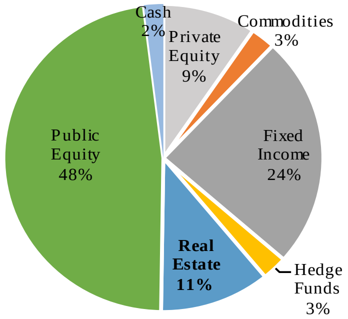
Investment Recommendation Memorandum

To: Each Member of the Board of Investments
For: March 5, 2018 Board of Investments Meeting
From: Amit Aggarwal - Investment Officer AA

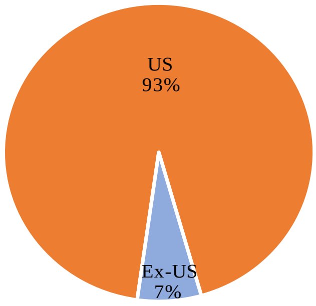
Portfolio as of 12/31/17
Total Fund: LACERA Pension

- **Asset Category: Real Estate**
- **Portfolio: International Real Estate**

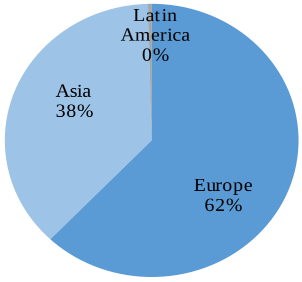
Current Total Fund: $56b



Actual plus committed RE
by Region: $6.6b ^



Proposed International RE
plus committed



* $524m in international RE
(includes potential AG Europe Realty II)

Recommendation

Approve an investment of $50 million to Angelo, Gordon Europe Realty Fund II ("The Fund" or "AG")

Overview

- AG manages $27 billion in real estate strategies. There are 175 invesment professionals across AG's real estate platform globally
- The Fund is seeking investors to commit $750M to Angelo, Gordon Europe Realty Fund II
- The Fund will make opportunistic real estate investments in Western Europe
- AG has invested in Europe since 2009 and has developed a track record with modest leverage and realizations of over 30% of its Europe portfolio
- **Main objective of the Fund will be to:**
  a Target **net returns of 14-15%**
  b Invest in developed and liquid Western European markets: United Kingdom, Germany, France and Netherlands. The Fund may also have some exposure in Italy, Spain, the Nordics, Ireland and Belgium
  c Purchase assets from owners who lack the capital, patience or expertise to improve cash flow
  d Diversify among multiple geographies and property types
  e Purchase assets in the categories of office, retail, residential, industrial and hotels

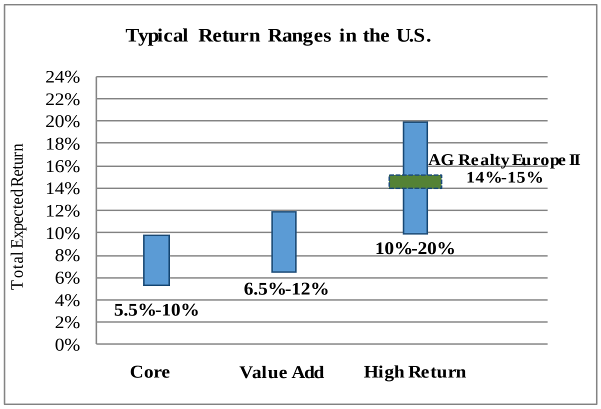
Strategic and Portfolio Fit

- This would be LACERA's second European real estate fund since the adoption of the Real Estate International Implentation Plan in October 2016
- The Fund would increase real estate's international portfolio from 7.2% to 7.9% ^
- The Fund will help achieve the goal of committing $600M internationally over the next 4 years
- LACERA's target real estate allocation is **11%** of the Total Fund
  a Real estate is currently over allocated at 11.2% of the Total Fund but still within range of 8-16% (Domestic sales are underway in order to bring the asset class closer to the target)
  b Proposed commitment of $50M will be deployed over a four year period
  c $474M is currently invested internationally, with $276M of that in Europe ^
  d **$50M allocation will increase international investment exposure to $524M ***

^based on actual plus committed capital

Fund's Target IRR Returns Compared to Typical Return Rates

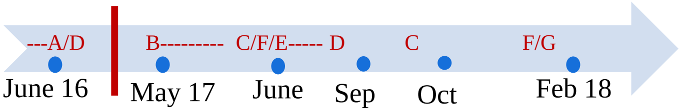
- AG Realty Europe II is targeting a net IRR of 14-15%, which exceeds typical high return/opportunistic returns from real estate in the U.S. by 100 to 200 basis points for funds with the same risk profile in the lower end of the high return strategy.



Angelo, Gordon Europe Realty Fund II - Investment Recommendation Memorandum - continued

Due Diligence Process

A) Determined that Europe presented compelling opportunity
B) Surveyed the landscape of funds that meet LACERA's high return criteria
C) Consulted with the Townsend Group on potential investment
D) Identified ten funds in Europe, including AG over the last 24 months
E) Conducted independent due diligence of AG over the last 24 months
F) Site inspections of AG properties in London and Amsterdam
G) Reviewed any potential conflicts



Terms and Other Considerations

- Annual management fee of 1.5% of committed capital during the investment period and 1.5% of invested capital thereafter
- Distributions will be made first to LP's until a return of all capital, plus a 8% compounded preferred rate. Subsequent distributions will be shared 50/50 between the investors and the General Partner until the GP has received 20% of profits
- The investment period is June 2017 through November 2021
- The Fund has a four-year term from the expiration of the investment period
- The final close of the Fund is expected to take place in March 2018
- AG and its employees have committed over $18 million to the fund

Strengths and Merits

- AG has assembled a seasoned team of professionals
- The AG Europe team has an established track record of successfully executing investment strategies under a variety of market conditions
- AG has a well-established and thorough investment process
- AG will only be raising funds for AGII and no other competing funds
- AG operates a robust deal sourcing platform that offers a competitive edge
- AG will invest only in specific markets in western Europe

Concerns and Mitigating Factors

- The Fund will invest in the UK, concerns with Brexit
- ✓ Utilizes conservative underwriting and a focus on downside protection
- The Fund will invest through joint ventures and uses operating partners
- ✓ AG is able to select the best operators in each market and for each product type
- AG has a limited track record of investing in Europe
- ✓ AG has been investing in Europe since 2009 and has invested over $1 billlion

Performance Track Record

AG Europe Realty Fund I Track Record	
Fund size	$570.2 M
Gross projected IRR as of June 30, 2017	24%
Net IRR based on liquidation at September 30, 2017	16%

Fully Realized Transactions				
No. of Transactions	Purchase Price	Peak Equity	Gross IRR	Gross Multiple
15 Assets	$743.4	$379.3	29%	1.9x

Fully/Partially/Unrealized Transactions				
No. of Transactions	Purchase Price	Peak Equity	Projected Gross IRR	Projected Gross Multiple
42 Assets	$1,971.3	$1,193.8	22%	1.8x

Target Markets

Noted and Reviewed:

Jonathan Grabel, Chief Investment Officer

LACERA

February 22, 2018

TO: Each Member
Board of Investments

FROM: Amit Aggarwal AA
Investment Officer – Real Estate

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: **INTERNATIONAL REAL ESTATE COMMINGLED FUND**
Angelo, Gordon Europe Realty Fund II

RECOMMENDATION

Approve a commitment of up to $50 million to AG Europe Realty Fund II.

EXECUTIVE SUMMARY

Angelo, Gordon & Co. (“Angelo Gordon” or AG”) is seeking investors to commit $750 million (with a cap of $850 million) to AG Europe Realty Fund II (the “Fund” or “AG II”). AG will focus on making opportunistic real estate investments in the Pan-European region.

Angelo Gordon’s main emphasis will be to purchase a range of sub-performing and distressed real estate assets and debt (loan-to-own). Business plans may range from modest lease-up and operations improvement to a more significant value-add/opportunistic strategy. AG II will invest in a wide range of potential risk profiles ranging from value-add to lower risk opportunistic investments.

The Fund intends to focus on the largest, most liquid and institutional markets in Western Europe; notably, the United Kingdom, The Netherlands, Germany, France, Ireland, Spain, Italy and the Nordics. Assets are expected to fall in the categories of office, retail, residential, industrial and hotels. Through the team’s deep relationships in the region, and an extensive network of approximately 40 operating partners located throughout Europe, AG expects to be able to continue to source much of its deal flow off-market or through stepping into prior sales efforts that failed.

Angelo Gordon has been investing in Europe since 2009, with a team that has seen little turnover, and has developed a strong track record with modest leverage and realization of over 30% of its Europe portfolio. The firm has invested approximately $2 billion in 42 real estate transactions across Europe.

Staff believes AG II is a good fit for LACERA's real estate portfolio. The proposed commitment is consistent with LACERA's Real Estate International Implementation Plan which calls for up to 15% of LACERA's real estate allocation to be invested/committed internationally, over the three-year period of 2017-2019. The Fund is targeting net returns of 14%-15%, which exceed typical high return/opportunistic returns from real estate located in the United States by 100 to 200 basis points for funds with the same risk profile in the lower end of the high return strategy. This performance, if realized, should help improve LACERA's high return/opportunistic returns, which have historically underperformed the benchmark. The Fund strategy should also improve LACERA's geographical diversification while staying within key countries which represent the more stable and relatively transparent regions of Europe.[1] Risk should be further constrained by partnering with a strong, disciplined partner that has a good track record executing the same strategy. An investment of $50 million will ensure LACERA a seat on AG II Advisory Board. The Fund is U.S. dollar-denominated and AG intends to hedge all currencies.

Staff notes that although currently slighty over-allocated to real estate, restrained new investment pace and recent and planned dispositions within the United States are expected to reduce LACERA's asset class allocation by 0.5% to get closer to the target of 11% by the end of the fiscal year 2017-2018. A commitment to the Fund would be expected to be deployed over an approximate four-year period, thus it should not exacerbate LACERA's over-allocation to real estate.

This investment, which would represent LACERA's first investment with AG, was sourced directly by LACERA; no placement agent was utilized.

LACERA's consultant, the Townsend Group ("Townsend"), conducted an independent review of the opportunity and concurs with staff's assessment. Townsend's investment memorandum is attached (**ATTACHMENT 1**).

The remainder of this memorandum discusses: (i) Process; (ii) Background; (iii) Portfolio Fit (iv) Investment Evaluation; (v) Fund Terms; and (vi) Observations.

PROCESS

The Board approved the Real Estate International Implementation Plan ("the Plan") in October 2016, which outlined Asia, Europe and Latin America as regions that merited further consideration. Since the Plan was approved, staff has continued to monitor and evaluate core and non-core fund opportunities in those regions. Staff's review process for AG II is outlined below:

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[1] "Transparency" within real estate investment refers to the availability and accuracy of information relating to transaction processes, regulatory and legal frameworks, corporate governance, performance measurement and data availability. Higher real estate transparency is associated with stronger investor and corporate activity. Source: JLL Global Real Estate Transparency Index 2016.

- Surveyed the landscape of funds that meet LACERA's opportunistic criteria, including:
    - Pan-Europe;
    - Multiple property types;
    - A net return greater than returns for US high return/opportunistic of similar risk levels. Current U.S. high return/opportunistic net return expectations are ranging 10-14% whereas AG II is targeting net returns of 14-15%, exceeding the U.S return expectations of similar risk levels by 100 to 200 basis points.
- Identified ten funds in Europe, including AG II and CapMan Nordic Fund II which was approved by the Board in May 2017. Staff is still reviewing three of the remaining eight funds.
- Consulted with the Townsend Group to seek input on available funds as well as risk profile recommendations.
- Conducted an independent due diligence of Angelo Gordon and AG II over the last 24 months, including a review of:
    - Organizational structure and key professional profiles
    - Track record and underwriting assumptions
    - Investment strategy and structure of the investments
    - Portfolio Management, operations and process
    - Risk Management processes
    - Potential conflicts
    - References
    - Annual and quarterly reporting and budgets
    - Litigation and Regulatory issues
    - Site inspections of asset investments in London and Amsterdam.

Completion of this process has culminated in this recommendation.

BACKGROUND

Europe and Asia each contain a large investable universe for real estate. Each nearly equals the size of the investable universe for real estate within the U.S. at $8.8 trillion. Europe offers opportunities to buy distressed assets from lenders and other unintended owners. The European market lags the U.S. market and represent alternative buying opportunities.

International activity is expected to diversify commitments across multiple vintage years, risk categories and general partners. LACERA remains minimally exposed to international real estate: 7.2% of investments are ex-U.S. relative to a policy limit of 20%. While no "target" has been established for international real estate, core funds are considered when returns are comparable to the U.S. and non-core funds are considered when the funds are expected to deliver a return premium to similar U.S.-based investments. The proposed commitment to AG II would increase the international exposure modestly to 7.9% over an estimated four-year investment period.

Staff continues to evaluate additional opportunities in Asia, Europe and Latin America in an effort to increase the international exposure to as high as 15%. One or more European-domiciled funds may be presented for Board consideration later in 2018.

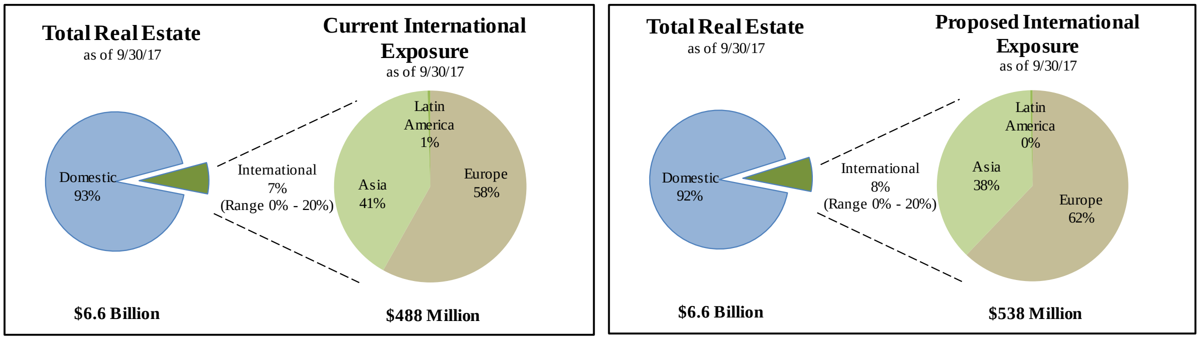
PORTFOLIO FIT

As of December 31, 2017, Real Estate represented 11.2% of the total LACERA portfolio, slightly exceeding its target of 11%; but still within the approved range of 8% to 16%. With the proposed commitment of $50 million, the total real estate allocation will increase to 11.3% of the total fund. The BOI-approved 2017 Real Estate Investment Plan called for selected dispositions and limited new investments resulting in a net decrease in holdings, bringing the asset class closer to its target. The sales activity is primarily occurring in U.S. domiciled assets. Another goal stated in the Investment Plan was to increase exposure to international real estate.

This would be LACERA's second investment to Europe after the adoption of the Plan. The proposed commitment to AG II would result in LACERA's international commitments to increase from 7.2% to 7.9% over the next four-year investment period.

An investment in AG II would increase LACERA's exposure to real estate located in Europe by $50 million, which would result in Europe representing 62% of the international real estate exposure. The 62% exposure is outside the range of 0-50% for Europe. This is anticipated during the assembly of the international real estate portfolio. However, the exposure will be lowered to 50% or less for Europe before reaching the 15% target allocation for international investments. **CHART 1** shows the real estate exposure by geography prior to and after a potential commitment to AG II.

CHART 1*



*based on actual plus committed capital

AG II is a dollar-denominated fund, and will therefore hedge any currency, minimizing currency risk to LACERA.

INVESTMENT EVALUATION

Staff evaluated AG II in three broad categories: 1) Organization and Investment Team, 2) Investment Strategy and 3) Performance Track Record.

1. Organization and Investment Team

Angelo Gordon is a privately held firm specializing in global alternative investments. The firm was founded in 1988 and as of December 31, 2017 manages approximately $27 billion. AG has 450 employees, including over 175 investment professionals. The firm is headquartered in New York with associated offices in Amsterdam, London, Frankfurt, Milan, Chicago, Houston, Los Angeles, San Francisco, Hong Kong, Tokyo and Seoul.

The firm manages capital across four strategies: (i) real estate; (ii) corporate credit; (iii) direct lending; and (iv) securitized products.

AG began investing in U.S. opportunistic real estate in 1993. Over time, the firm tactically added real estate strategies that were synergistic with existing skills and investment disciplines. In 2005, the firm added net lease and Pan-Asia real estate strategies to its platform, and in 2006 began investing in real estate debt, primarily through the commercial real estate debt securities market. AG began researching the European real estate markets in the early 2000s, but concluded that the market was characterized by an overabundance of liquidity, poor demographics, and aggressive underwriting. Therefore, AG did not invest in the Europe real estate market at the time, and successfully avoided the significant downturn that followed. The global financial crisis changed the opportunity set dramatically, and the firm began investing in the European markets in 2009 to capitalize on the distress.

AG II is being sponsored by Angelo, Gordon & Company, an investment advisor registered with the U.S. Securities and Exchange Commission (“SEC”).
The AG II Investment Committee is comprised of five senior members of the firm: Adam Schwartz, co-CIO of AG, head of AG’s real estate business, and co-portfolio manager of Europe real estate funds; Anuj Mittal, co-portfolio manager of Europe real estate funds; Tom Rowley, Managing Director; Reid Liffmann; Managing Director; and Mark Maduras; real estate CFO. Unanimous approval is required for every Fund transaction.

- Adam Schwartz is the co-CIO and on the four-person management committee of AG, and has oversight responsibility for all of the firm’s real estate business lines in the United States, Europe and Asia. Adam joined AG in 2000 and has over 20 years of real estate investment experience.

- Anuj Mittal is co-portfolio manager (with Adam) of AG's Europe real estate funds and has over 15 years of real estate investment experience. He has been at AG for 12 years, initially in the firm's New York office and subsequently in Europe when he helped launch the firm's European real estate business.
- Tom Rowley joined AG in November 2012 and is a senior member of the European real estate investment team, covering all markets in Europe. Tom has 18 years of real estate investment experience. Prior to joining AG, he was the head of UK real estate for Babcock & Brown.
- Reid Liffmann divides his time between U.S. real estate, where he is co-portfolio manager of the firm's U.S. real estate funds, and Europe real estate. Reid has over 30 years of real estate investment experience and has been at AG for 7 years. Prior to joining the firm, Reid was a partner with Greenebaum & Rose Associates, a real estate development and investment firm focusing on the mid-Atlantic. He was AG's operating partner on some of the firm's U.S. deals.
- Mark Maduras is AG's real estate CFO. He has been with the firm for 17 years and oversees a group that provides dedicated finance and accounting support to AG's real estate teams in the U.S., Europe and Asia.

Angelo Gordon has 31 women in leadership roles, representing approximately 18% of employees in leadership roles at the firm. This includes 11 women on the global real estate team.

2. Investment Strategy

The Fund's investment strategy will be to invest in sub-performing and distressed real estate assets and debt (loan-to-own). The Fund will be seeking assets that need modest lease-up and operations improvement to a more significant value-add/opportunistic strategy. This strategy may require completely restructuring the debt/equity mix of the asset, which could involve adding more equity to the asset, and then refinancing the remaining debt, at the prevailing market rate or asset repositioning to stabilize.

AG typically purchases assets from owners who lack the capital, patience or expertise to improve cash flow and value. The assets are often attractively priced due to inefficiency of the sale process, information gaps due to lender control, specific attributes of the asset, or a unique angle or creative approach which AG may take with regard to the acquisition process or the eventual repositioning of the underlying asset. The Fund intends to focus on the largest, most liquid and institutional markets in Western Europe – notably, the United Kingdom, The Netherlands, Germany, France, Ireland, Spain, Italy and the Nordics. Assets are expected to fall in the categories of office, retail, residential, industrial and hotels.

AG works in tandem with local operating partners to correct the asset's sub-performance, increase cash flow and add significant value. In many cases local operating partners are able to source opportunities which are off-market. The local networks include relationships with leading European banks, loan servicers and bankruptcy liquidators to acquire many properties in privately negotiated processes.

The Fund will seek to invest in a portfolio of assets that, after stabilization, will be highly sought after by traditional institutional real estate investors and, therefore, targets opportunities to purchase assets with all or some of the following fundamental attributes:

- Clearly identifiable reasons for underperformance and a well-defined and achievable plan for turnaround
- Purchase price and forecasted stabilized value that are at discounts to replacement cost
- Favorable long-term demand growth in the local market
- Barriers to new supply in the local market due to restrictions on land availability, zoning or entitlement

The Fund may use up to 70% leverage at the Fund level, although actual leverage used in the region has been much lower. In AG Europe Realty Fund I only 55-60% leverage was used.

3. Performance Track Record

A summary of The Fund's real estate performance is included in the appendix as **ATTACHMENT 2.** As noted above, AG did not invest in the Europe real estate markets until 2009 and successfully avoided the significant downturn associated with the global financial crisis. None of the European assets that AG has purchased are expected to lose money.

AG Europe Realty Fund I (2014 vintage) has the identical investment strategy to AG II. AG Europe Realty Fund I invested $570.2 million of equity, and is over 95% committed to investments. There were 27 investments made, of which 8 have been sold to date, resulting in a gross realized IRR of 41% and a gross equity multiple of 1.8x. The fund has distributed over 32% of its paid-in capital to investors, and has a projected gross IRR of 24%. Angelo Gordon has not provided net projected returns for AG Europe Realty Fund.[2]
Prior to launching AG Europe Realty Fund I, AG made 13 investments in Europe (between December 2009-January 2014) through the international allocation of the firm's U.S.-focused real estate funds. Seven of these deals have been realized for an average gross IRR of 27% and a gross equity multiple of 2.0x.

FUND TERMS

The proposed terms of AG II are in line with other Pan-European funds. At a commitment level of $50 million, the annual management fee is 1.50% of committed capital during the investment period and 1.5% of invested capital thereafter. Distributions will be made first to investors until a return of all capital plus an 8% compounded preferred rate has been achieved. Subsequent

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[2] The firm does not calculate net projected returns before the final investment has been made and, as of the date of the most recent projections, the Fund was not yet fully invested. Please note in the Fund Terms below the Fund's target return, the gross-to-net spread is expected to be approximately 500 basis points.

distributions will be shared 50/50 between the investors and the General Partner until the GP has received 20% of the profits. Thereafter, distributions will be shared 80% to the investors and 20% to the General Partner.[3]

The investment period of AG II is June 2017 through November 2021, and the Fund has a four-year term from the expiration of the investment period. AG II has had four closings between June 2017 and January 2018 for a total closed to date of $645 million, and expects another closing of approximately $130 million at the end of February 2018. The final close is expected to take place in April 2018.

AG and its employees have committed over $18 million to the Fund.

AG II is projected to have a 5.1% gross-to-net spread from 19.0% gross to 13.9% net (estimated Fund expenses of 47 basis points, asset management fee of 156 basis points and a promote of 306 basis points), assuming minimum base case returns are achieved.[4]

The principal investment terms of the Fund are summarized in the appendix as **ATTACHMENT 3.**

OBSERVATIONS

Staff's independent due diligence process revealed the following noteworthy merits and concerns.

Investment Merits:

AG II provides LACERA:

- An investment that will help further diversify the real estate portfolio by risk category; LACERA currently has only one core industrial fund investment in Europe (Prologis Targeted European Logistics Fund), one value-added Nordic fund investment (CapMan Nordic Fund II), and three opportunistic/high return funds (Carlyle Europe Fund III, Europa Fund III and Europa Fund IV). Both Carlyle Europe Fund III and Europa Fund III are both in the process of winding up.
- The ability to achieve higher returns in the opportunistic/high return sector than comparable funds in the U.S.

- ***AG has assembled a seasoned team of professionals***

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[3] The waterfall for the Fund is a European waterfall and fully "back-ended" (AG will not receive any carried interest until the investors have first received back cumulative distributions equal to the aggregate amount of their capital contributions plus the preferred rate of 8% on these contributions).

[4] The fund has a "double-promote", which means that profits for a project are split twice – once between the joint venture partner and AG, and then once between AG and the investor.

The General Partner has a team of 13 investment professionals. Adam Schwartz is the co-CIO of Angelo Gordon, the Head of Europe real estate, and the Co-Portfolio Manager of AG Europe Realty Fund II. Mr. Schwartz has 20 years of real estate investment experience, including 9 years in Europe. He was the driving force behind the decision for the firm to begin investing in Europe and, importantly, the person who decided not to invest before the global financial crisis. Working alongside Mr. Schwartz on the fund is Co-Portfolio Manager Anuj Mittal. Mr. Mittal has 15 years of real estate experience and was instrumental in hiring the team on the ground in Europe and implementing the Fund's investment strategy including sourcing, structuring, underwriting and overseeing investment opportunities. The rest of the mid-level to senior team (Vice President and above) has an average of over 17 years of real estate experience.

The AG Europe team has an established track record of successfully executing investment strategies under a variety of market conditions. This team possesses acquisition, disposition, structuring, financing, and asset and portfolio management skills. This enables the Fund to access investment opportunities and execute the Fund's investment strategy and objective. Each team member has established relationships with financial institutions and real estate owners in their country of specialty. This enhances the team's ability to invest in attractive market opportunities. In addition, the team has a demonstrated history of executing dispositions in a timely manner.

An important extension of Angelo Gordon's real estate team is the firm's extensive network of 40 operating partners throughout Europe. They are the primary source of the deal flow for the Fund, have a track record of successfully identifying off-market and proprietary deal flow and are critical to the execution of the property business plans.

- ***AG has a well-established and thorough investment process***

  The AG due-diligence process, which includes a disciplined acquisition process, investment process quantifying risk and return, involves key personnel from across the firm and a unanimous investment committee approval for any investment; the clarity and repeatability of the process, along with its transparency, are viewed favorably. All processes contain checks and balances at every step and are well documented, with detailed due diligence checklists completed for each transaction.

- ***AG will only be raising funds for AG II and no other competing real estate funds in Europe***

  AG will not be raising funds for any competing real estate fund vehicles in Europe. This provides AG II exclusivity over all future deal flow until the Fund is fully committed.

  AG completed the final investment for AG Europe Realty Fund, the predecessor Fund, in September 2017 (other than a few follow-on investments to existing portfolios). Investing for AG II has commenced with the closing of the first transaction in October

2017 (conversion of an office building to student housing in the Nordics). AG II has completed a second transaction in December 2017 (office building in The Netherlands). AG also manages U.S. focused funds that co-invest alongside AG II by taking a minority stake of each European deal. AG II will be allocated at least 80% of each European deal, subject to the availability of capital and diversification.

- ***AG will invest only in specific markets in Europe and employs a focused investment strategy in these markets***

  AG II targets major western European markets such as the United Kingdom, The Netherlands, Germany, France, Ireland, Spain, Italy and the Nordics. AG will follow a bottom-up investment approach that allows the firm to identify the best risk-adjusted returns across the target geographies.[5] These markets are some of the most transparent and have institutionally-held real estate.

- ***AG has been able to source over half of its transactions off-market***

  AG has been able to source over 50% of its transactions off-market (or quasi off-market from broken marketing processes) which provides them with a competitive advantage, usually leading to a lower purchase price or better terms. AG has been able to source off-market investment opportunities in all of the target markets. This is due to relationships with a wide network of operating partners and long-standing relationships with counterparties, lenders and their ability to close on purchases.

- ***AG II will be seeded with two completed transactions and a very strong pipeline***

  AG II has already closed on two transactions for the Fund. These investments total approximately $30 million of equity, being 5% of the capital raised so far and approximately 4% of the expected fund size. The investments consist of (1) an office complex that AG intends to convert to student housing, which is targeting a 20% gross IRR and (2) a small investment in an office building in Amsterdam that is targeting an 18% gross IRR and which AG expects will become part of a larger portfolio.

  In addition, AG II has a healthy pipeline of potential new deal flow, including office, retail, logistics and self-storage properties in the UK, Italy and The Netherlands.

Concerns:

- ***AG II will invest in the UK, concerns with Brexit***

  Angelo Gordon began investing in European real estate in 2009 and successfully avoided the downturn of the global financial crisis.AG has invested utilizing conservative

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[5] Bottom-up means starting at the property or company level and doing analysis at a more micro level to come to a conclusion.

underwriting and a focus on downside protection in its European portfolios.

AG looks for high-quality assets in high barrier to entry locations with a basis well below replacement cost – an approach that the firm believes pays off in low growth environments. Over the long term, AG believes that both the UK and Western Europe remain important and desirable investment markets where investors will continue to allocate capital. In the event of a continued low-rate environment, demand for stable cash-flowing assets may be bolstered.

To date, real estate transaction activity has been surprisingly resilient from Brexit concerns. [6] London office leasing is in-line with long term averages. Vacancy rates have crept up only slightly and remain very low at 6% in the City and 4% in the West End. [7,8] Some financial services firms have made announcements about movement of staff to the continent, but the impact on occupancy appears to be very minor so far. According to The Telegraph dated February 7, 2018, since the United Kingdom decided to leave the European Union, there has been approximately 2.4 million square feet of office space leased to the financial services sector in Central London, contradicting many of the expectations. Some of the firms that have signed large leases include Wells Fargo Bank and Deutsche Bank. According to Knight Frank's, "The London Report" dated January 31, 2018, the real problem will soon be a shortage of office space.

- ***AG II will be investing through joint ventures and uses operating partners***

  Investing via joint-venture and operating partners usually creates a double layer of fees. The partner earns fees and AG also earns fees.

  AG relies heavily on its joint venture and operating partners through each phase of the investment cycle, including sourcing, acquisition, asset management and disposition. The use of operating partners results in the payment and subsequent lowers the gross-to-net fee, and double promote, which may result in a net return to investors lower than acceptable given the inherent risk of the strategy.

  Mitigant: The use of operating partners aligns AG's interests with LACERA's. Since AG is not structured as an "operating partner fund," the firm does not have an extensive property or asset management team, and its internal overhead is relatively low. As a result, it is easy for AG to entirely exit certain property types and geographical areas as they become expensive. For example, AG largely exited hotels and for-sale housing in the U.S. before the downturn without having to worry about excess overhead. In Asia, AG decided to sit on the sidelines in Japan from 2006-2008, given extremely competitive bidding in that market. This decision was much easier for AG than for firms with asset

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[6] Source: Real Capital Analytics European Capital Trends, 2017

[7] Source: Savills Central London Property Outlook, January 2018

[8] Source: Cushman & Wakefield, January 4, 2018 article

management staffs that numbered in the hundreds. Further benefits of the operating partner model include:

- AG is able to select the best operators in each market and for each product type.
- AG can be very selective in reviewing deal flow. Typically, the very best operators can only find a couple of deals a year that meet AG's criteria.
- AG can be nimble in selling, disciplined in buying and very opportunistic in moving in and out of opportunities without worrying about excessive overhead.
- Local partners provide a competitive advantage that is hard to replicate with an operator or centrally-managed fund. AG's operating partners have important local relationships that only the principals of a company can develop. A national operating partner can never be truly local in multiple markets.
- Local partners are the source of approximately 75% of AG's deal flow. They are most likely to see off-market deal flow that an outsider would never see. They also have the best local market insights which allow them to recognize a mispricing or repositioning opportunity that may not be obvious to a national operator.

- ***AG II has a limited track record of investing in Europe***

  AG has been investing in Europe since 2009 and has invested over $1 billon of equity, representing approximately $2 billion of real estate assets in the region. Other firms have been investing in Europe longer.

  Mitigant: AG has been investing in real estate since 1993 and the head of the Europe strategy, Adam Schwartz, has been with the firm since 2000. The firm began researching the European real estate markets in the early 2000s, but found the market to be far less attractive than the U.S. At the time, there was an excess of liquidity in the market, poor demographics, and aggressive buyers willing to use unsupportable assumptions in underwriting assets. While it would have been relatively easy to set up a Europe operation, given that AG already had a London office, in the mid-2000s the firm decided to pursue investing in Asia instead. After the opportunity set in Europe changed with the global financial crisis and there were many interesting distressed opportunities available, AG began investing in the region. As a result, the firm has no legacy problems and does not have any deals on which it has lost or projected to lose equity.

CONCLUSION

The Fund is a commingled fund that will pursue opportunistic real estate opportunities in the Pan-European region, and will seek to provide attractive risk-adjusted returns through thoughtfully selecting and managing investments. The General Partner has demonstrated a proven history of sourcing, managing and realizing income and gains in a disciplined and timely manner in order to maximize investor returns.

AG’s prior performance in the Pan-European region is impressive both in terms of the absolute returns and its consistency. The current AG II team appears to be well positioned to continue delivering strong performance in both Funds I and II.
LACERA is actively looking for opportunities to increase its real estate exposure to Europe due to the continued high level of distress in the region, particularly outside the UK, as well as the attractive returns that appear to be available. Up to 15% of the real estate portfolio is expected to be deployed internationally over the next three-years.

Following completion of its independent due diligence process, staff concludes that a commitment of $50 million would be an appropriate continuation to LACERA’s International Investment Plan. LACERA’s real estate consultant, The Townsend Group, concurs with staff’s conclusion. Therefore, staff recommends an investment of $50 million in AG II.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

TOWNSEND GROUP

ATTACHMENT 1

MEMORANDUM

TO:	**LACERA Board of Investments**
DATE:	February 2018
SUBJECT:	$50 million to AG Europe Realty Fund II
FROM:	**The Townsend Group** Jennifer J. Stevens

Overview

The Townsend Group has completed an investment review of AG Europe Realty Fund II ("AG Europe II"). After conducting Due Diligence, Townsend recommends that LACERA proceed with a $50 million investment in AG Europe II. The following attachments are included in this due diligence review:

A.) LACERA Compliance Matrix, as of June 30, 2017,
B.) LACERA Flash Report, for the period ending June 30, 2017,
C.) AG Europe Realty Fund II Due Diligence Memo,
D.) AG Europe Realty Fund II – January 2018 Update

The investment aligns with LACERA's International Real Estate Implementation Plan, adopted in October 2016, which provided for up to $240 million in annual commitments to ex-US markets. Though LACERA has capital available to deploy internationally, LACERA has demonstrated patience and selectivity when considering international investments. Under the Plan, the first and only approved European investment is CapMan Nordics Fund II, which was approved in September 2017. LACERA's Board of Investments has also approved a $50 million commitment to AEW Value Investors Asia Fund III. LACERA also approved a $50 million commitment to Heitman Asia-Pacific Property Fund. Additional international investments are under consideration.

AG Europe Realty Fund II is a closed-ended, diversified real estate investment vehicle targeting a leveraged net IRR of 14-15%. AG Europe II seeks to acquire and reposition underperforming assets in Western Europe utilizing leverage below 55-65%. AG is targeting a $750 million raise and has closed $645 million in capital commitments to date. AG Europe II will target transitional assets in strong locations that require deeper value add / opportunistic business plans, and assets in lesser locations offering a good basis and durable cash flow. AG will focus on traditional property types and hotels, but may also invest in alternative property types. Geographically, the Fund will mostly focus on the UK, Germany, France and the Netherlands. See **Attachment C** for a detailed due diligence report on AG Europe Realty Fund II and **Attachment D** for an update on recent fundraising efforts and acquisitions.

Client Profile

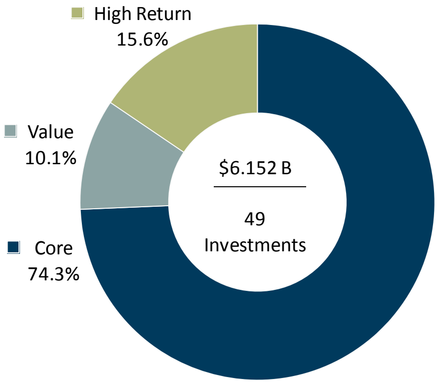
All information is as of June 30, 2017:

1. *LACERA Portfolio Structure & Funding Status.* The LACERA Target Real Estate exposure is 11.0% of Total Plan Assets, which equates to a $5.8 billion Target Real Estate allocation on $52.5 billion of Total Plan Assets. As of June 30, 2017, LACERA's Real Estate market value totaled $6.2 billion in Real Estate which is above target.

   Real Estate is categorized into three 'buckets,' each with their own set of investment parameters: Core Real Estate, Non-Core Real Estate and Public Real Estate Securities. A snapshot of the LACERA Real Estate Portfolio is shown as Figure 1 on the next page (see also LACERA Compliance Matrix, **Attachment A**).

Figure 1 – LACERA Real Estate Strategic Limits and Current Status

Portfolio Composition	Strategic Limit	Current Status
Core:	≥ 60%	74.3%
Non-Core:	≤ 40%	25.7%
Value:	≤ 40%	10.1%
High Return:	≤ 20%	15.6%
Public REITs:	≤ 15%	N/A
Total Portfolio:	N/A	N/A



Source: 2Q-2017 LACERA Portfolio Management Report.

   a. *LACERA Core Portfolio*. LACERA has a strategic limitation of ≥60.0% to Core Real Estate. Including unfunded commitments, the market value of LACERA's Core Portfolio was 73.8% (as of 6/30/17). Although Townsend does not provide Capital Projections for LACERA, we anticipate that the Core Portfolio will trend down to 71.7% as a result of recent investments into Non-Core funds and assuming a $50 million investment in AG Europe II. However, LACERA is expected to remain well above its permissible range for Core Real Estate without any new Core commitments.

      LACERA continues to investigate further options to reduce total Real Estate exposure and to rebalance the Core Portfolio closer to the lower end of the strategic range. The LACERA Custom Core Benchmark is a blend of NPI-50 bps (since inception through 2Q-2013) and the Net ODCE (from 3Q-2013 onward). As of 2Q-2017, the LACERA Core Portfolio underperformed its benchmark on a 1, 3, 5, and 10-year basis. It is noted, however, that beating the benchmark is not a stated objective in LACERA's OPP at this time.

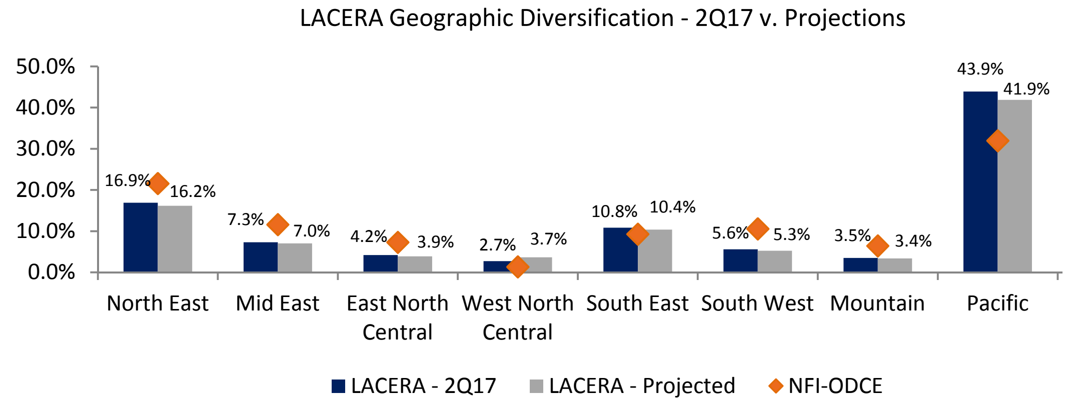
b. *LACERA Non-Core Real Estate Portfolio*. Non-Core Real Estate includes Value Added and High Return (Opportunistic) investments. This bucket has a strategic limitation of ≤40%. The Non-Core Portfolio was below its established upper limitation, representing 26.2% on a market value plus unfunded basis (as of 6/30/17).

   Benchmarking is categorized according to strategy: Value Added and High Return. The LACERA Custom Value Added Benchmark is a blend of NPI+25 bps (since inception through 2Q-2013) and the Net ODCE+100 bps (from 3Q-2013 onward). The LACERA Custom High Return Benchmark is a blend of NPI+225 bps (since inception through 2Q-2013) and the Net ODCE+300 bps (from 3Q-2013 onward). LACERA's Value Added and High Return Portfolios have consistently underperformed each respective benchmark over the short and long term, with the exception of the High Return one and three year periods whereby actual performance was ≥ 100 bps over the High Return Custom Benchmark. See **Attachment B**, Portfolio Measurement Flash Report.

   Including recently approved Non-Core commitments, the $50 million commitment to AG Europe II is projected to increase LACERA's Non-Core Real Estate Portfolio to 28.3% on a market value plus unfunded commitment basis. This is well within the permissible limit of ≤40.0%.

2. *Diversification by Geography.* The LACERA real estate portfolio is diversified across geographies. However, notable positions that differ from the ODCE benchmark by ±4.0% include the North East (underweight 4.7%), Mid East (underweight 4.3%), South West (underweight 5.0%), Pacific (overweight 11.9%) and Ex-US (overweight 4.8%). Assuming previously approved ex-US commitments and a $50 commitment to AG Europe II and a $50 million commitment to Ares Europe V, LACERA's Ex-US exposure is projected to increase from 4.8% to 8.2%. See **Figure 2** below.

Figure 2 – LACERA Real Estate Geographic Diversification Status



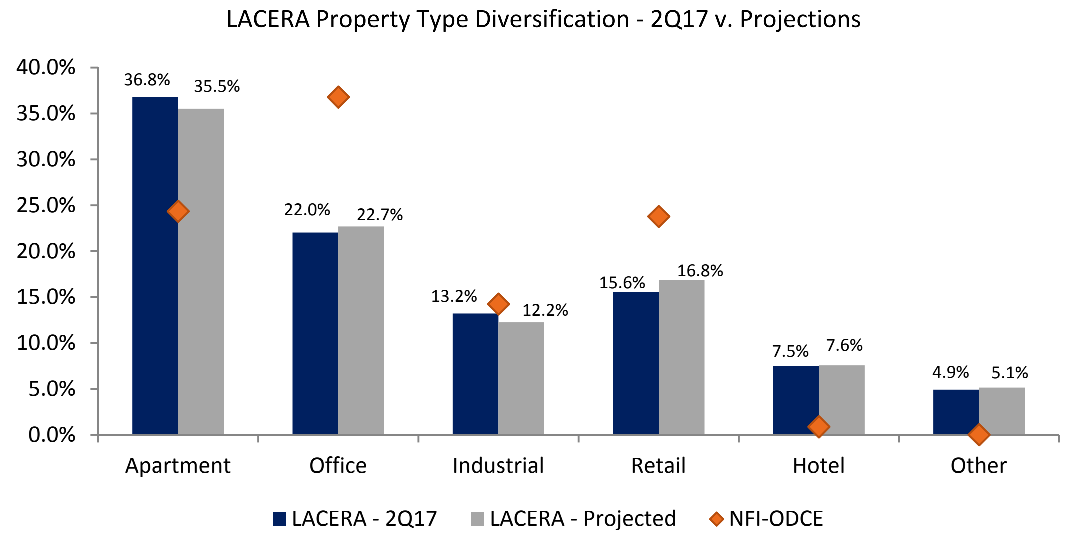
International Exposure

Ex-US	4.82%
Australia	0.85%
Japan	0.73%
United Kingdom	0.68%
France	0.65%
Netherlands	0.55%
Germany	0.51%
Spain	0.15%
England	0.13%
Czech Republic	0.11%
South Korea	0.11%
Italy	0.10%
Other	0.24%

Source: 2Q-2017 LACERA Portfolio Measurement Report

3. *Diversification by Property Type.* The LACERA real estate portfolio is diversified across property types. However, notable positions that differ from the ODCE benchmark by ±4.0% include Apartment (overweight 12.4%), Office (underweight 14.8%), Retail (underweight 8.2%), Hotel (overweight 6.6.%) and Other (overweight 4.9%). The anticipated commitment to AG Europe II is not projected to have a material impact on LACERA's property type diversification, as the strategy is expected to be diversified across property types.

Figure 3 – LACERA Real Estate Property Type Diversification Status



Source: 2Q-2017 LACERA Portfolio Measurement Report

Rationale for LACERA to invest in AG Europe II

1. *Consistent with LACERA's International Real Estate Implementation Plan.* The International Real Estate Implementation Plan adopted in 2016 seeks to increase LACERA's allocation to Ex-US real estate to 15% over the next 3 to 5 years. The key objectives are to diversify away from the US, to provide exposure to growth and to diversify by vintage year. A $50 million commitment to AG Europe II would be consistent with LACERA's international real estate investment goals.

2. *Return Profile Accretive to LACERA's High Return Objectives.* LACERA's custom High Return Benchmark is a blend between NPI + 225bps and ODCE (Net) + 300 bps. The benchmark was 10.1% over the one-year period, 9.2% over the ten-year period and 12.3% Since Inception. AG Europe II is targeting net returns of 14-15%, which would be in excess of the LACERA benchmark.

3. *Diversification across Non-Core Strategy, Manager and Vintage Year.* An investment in AG Europe II would provide complimentary exposure to LACERA's current high return portfolio which is heavily invested via domestic separate accounts, and which has several liquidated or liquidating positions. AG would be a new manager for LACERA, and would provide diversification to existing Ex-US exposure and vintage year exposure.

4. *Compliant with LACERA High Return Leverage and International Guidelines.* AG Europe II caps leverage at 75% LTV. This limitation is compliant with LACERA's High Return Leverage Limit of 80%. Furthermore, a potential $50 million investment would not cause LACERA to exceed its 20% International Real Estate Limit.

Issues for LACERA to Consider regarding AG Europe II

1. *Real Estate Allocation.* LACERA's Real Estate Portfolio represented 11.7% as of June 30, 2017 (more recent projections from LACERA show 11.2% as 12/31/2017). LACERA's total fund assets as of June 30, 2017, exceeding the target allocation of 11%. A commitment to this fund will increase LACERA's exposure to 11.8%. However, this exposure remains within LACERA's policy rebalancing range of 8% to 16%. Townsend does not collect capital projections for LACERA. However, the approved real estate investment plan calls for reduction in real estate to reach the target asset allocation.

2. *Vintage Year Concentration Risk.* Between 2007 and 2016, LACERA predominantly invested in Non-Core real estate through its US separate accounts and "fund of one" structures, mostly refraining from investment in commingled fund structures. Doing so limited LACERA's investment activity by strategy, geography and property type, making it difficult to outperform the index during a recovering period. Now, at a more mature stage in the market cycle, LACERA is choosing to deploy capital in commingled fund investment. Though Townsend broadly agrees with this shift, especially in the ex-US markets, deployment of capital will be concentrated in peak pricing vintages. For this reason, we advise LACERA to remain selective when pursuing opportunities that help to meet the goals set forth in the 2016 International Implementation Plan.

Further, LACERA should be mindful of the low growth expectations and political uncertainty characterizing Europe. High Return strategies that take on material risk (leasing/rehab/redevelopment), and require strong rental growth and/or cap rate compression are not straightforward to underwrite.

3. *Off Benchmark Currency Risk.* LACERA will be exposed to non-USD currencies through investment, which are not reflected in LACERA's benchmark. However, AG Europe II is a dollar denominated fund, and AG has a hedging policy in place to minimize the impact of any currency movement. This will be favorable for US based LPs, which are expected to make up the majority of AG Europe II's investor base.

Alternatives Considered

Townsend has reviewed and provided all best-idea fund recommendations to LACERA Staff. Additionally, the global underwriting pipeline is distributed to LACERA Staff on a monthly basis which outlines all client-specific approvals for full disclosure practices. Pramerica Real Estate Capital VI was one vehicle in particular that Townsend recommended to LACERA as a Best Idea in 2016/2017. However, due to timing LACERA was unable to pursue this opportunity. CapMan Nordic Real Estate Fund II was recommended as a Best Idea and approved in 2017. An investment in Europa Fund V was also considered in 2017, but Townsend recommended against proceeding with a commitment at that time due to high risks associated with certain strategies, such as land entitlements and developments that have resulted in significant capital losses in the past.

Conclusion/Recommendation

Townsend recommends that LACERA Board of Investment approve a $50 million commitment in AG Europe II. This commitment would help increase international exposure as targeted in LACERA's International Real Estate Implementation Plan and diversify existing Ex-US exposure.

Attachments

E.) LACERA Compliance Matrix, as of June 30, 2017,
F.) LACERA Flash Report, for the period ending June 30, 2017,
G.) AG Europe Realty Fund II Due Diligence Memo,
H.) AG Europe Realty Fund II – January 2018 Update

TOWNSEND
GROUP

ATTACHMENT A. LACERA Compliance Matrix as of June 30, 2017

LACERA Compliance Matrix

Allocation	Strategic Constraint / Guideline	As of June 30, 2017
Core Real Estate	≥60% Strategic Range	In Compliance (74.3%)
Non-Core Real Estate	≤40% Strategic Range	In Compliance (25.7%)
Return Targets	**Strategic Constraint / Guideline**	
LACERA Custom Core Benchmark	- NPI -50 bps: inception through 2Q 2013, - ODCE (Net): from 3Q 2013 thereafter.	In Compliance (5.1% net Actual vs. 6.2% Custom Benchmark over 10 years)
LACERA Custom Value Added Benchmark	- NPI +25 bps: inception through 2Q 2013, - ODCE (Net) +100 bps: from 3Q 2013 thereafter.	Out of Compliance (-3.0% net Actual vs. 7.1% Custom Benchmark over 10 years)
LACERA Custom High Return Benchmark	- NPI +225 bps: inception through 2Q 2013, - ODCE (Net) +300 bps: from 3Q 2013 thereafter.	Out of Compliance (-5.8% net Actual vs. 9.2% Custom Benchmark over 10 years)
Core Investment Vehicle Targets		
Commingled Funds vs. Separate Accounts	N/A	N/A
Private Portfolio Risk Policies		
Property Location Diversification	1. No more than 20% of the total real estate allocation may be invested in any Metropolitan Statistical Area ("MSA"); 2. No more than 40% of the total real estate allocation may be invested in any one of the four NCREIF regions; 3. No more than 20% of the total real estate portfolio will be invested in international real estate.	**Overweight Pacific Region** Pacific (47.4% vs 38.4% ODCE)
Property Type Diversification	No single property type (apartments, hotels, industrial, office, and retail) will exceed 40% without Board approval.	**In Compliance**
Leverage	- 50% LTV ratio maximum for any single Core Investment, - 65% LTV ratio maximum for any single Value Added Investment, - 80% LTV ratio maximum for any single High Return Investment.	**In Compliance**

TOWNSEND
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ATTACHMENT B. LACERA 2rd Quarter 2017 Portfolio Measurement Flash Report

Portfolio Composition ($)								
Total Plan Assets	**Allocation**		**Market Value**		**Unfunded Commitments**		**Remaining Allocation**	
52,534,405,381	5,778,784,592	11.0%	6,152,490,121	11.7%	607,656,125	1.2%	-981,361,654	-1.9%

Performance Summary	Quarter (%)		1 Year (%)		5 Year (%)		10 Year (%)	
	TGRS	**TNET**	**TGRS**	**TNET**	**TGRS**	**TNET**	**TGRS**	**TNET**
LACERA	2.1	1.9	7.4	6.6	10.3	9.3	3.5	2.8
NFI-ODCE + 40 BPS	1.8	1.6	8.3	7.3	12.2	11.2	5.7	4.7

Funding Status ($)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments
Core Portfolio								
Barings Core I.M.A.	2007	125,939,771	164,022,744	1,301,858	141,339,296	30,359	0.0	0.0
Barings Debt I.M.A	2011	500,000,000	920,420,642	137,360,992	652,925,483	370,857,081	6.0	7.5
Capri Capital Core I.M.A.	2011	0	313,416,112	1,137,013	68,995,163	384,819,914	6.3	5.7
Cityview Core I.M.A.	2014	0	134,616,856	0	11,400,000	141,996,314	2.3	2.1
Clarion Core I.M.A.	2014	0	200,165,600	0	40,824,096	206,325,918	3.4	3.1
Gateway I.M.A. (Avison Young)	2016	123,610,590	97,192,866	0	6,812,121	107,834,329	1.8	1.6
Heitman Core I.M.A.	2014	254,519,736	258,253,632	686,168	18,643,300	279,990,524	4.6	4.2
Invesco Core I.M.A.	1994	0	1,491,609,115	0	1,774,802,744	615,507,813	10.0	9.1
Invesco Real Estate Asia Fund	2014	100,000,000	114,661,444	0	15,343,564	125,780,088	2.0	1.9
Prologis Targeted Europe Logistics Fund	2014	136,724,091	123,839,367	0	18,071,151	132,373,037	2.2	2.0
Quadrant I.M.A	2011	300,000,000	56,654,134	273,750,000	39,813,339	26,390,463	0.4	4.4
RREEF Core I.M.A.*	1991	0	1,723,042,999	0	2,697,626,578	867,789,676	14.1	12.8
RREEF Core Plus Industrial Fund L.P.	2017	125,000,000	125,000,000	0	0	124,717,793	2.0	1.8
Stockbridge Core I.M.A.	2013	314,261,814	530,721,398	0	246,611,935	357,979,521	5.8	5.3
TA Associates Core I.M.A.*	1992	84,945,000	1,683,879,236	0	2,171,700,881	831,453,202	13.5	12.3
Core Portfolio	**1985**	**2,065,001,002**	**7,937,496,143**	**414,236,031**	**7,904,909,651**	**4,573,846,032**	**74.3**	**73.8**
Total Core Separate Accounts	**1990**	**1,703,276,911**	**7,573,995,332**	**414,236,031**	**7,871,494,936**	**4,190,975,114**	**68.1**	**68.1**
Value Added								
Barings Value I.M.A. Vintage 2003	2003	122,966,904	517,270,477	0	417,469,580	207,149,533	3.4	3.1
CBRE Asia Value Fund L.P.	2011	50,000,000	42,740,803	7,259,197	52,842,322	1,433,504	0.0	0.1
CBRE Strategic Partners European Fund III	2007	21,488,047	21,523,777	246,801	5,588,574	415,435	0.0	0.0
CBRE Strategic Partners UK Fund III	2007	29,058,504	17,169,081	0	2,552,776	148,848	0.0	0.0
Cornerstone Hotel Income Equity Fund II	2008	150,000,000	140,830,910	13,852,166	192,351,262	1,046,874	0.0	0.2
Heitman Value I.M.A. Vintage 2013	2013	10,710,529	11,396,716	0	2,431,800	12,828,584	0.2	0.2
Hunt UK Realty Partners LP	2007	29,833,366	30,266,701	9,295	1,226,453	1,871,052	0.0	0.0
Invesco Value I.M.A. Vintage 2010	2010	0	285,133,696	0	259,661,139	68,032,159	1.1	1.0
Invesco Value I.M.A. Vintage 2012	2012	0	94,707,105	0	2,350,980	131,673,076	2.1	1.9
LaSalle Medical Office Fund II	2007	25,000,000	21,759,751	41,252	27,982,958	164	0.0	0.0
RREEF Value I.M.A. Vintage 2009	2009	0	35,799,469	0	51,626,055	127	0.0	0.0
Stockbridge Value I.M.A. Vintage 2014	2014	35,672,630	56,568,949	0	28,640,323	36,025,894	0.6	0.5
Vanbarton Value I.M.A. Vintage 2003	2003	0	59,914,350	0	73,200,000	-16,162	0.0	0.0
Vanbarton Value I.M.A. Vintage 2006	2006	275,440,160	390,206,100	0	208,280,087	160,921,483	2.6	2.4
Value Added	**1986**	**750,170,140**	**1,725,287,884**	**21,408,711**	**1,326,204,308**	**621,530,571**	**10.1**	**9.5**
Value Added Portfolio (w/o Sarofim I & Sarofim II)	**1994**	**750,170,140**	**1,725,287,884**	**21,408,711**	**1,326,204,308**	**621,530,571**	**10.1**	**9.5**
Total Value Separate Accounts	**1994**	**444,790,223**	**1,450,996,861**	**0**	**1,043,659,963**	**616,614,694**	**10.0**	**9.1**

Los Angeles County Employees Retirement Association

Second Quarter 2017

Portfolio Composition ($)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
52,534,405,381	5,778,784,592	11.0%	6,152,490,121	11.7%	607,656,125	1.2%	-981,361,654	-1.9%

Performance Summary	Quarter (%)		1 Year (%)		5 Year (%)		10 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
LACERA	2.1	1.9	7.4	6.6	10.3	9.3	3.5	2.8
NFI-ODCE + 40 BPS	1.8	1.6	8.3	7.3	12.2	11.2	5.7	4.7

Funding Status ($)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments
High Return								
Barings High I.M.A. Vintage 2007	2007	31,230,000	51,888,815	0	59,596,304	10,286	0.0	0.0
Capri Capital High I.M.A. Vintage 2006	2006	0	200,238,577	0	196,505,714	55,320,490	0.9	0.8
Capri Urban Investors	2008	150,000,000	149,951,767	0	66,767,024	47,222,156	0.8	0.7
Carlyle Europe Real Estate Partners III	2007	24,951,333	26,468,430	700,234	18,644,175	3,836,239	0.1	0.1
CityView Bay Area Fund II	2012	100,000,000	132,197,522	1,902,478	0	178,500,967	2.9	2.7
CityView LA Urban Fund I	2007	50,000,000	122,510,512	4,581,019	142,289,578	4,776,353	0.1	0.1
CityView Southern California Fund II	2013	100,000,000	84,947,167	15,052,833	0	106,054,198	1.7	1.8
CityView Western Fund I, L.P.	2016	150,000,000	22,593,668	127,406,332	0	20,034,906	0.3	2.2
Clarion High I.M.A.	2015	0	146,709,774	0	0	224,333,989	3.6	3.3
Europa Fund III	2009	23,128,342	21,792,777	1,157,148	22,672,909	4,972,766	0.1	0.1
Europa Fund IV	2014	64,292,144	52,355,844	13,368,363	16,108,880	41,773,863	0.7	0.8
Genesis Workforce Housing Fund II	2007	30,000,000	29,998,975	0	43,381,754	210,375	0.0	0.0
INVESCO Asian Real Estate Partners II (USD Vehicle)	2007	25,000,000	11,251,165	1,961,316	13,391,050	1,577,549	0.0	0.1
Invesco High I.M.A. Vintage 2012	2012	0	106,112,904	0	83,146,849	77,681,547	1.3	1.1
Invesco High I.M.A. Vintage 2016	2016	0	32,865,341	0	0	31,737,335	0.5	0.5
RREEF High Return I.M.A. III	2015	0	147,948,913	0	80,208,055	76,728,459	1.2	1.1
Starwood Brandco	2011	2,000,000	1,253,399	1,246,661	2,024,259	2,372,604	0.0	0.1
Starwood Capital Hospitality Fund II	2010	100,000,000	96,340,000	3,660,000	99,210,677	47,137,276	0.8	0.8
Stockbridge High I.M.A. Vintage 2014	2014	34,253,613	49,000,094	0	18,680,831	32,743,183	0.5	0.5
TriPacific (LERI/LERP) *	1995	250,000,000	2,612,077,514	975,000	2,440,120,122	88,977	0.0	0.0
High Return	**1995**	**1,134,855,432**	**4,098,503,159**	**172,011,384**	**3,302,748,179**	**957,113,519**	**15.6**	**16.7**
Total High Separate Accounts	**2001**	**65,483,613**	**734,764,418**	**0**	**438,137,752**	**498,555,289**	**8.1**	**7.4**
Total Non-Core Portfolio	**1986**	**1,885,025,572**	**5,823,791,043**	**193,420,094**	**4,628,952,488**	**1,578,644,089**	**25.7**	**26.2**
High Return excluding TriPacific (LERI/LERP)	**2001**	**884,855,432**	**1,486,425,645**	**171,036,384**	**862,628,057**	**957,024,542**	**15.6**	**16.7**
Total Current Portfolio								
Los Angeles County Employees Retirement Association	**1985**	**3,950,026,574**	**13,761,287,186**	**607,656,125**	**12,533,862,138**	**6,152,490,121**	**100.0**	**100.0**

* Hardcoded Data

**Funded amount may be greater than the Commitment Amount due to recallable capital. Some distributions made during the Investment Period may be reinvested by the manager, which increases the Funded Amount to a sum greater than Commited Capital.

Los Angeles County Employees Retirement Association

Second Quarter 2017

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year				5 Year				7 Year				10 Year				Inception		TWR Calculation	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
Core Portfolio																														
Barings Core I.M.A. (9)	30,359																											4Q07	-2.9	0.9
Barings Debt I.M.A	370,857,081	2.4	-0.1	2.3	2.0	9.9	-0.6	9.3	8.1	9.3	0.2	9.4	8.3	9.3	-0.3	8.9	7.8									9.8	8.7	4Q11	8.5	1.1
Capri Capital Core I.M.A.	384,819,914	0.9	2.2	3.0	2.9	3.7	0.3	4.1	3.5	3.9	6.6	10.6	10.0	3.6	6.4	10.2	9.3									13.0	12.1	2Q11	9.4	1.4
Cityview Core I.M.A.	141,996,314	0.9	-12.1	-11.3	-11.4	3.3	-7.4	-4.2	-4.7	3.1	1.9	5.0	4.5													5.0	4.5	3Q14	4.7	1.1
Clarion Core I.M.A.	206,325,918	0.9	0.4	1.3	1.2	4.0	0.2	4.2	3.7	4.3	4.6	9.0	8.5													8.7	8.2	2Q14	8.4	1.2
Gateway I.M.A. (Avison Young)	107,834,329	1.7	-1.2	0.5	0.4	6.9	-1.2	5.6	5.4																	14.4	14.3	2Q16	14.6	1.2
Heitman Core I.M.A.	279,990,524	1.2	-0.2	0.9	0.8	5.3	6.3	11.8	11.2	4.2	4.1	8.5	7.8													8.5	7.8	3Q14	8.0	1.2
Invesco Core I.M.A.	615,507,813	1.2	0.4	1.6	1.5	4.5	1.3	5.9	5.4	4.4	5.6	10.2	9.7	4.4	4.5	9.1	8.7	5.1	4.7	10.0	9.5	5.5	0.2	5.7	5.5	9.0	8.5	4Q94	8.7	1.6
Invesco Real Estate Asia Fund	125,780,088	1.1	0.8	2.0	1.8	5.1	-1.2	3.9	3.1	5.7	2.0	7.8	7.0													7.5	6.7	2Q14	8.1	1.2
Prologis Targeted Europe Logistics Fund	132,373,037	0.9	8.2	9.1	8.9	5.5	5.7	11.5	10.5	5.3	3.5	9.1	6.3													9.2	6.5	2Q14	7.8	1.2
Quadrant I.M.A	26,390,463	2.0	0.0	2.0	1.8	7.8	0.1	7.9	7.4	7.6	-0.9	6.6	6.1	7.6	0.2	7.8	7.3									7.9	7.4	4Q11	7.4	1.2
RREEF Core I.M.A.*	867,789,676	1.3	1.2	2.5	2.4	5.6	1.4	7.0	6.6	6.0	5.3	11.6	11.0	6.2	5.7	12.2	11.6	6.3	4.9	11.4	10.8	6.3	0.4	6.7	6.5	11.3	10.3	1Q91	10.6	2.1
RREEF Core Plus Industrial Fund L.P.	124,717,793																									n/a	n/a	3Q17	-3.5	1.0
Stockbridge Core I.M.A.	357,979,521	1.6	0.3	1.9	1.8	6.6	1.0	7.6	7.0	6.6	5.5	12.4	11.7													11.5	10.8	1Q14	10.2	1.1
TA Associates Core I.M.A.*	831,453,202	1.8	1.4	3.2	3.1	7.1	0.8	7.9	7.3	6.9	1.1	8.0	7.5	7.0	1.1	8.1	7.5	6.9	1.9	8.9	8.4	6.7	-1.9	4.7	4.5	9.7	8.8	3Q92	8.8	1.8
Core Portfolio	**4,573,846,032**	**1.4**	**0.6**	**2.0**	**1.8**	**5.8**	**0.8**	**6.7**	**6.1**	**5.8**	**3.9**	**9.8**	**9.1**	**5.9**	**3.7**	**9.8**	**9.2**	**6.1**	**3.7**	**10.0**	**9.4**	**6.2**	**-0.7**	**5.4**	**5.1**	**8.4**	**7.7**	**3Q85**	**8.2**	**1.5**
Core Custom Benchmark					*1.5*				*6.9*				*10.3*				*10.6*				*11.5*				*6.2*		*7.5*	*3Q85*		
NFI-ODCE Value Weight				*1.7*	*1.5*			*7.9*	*6.9*			*11.3*	*10.3*			*11.8*	*10.8*			*13.1*	*12.0*			*5.3*	*4.3*	*7.3*	*6.3*	*3Q85*		
Value Added																														
Barings Value I.M.A. Vintage 2003	207,149,533	1.8	0.0	1.8	1.7	7.0	1.5	8.6	8.2	9.8	5.2	15.5	15.0	7.7	3.8	11.7	11.1	5.0	3.3	8.5	7.9	1.7	-6.7	-5.4	-5.9	1.0	0.4	1Q04	5.4	1.2
CBRE Asia Value Fund L.P. (3)	1,433,504	-0.4	0.0	-0.4	-0.4	11.4	0.0	11.4	11.4	2.6	3.0	5.9	5.4	2.0	6.3	8.5	7.8									8.6	7.8	3Q11	9.0	1.3
CBRE Strategic Partners European Fund III (9)	415,435																											2Q08	-17.4	0.3
CBRE Strategic Partners UK Fund III (9)	148,848																											2Q08	-24.8	0.2
Cornerstone Hotel Income Equity Fund II (4) (9)	1,046,874																											4Q08	9.2	1.4
Heitman Value I.M.A. Vintage 2013	12,828,584	-0.2	-1.7	-1.8	-1.6	4.7	0.9	5.7	5.6	7.3	4.4	11.9	10.5													13.3	11.8	1Q14	9.7	1.3
Hunt UK Realty Partners LP	1,871,052	-0.7	4.0	3.3	3.3	-1.8	-3.5	-5.3	-5.3	-2.4	3.7	1.2	0.0	0.5	-8.3	-6.9	-11.0	-20.3	-3.5	-13.4	-17.4					-23.4	-26.6	1Q08	-24.8	0.1
Invesco Value I.M.A. Vintage 2010	68,032,159	2.4	-6.7	-4.2	-4.5	12.4	-7.3	4.5	3.6	12.0	-3.5	8.2	7.3	10.9	-0.6	10.2	9.3									7.1	5.7	4Q10	7.2	1.1
Invesco Value I.M.A. Vintage 2012	131,673,076	0.2	-23.1	-22.9	-23.1	1.1	-21.7	-20.8	-21.4	1.2	2.6	3.7	3.1													9.5	8.7	1Q13	8.2	1.4
LaSalle Medical Office Fund II (9)	164																											3Q07	5.8	1.3
RREEF Value I.M.A. Vintage 2009 (9)	127																											1Q09	40.1	1.4
Stockbridge Value I.M.A. Vintage 2014	36,025,894	1.4	-1.9	-0.5	-0.6	6.6	0.1	6.8	6.2	3.7	3.5	7.2	6.6													6.7	6.1	2Q14	7.5	1.1
Vanbarton Value I.M.A. Vintage 2003 (9)	-16,162																											3Q03	12.9	1.2
Vanbarton Value I.M.A. Vintage 2006	160,921,483	1.2	-0.9	0.3	0.1	5.4	-1.4	3.9	3.2	3.8	2.1	6.1	5.3	6.4	1.1	7.6	6.8	8.8	0.1	8.9	8.0	10.0	-10.3	-1.0	-2.0	-0.2	-1.2	2Q06	-0.9	0.9
Value Added	**621,530,571**	**1.2**	**-7.0**	**-5.7**	**-5.9**	**5.5**	**-6.5**	**-1.3**	**-1.9**	**5.6**	**1.7**	**7.4**	**6.7**	**6.2**	**1.8**	**8.0**	**7.3**	**6.0**	**2.2**	**8.2**	**7.3**	**5.1**	**-6.7**	**-1.9**	**-3.0**	**1.7**	**-6.0**	**4Q86**	**5.8**	**1.1**
Value Custom Benchmark					*1.7*				*8.0*				*11.4*				*11.6*				*12.5*				*7.1*		*8.3*	*4Q86*		
NFI-ODCE Value Weight +100 BPS				*1.9*	*1.7*			*8.9*	*8.0*			*12.4*	*11.4*			*12.9*	*11.8*			*14.2*	*13.1*			*6.3*	*5.3*	*8.4*	*7.3*	*4Q86*		

Los Angeles County Employees Retirement Association

Second Quarter 2017

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year				5 Year				7 Year				10 Year				Inception		TWR Calculation	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
High Return																														
Barings High I.M.A. Vintage 2007 (7)(9)	10,286																											4Q07	4.7	1.1
Capri Capital High I.M.A. Vintage 2006	55,320,490	-3.2	62.5	59.3	58.9	-3.2	62.5	59.3	56.6	-1.8	18.9	17.3	15.8	-1.8	25.5	23.6	20.5	-1.2	17.0	15.9	13.8	-2.8	12.9	9.4	8.0	9.8	8.6	2Q06	9.6	1.3
Capri Urban Investors	47,222,156	0.4	-22.7	-22.3	-22.9	1.9	-29.4	-27.9	-29.5	3.6	-5.2	-1.8	-3.7	3.8	-1.2	2.5	0.5	3.0	-2.7	0.2	-2.1					-10.9	-14.0	3Q08	-4.2	0.8
Carlyle Europe Real Estate Partners III (3)	3,836,239	-0.1	13.5	13.4	13.0	-0.5	36.8	36.2	34.3	1.1	10.1	11.5	10.1	0.9	3.6	4.5	3.1	0.4	8.5	8.9	7.2					-1.1	-4.2	2Q08	-3.5	0.8
CityView Bay Area Fund II (4)	178,500,967	0.2	-7.1	-6.9	-7.3	1.4	7.3	8.8	7.2	0.3	14.4	14.8	12.7													n/a	n/a	1Q13	13.7	1.4
CityView LA Urban Fund I	4,776,353	-1.2	3.3	2.1	1.5	1.6	1.8	3.5	1.3	14.2	4.5	20.6	18.6	21.2	5.3	27.5	25.4	14.7	3.7	18.9	16.5					7.5	-14.5	4Q07	11.9	1.2
CityView Southern California Fund II (4)	106,054,198	-0.2	12.3	12.1	11.7	-2.5	57.8	54.6	51.4	-29.0	52.8	28.5	34.2													n/a	n/a	1Q14	17.5	1.2
CityView Western Fund I, L.P. (12)	20,034,906	-3.6	0.0	-3.6	-20.5																					n/a	n/a	1Q17	-83.8	0.9
Clarion High I.M.A.	224,333,989	0.2	31.9	32.1	31.9	0.1	55.5	55.5	54.5																	34.2	33.3	1Q16	35.4	1.5
Europa Fund III (3)	4,972,766	-0.1	4.5	4.4	5.6	-0.4	6.8	6.4	-13.1	9.8	0.5	13.8	5.9	8.2	4.1	14.8	9.9	4.1	4.5	10.3	6.8					9.5	7.4	4Q09	8.1	1.3
Europa Fund IV (3)	41,773,863	-0.2	6.6	6.4	8.0	-1.6	9.7	7.9	7.2																	12.4	17.4	4Q14	7.4	1.1
Genesis Workforce Housing Fund II (4)(9)	210,375																											2Q07	8.6	1.5
INVESCO Asian Real Estate Partners II (USD Vehicle) (9)	1,577,549																											1Q08	7.4	1.3
Invesco High I.M.A. Vintage 2012	77,681,547	0.5	1.0	1.5	1.7	0.2	6.9	7.2	6.4	0.0	24.4	24.3	21.5													15.3	12.6	1Q13	19.1	1.5
Invesco High I.M.A. Vintage 2016	31,737,335	0.0	0.0	0.0	-0.6	0.0	0.0	0.0	-3.1																	0.0	-3.3	2Q16	-4.3	1.0
RREEF High Return I.M.A. III (11)	76,728,459	0.0	8.6	8.6	8.3	0.0	8.6	8.6	7.1																	4.2	3.4	3Q15	7.8	1.1
Starwood Brandco	2,372,604	3.8	-0.2	3.7	2.3	14.9	11.7	28.3	14.7	14.1	17.3	33.7	16.8	5.9	22.4	29.7	22.0									33.8	26.5	2Q11	27.1	3.5
Starwood Capital Hospitality Fund II	47,137,276	1.7	3.0	4.7	3.0	29.5	-24.0	1.4	5.0	18.8	-11.4	6.9	6.7	12.6	-0.3	13.2	10.2	7.5	5.1	14.1	11.0					14.1	11.0	3Q10	10.0	1.5
Stockbridge High I.M.A. Vintage 2014	32,743,183	-1.6	0.0	-1.6	-2.3	-5.7	-0.1	-5.8	-8.1	-0.6	7.4	6.7	5.0													6.4	4.7	2Q14	8.3	1.0
TriPacific (LERI/LERP) (4)(6)(9)	88,977																											4Q95	0.0	0.9
High Return	**957,113,519**	**0.0**	**8.4**	**8.4**	**7.9**	**2.4**	**15.2**	**17.9**	**16.0**	**3.8**	**13.1**	**17.4**	**15.0**	**5.1**	**7.7**	**13.1**	**9.3**	**4.2**	**1.1**	**5.3**	**1.1**	**3.0**	**-15.9**	**-13.4**	**-17.5**	**6.3**	**-1.3**	**4Q95**	**1.6**	**1.0**
High Return excluding TriPacific (LERI/LERP)	**957,024,542**	**0.0**	**8.4**	**8.4**	**7.9**	**2.4**	**14.9**	**17.6**	**15.8**	**3.9**	**12.0**	**16.4**	**14.2**	**5.0**	**10.6**	**16.1**	**13.1**	**3.8**	**8.0**	**12.1**	**9.3**	**2.1**	**-4.7**	**-2.8**	**-5.8**	**0.5**	**-1.6**	**1Q01**	**5.1**	**1.1**
High Return Custom Benchmark					*2.2*				*10.1*				*13.6*				*13.8*				*14.7*				*9.2*		*12.3*	*4Q95*		
NFI-ODCE Value Weight + 300 BPS				*2.4*	*2.2*			*11.1*	*10.1*			*14.6*	*13.6*			*15.1*	*14.0*			*16.4*	*15.3*			*8.4*	*7.4*	*12.5*	*11.5*	*4Q95*		
Total Non-Core Portfolio	**1,578,644,089**	**0.5**	**1.8**	**2.4**	**2.0**	**3.7**	**5.6**	**9.5**	**8.2**	**4.7**	**7.9**	**12.8**	**11.3**	**5.8**	**5.5**	**11.5**	**9.6**	**5.5**	**3.8**	**9.5**	**7.6**	**4.6**	**-8.1**	**-3.9**	**-5.9**	**2.0**	**-6.6**	**4Q86**	**4.0**	**1.1**
Total Portfolio																														
LACERA	**6,152,490,121**	**1.2**	**0.9**	**2.1**	**1.9**	**5.3**	**2.0**	**7.4**	**6.6**	**5.5**	**4.8**	**10.5**	**9.6**	**5.9**	**4.3**	**10.3**	**9.3**	**5.9**	**3.9**	**10.0**	**9.1**	**5.8**	**-2.2**	**3.5**	**2.8**	**7.9**	**6.8**	**3Q85**	**7.7**	**1.3**
LACERA Portfolio without LERI & TriPacific	**6,152,401,144**	**1.2**	**0.9**	**2.1**	**1.9**	**5.3**	**2.0**	**7.3**	**6.6**	**5.5**	**4.7**	**10.4**	**9.5**	**5.8**	**4.4**	**10.4**	**9.5**	**5.9**	**4.2**	**10.2**	**9.4**	**5.7**	**-1.4**	**4.3**	**3.6**	**8.0**	**7.1**	**3Q85**	**7.9**	**1.4**
Indices																														
Total Custom Benchmark					*1.6*				*7.3*				*10.8*				*11.0*				*11.9*				*6.5*		*7.8*	*3Q85*		
ODCE + 40 BPS				*1.8*	*1.6*			*8.3*	*7.3*			*11.8*	*10.8*			*12.2*	*11.2*			*13.5*	*12.5*			*5.7*	*4.7*	*7.8*	*6.7*	*3Q85*		

* Hardcoded Data

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year				5 Year				7 Year				10 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
Commingled Fund Portfolio																														
Capri Urban Investors	47,222,156	0.4	-22.7	-22.3	-22.9	1.9	-29.4	-27.9	-29.5	3.6	-5.2	-1.8	-3.7	3.8	-1.2	2.5	0.5	3.0	-2.7	0.2	-2.1					-10.9	-14.0	3Q08	-4.2	0.8
Carlyle Europe Real Estate Partners III (3)	3,836,239	-0.1	13.5	13.4	13.0	-0.5	36.8	36.2	34.3	1.1	10.1	11.5	10.1	0.9	3.6	4.5	3.1	0.4	8.5	8.9	7.2					-1.1	-4.2	2Q08	-3.5	0.8
CBRE Asia Value Fund L.P. (3)	1,433,504	-0.4	0.0	-0.4	-0.4	11.4	0.0	11.4	11.4	2.6	3.0	5.9	5.4	2.0	6.3	8.5	7.8									8.6	7.8	3Q11	9.0	1.3
CBRE Strategic Partners European Fund III (9)	415,435																											2Q08	-17.4	0.3
CBRE Strategic Partners UK Fund III (9)	148,848																											2Q08	-24.8	0.2
CityView Bay Area Fund II (4)	178,500,967	0.2	-7.1	-6.9	-7.3	1.4	7.3	8.8	7.2	0.3	14.4	14.8	12.7													n/a	n/a	1Q13	13.7	1.4
CityView LA Urban Fund I	4,776,353	-1.2	3.3	2.1	1.5	1.6	1.8	3.5	1.3	14.2	4.5	20.6	18.6	21.2	5.3	27.5	25.4	14.7	3.7	18.9	16.5					7.5	-14.5	4Q07	11.9	1.2
CityView Southern California Residential Fund II (4)	106,054,198	-0.2	12.3	12.1	11.7	-2.5	57.8	54.6	51.4	-29.0	52.8	28.5	34.2													n/a	n/a	1Q14	17.5	1.2
CityView Western Fund I, L.P.	20,034,906	-3.6	0.0	-3.6	-20.5																					n/a	n/a	1Q17	-83.8	0.9
Cornerstone Hotel Income Equity Fund II (4) (9)	1,046,874																											4Q08	9.2	1.4
Europa Fund III (3)	4,972,766	-0.1	4.5	4.4	5.6	-0.4	6.8	6.4	-13.1	9.8	0.5	13.8	5.9	8.2	4.1	14.8	9.9	4.1	4.5	10.3	6.8					9.5	7.4	4Q09	8.1	1.3
Europa Fund IV (3)	41,773,863	-0.2	6.6	6.4	8.0	-1.6	9.7	7.9	7.2																	12.4	17.4	4Q14	7.4	1.1
Genesis Workforce Housing Fund II (4)(9)	210,375																											2Q07	8.6	1.5
Hunt UK Realty Partners LP	1,871,052	-0.7	4.0	3.3	3.3	-1.8	-3.5	-5.3	-5.3	-2.4	3.7	1.2	0.0	0.5	-8.3	-6.9	-11.0	-20.3	-3.5	-13.4	-17.4					-23.4	-26.6	1Q08	-24.8	0.1
INVESCO Asian Real Estate Partners II (USD Vehicle) (9)	1,577,549																											1Q08	7.4	1.3
Invesco Real Estate Asia Fund	125,780,088	1.1	0.8	2.0	1.8	5.1	-1.2	3.9	3.1	5.7	2.0	7.8	7.0													7.5	6.7	2Q14	8.1	1.2
LaSalle Medical Office Fund II (9)	164																											3Q07	5.8	1.3
Prologis Targeted Europe Logistics Fund	132,373,037	0.9	8.2	9.1	8.9	5.5	5.7	11.5	10.5	5.3	3.5	9.1	6.3													9.2	6.5	2Q14	7.8	1.2
RREEF Core Plus Industrial Fund L.P.	124,717,793																											3Q17	-3.5	1.0
Starwood Brandco	2,372,604	3.8	-0.2	3.7	2.3	14.9	11.7	28.3	14.7	14.1	17.3	33.7	16.8	5.9	22.4	29.7	22.0									33.8	26.5	2Q11	27.1	3.5
Starwood Capital Hospitality Fund II	47,137,276	1.7	3.0	4.7	3.0	29.5	-24.0	1.4	5.0	18.8	-11.4	6.9	6.7	12.6	-0.3	13.2	10.2	7.5	5.1	14.1	11.0					14.1	11.0	3Q10	10.0	1.5
Total Commingled Fund Portfolio	**846,256,047**	**0.5**	**-0.2**	**0.3**	**-0.1**	**5.0**	**1.6**	**6.6**	**5.2**	**5.9**	**3.7**	**9.9**	**8.1**	**6.8**	**4.6**	**11.7**	**9.4**	**5.1**	**4.2**	**9.5**	**7.1**	**2.7**	**-6.4**	**-3.9**	**-7.9**	**1.4**	**-2.8**	**1Q02**	**3.2**	**1.1**
Total Separate Account Portfolio																														
Barings Debt I.M.A	370,857,081	2.4	-0.1	2.3	2.0	9.9	-0.6	9.3	8.1	9.3	0.2	9.4	8.3	9.3	-0.3	8.9	7.8									9.8	8.7	4Q11	8.5	1.1
Barings I.M.A.	207,190,178	1.8	0.0	1.8	1.7	6.9	1.4	8.4	8.0	7.1	6.1	13.5	13.0	5.9	4.7	10.7	10.1	4.4	4.3	8.9	8.2	2.5	-5.3	-3.0	-3.6	2.9	2.2	1Q04	3.2	1.1
Capri Capital I.M.A.	440,140,404	0.5	7.4	7.9	7.4	3.1	5.7	8.9	7.9	3.3	7.6	11.1	10.3	3.0	8.1	11.3	10.1	3.4	12.3	16.0	14.7	2.7	2.9	5.6	4.2	8.0	6.5	1Q03	7.5	1.3
Cityview Core I.M.A.	141,996,314	0.9	-12.1	-11.3	-11.4	3.3	-7.4	-4.2	-4.7	3.1	1.9	5.0	4.5													5.0	4.5	3Q14	4.7	1.1
Clarion I.M.A.	430,659,907	0.6	14.7	15.2	15.1	2.3	22.8	25.6	24.9	3.4	11.5	15.3	14.6													14.4	13.8	2Q14	15.4	1.4
Gateway I.M.A.	107,834,329	1.7	-1.2	0.5	0.4	6.9	-1.2	5.6	5.4	7.3	5.4	13.1	13.0	7.6	3.9	11.7	11.7	8.3	-2.7	5.5	5.4	7.6	-8.2	-1.1	-1.1	6.2	6.1	3Q90	6.3	1.6
Heitman I.M.A.	292,832,097	1.1	-0.3	0.8	0.7	5.3	6.0	11.5	10.9	4.6	4.5	9.3	8.6													10.9	10.1	1Q14	8.2	1.2
Invesco I.M.A.	924,631,929	1.0	-4.3	-3.2	-3.4	4.0	-3.0	0.9	0.3	3.9	6.3	10.4	9.6	4.1	5.5	9.8	9.1	4.8	5.1	10.1	9.5	5.3	-0.2	5.1	4.7	8.7	8.2	4Q94	8.5	1.5
Quadrant I.M.A	26,390,463	2.0	0.0	2.0	1.8	7.8	0.1	7.9	7.4	7.6	-0.9	6.6	6.1	7.6	0.2	7.8	7.3									7.9	7.4	4Q11	7.4	1.2
RREEF I.M.A.	944,518,262	1.2	1.9	3.1	3.0	5.1	2.1	7.3	6.8	5.8	5.6	11.6	11.0	6.1	5.8	12.1	11.6	6.2	5.1	11.5	11.0	6.2	0.1	6.3	6.0	11.0	10.1	1Q91	10.2	1.8
Stockbridge I.M.A.	426,748,598	1.4	0.1	1.5	1.3	6.1	0.9	7.1	6.3	6.0	5.6	11.9	11.1													11.0	10.2	1Q14	9.8	1.1
TA Associates I.M.A.	831,453,202	1.8	1.4	3.2	3.1	7.1	0.8	7.9	7.3	6.9	1.1	8.0	7.5	6.9	0.6	7.5	6.9	6.8	1.4	8.2	7.7	6.6	-2.2	4.3	4.0	9.4	8.5	3Q92	8.5	1.6
TriPacific (LERI/LERP) (4,6,9)	88,977																											4Q95	0.0	0.9
Vanbarton I.M.A.	160,905,322	1.2	-0.9	0.3	0.1	5.4	-1.4	3.9	3.2	3.8	2.1	6.1	5.3	6.4	1.1	7.6	6.8	8.8	0.1	8.9	8.0	10.0	-10.3	-1.0	-2.0	1.6	0.7	3Q03	-0.3	1.0
Total Separate Accounts	**5,306,234,074**	**1.3**	**1.0**	**2.3**	**2.1**	**5.3**	**2.1**	**7.5**	**6.8**	**5.4**	**5.0**	**10.6**	**9.9**	**5.7**	**4.0**	**10.0**	**9.2**	**6.0**	**3.7**	**9.9**	**9.2**	**5.9**	**-2.3**	**3.6**	**3.0**	**8.4**	**7.5**	**3Q90**	**8.3**	**1.3**
Total Portfolio																														
LACERA	**6,152,490,121**	**1.2**	**0.9**	**2.1**	**1.9**	**5.3**	**2.0**	**7.4**	**6.6**	**5.5**	**4.8**	**10.5**	**9.6**	**5.9**	**4.3**	**10.3**	**9.3**	**5.9**	**3.9**	**10.0**	**9.1**	**5.8**	**-2.2**	**3.5**	**2.8**	**7.9**	**6.8**	**3Q85**	**7.7**	**1.3**
LACERA Portfolio without LERI & TriPacific	**6,152,401,144**	**1.2**	**0.9**	**2.1**	**1.9**	**5.3**	**2.0**	**7.3**	**6.6**	**5.5**	**4.7**	**10.4**	**9.5**	**5.8**	**4.4**	**10.4**	**9.5**	**5.9**	**4.2**	**10.2**	**9.4**	**5.7**	**-1.4**	**4.3**	**3.6**	**8.0**	**7.1**	**3Q85**	**7.9**	**1.4**
Indices																														
Total Custom Benchmark					*1.6*				*7.3*				*10.8*				*11.0*				*11.9*				*6.5*		*7.8*	*3Q85*		
ODCE + 40 BPS				*1.8*	*1.6*			*8.3*	*7.3*			*11.8*	*10.8*			*12.2*	*11.2*			*13.5*	*12.5*			*5.7*	*4.7*	*7.8*	*6.7*	*3Q85*		

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Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Portfolio						
Barings Core I.M.A.	-	-	-	-	-	-
Barings Debt I.M.A	-	41.7	-	-	58.3	-
Capri Capital Core I.M.A.	100.0	-	-	-	-	-
Cityview Core I.M.A.	100.0	-	-	-	-	-
Clarion Core I.M.A.	71.7	13.3	-	-	-	15.0
Gateway I.M.A. (Avison Young)	-	100.0	-	-	-	-
Heitman Core I.M.A.	60.6	-	-	21.1	-	18.3
Invesco Core I.M.A.	61.0	12.1	8.2	18.6	-	-
Invesco Real Estate Asia Fund	-	81.8	5.8	12.4	-	-
Prologis Targeted Europe Logistics Fund	-	-	100.0	-	-	-
Quadrant I.M.A	100.0	-	-	-	-	-
RREEF Core I.M.A.	19.2	38.6	10.2	20.9	-	11.2
RREEF Core Plus Industrial Fund L.P.	-	-	100.0	-	-	-
Stockbridge Core I.M.A.	18.5	29.1	28.6	23.8	-	-
TA Associates Core I.M.A.	24.5	44.3	-	22.4	-	8.8
Core Portfolio	**36.5**	**27.6**	**11.6**	**14.0**	**4.7**	**5.5**
Total Core Separate Accounts	**39.9**	**28.2**	**5.8**	**15.0**	**5.1**	**6.0**
Value Added						
Barings Value I.M.A. Vintage 2003	-	-	-	-	100.0	-
CBRE Asia Value Fund L.P.	-	-	-	-	-	-
CBRE Strategic Partners European Fund III	-	-	-	-	-	-
CBRE Strategic Partners UK Fund III	-	-	-	-	-	-
Cornerstone Hotel Income Equity Fund II	-	-	-	-	-	-
Heitman Value I.M.A. Vintage 2013	-	-	-	-	-	100.0
Hunt UK Realty Partners LP	-	-	-	100.0	-	-
Invesco Value I.M.A. Vintage 2010	-	100.0	-	-	-	-
Invesco Value I.M.A. Vintage 2012	-	-	-	100.0	-	-
LaSalle Medical Office Fund II	-	-	-	-	-	-
RREEF Value I.M.A. Vintage 2009	-	-	-	-	-	-
Stockbridge Value I.M.A. Vintage 2014	-	-	-	100.0	-	-
Vanbarton Value I.M.A. Vintage 2003	-	-	-	-	-	-
Vanbarton Value I.M.A. Vintage 2006	-	-	-	100.0	-	-
Value Added	**-**	**11.8**	**-**	**49.4**	**36.2**	**2.6**
Value Added Portfolio (w/o Sarofim I & Sarofim II)	**-**	**11.8**	**-**	**49.4**	**36.2**	**2.6**
Total Value Separate Accounts	**-**	**11.9**	**-**	**49.3**	**36.2**	**2.6**

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
High Return						
Barings High I.M.A. Vintage 2007	-	-	-	-	-	-
Capri Capital High I.M.A. Vintage 2006	100.0	-	-	-	-	-
Capri Urban Investors	13.2	4.9	-	76.8	-	5.1
Carlyle Europe Real Estate Partners III	56.8	-	42.3	0.9	-	-
CityView Bay Area Fund II	100.0	-	-	-	-	-
CityView LA Urban Fund I	100.0	-	-	-	-	-
CityView Southern California Fund II	100.0	-	-	-	-	-
CityView Western Fund I, L.P.	100.0	-	-	-	-	-
Clarion High I.M.A.	-	-	100.0	-	-	-
Europa Fund III	37.9	48.3	-	13.9	-	0.0
Europa Fund IV	18.5	21.4	0.7	35.0	1.7	22.7
Genesis Workforce Housing Fund II	-	-	-	-	-	-
INVESCO Asian Real Estate Partners II (USD Vehicle)	-	97.5	-	-	-	2.5
Invesco High I.M.A. Vintage 2012	100.0	-	-	-	-	-
Invesco High I.M.A. Vintage 2016	-	-	100.0	-	-	-
RREEF High Return I.M.A. III	100.0	-	-	-	-	-
Starwood Brandco	-	-	-	-	100.0	-
Starwood Capital Hospitality Fund II	-	-	-	-	100.0	-
Stockbridge High I.M.A. Vintage 2014	-	33.7	-	-	-	66.3
TriPacific (LERI/LERP)	-	-	-	-	-	-
High Return	**57.4**	**2.6**	**27.2**	**4.6**	**4.8**	**3.4**
Total High Separate Accounts	**43.7**	**2.2**	**49.9**	**-**	**-**	**4.3**
Total Non-Core Portfolio	**37.5**	**5.8**	**17.8**	**20.1**	**15.7**	**3.1**
High Return excluding TriPacific (LERI/LERP)	**57.4**	**2.6**	**27.2**	**4.6**	**4.8**	**3.4**

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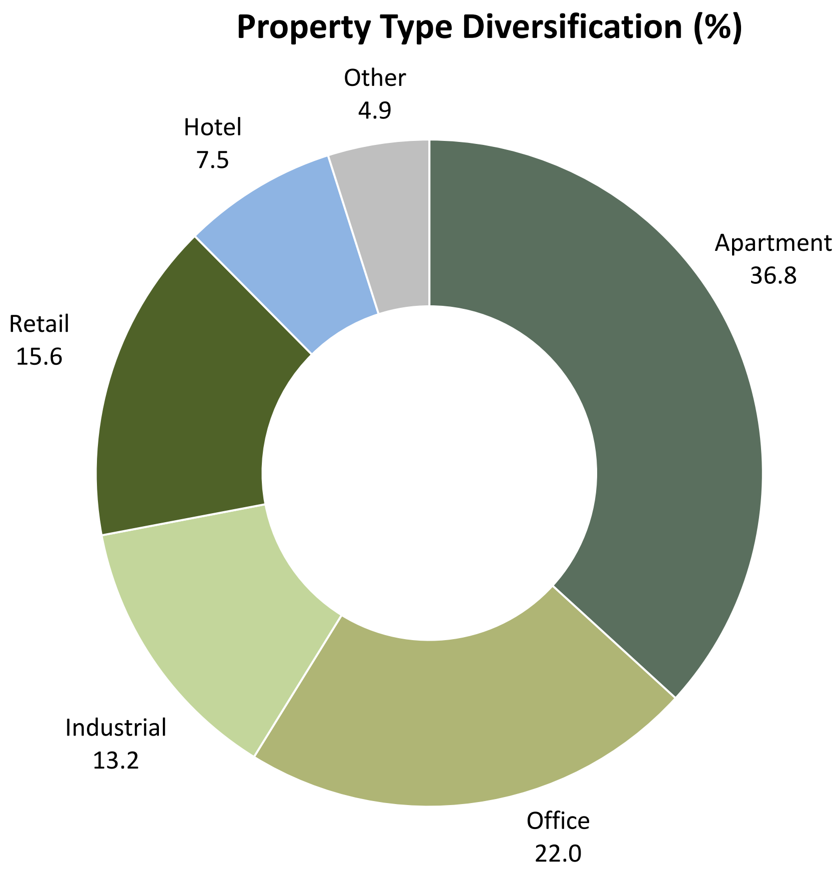
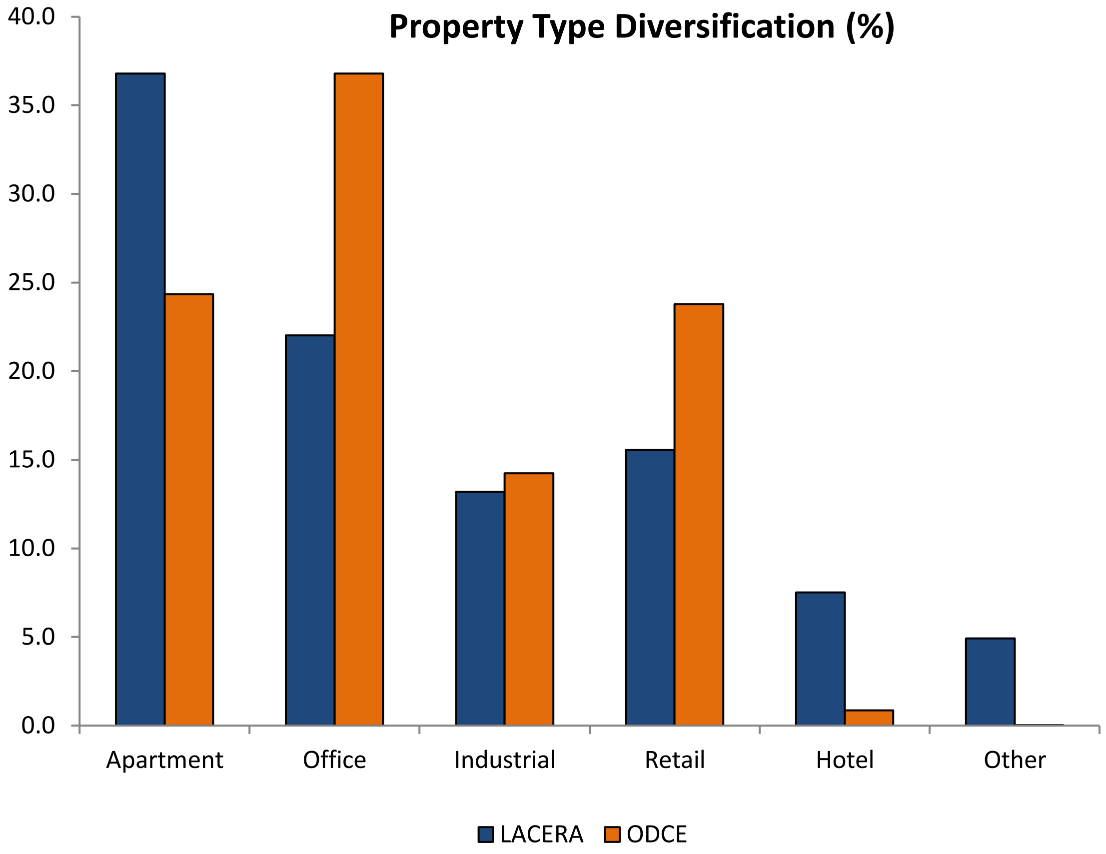
Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Total Portfolio						
LACERA	**36.8**	**22.0**	**13.2**	**15.6**	**7.5**	**4.9**
Benchmark						
ODCE	**24.3**	**36.8**	**14.2**	**23.8**	**0.9**	**0.0**

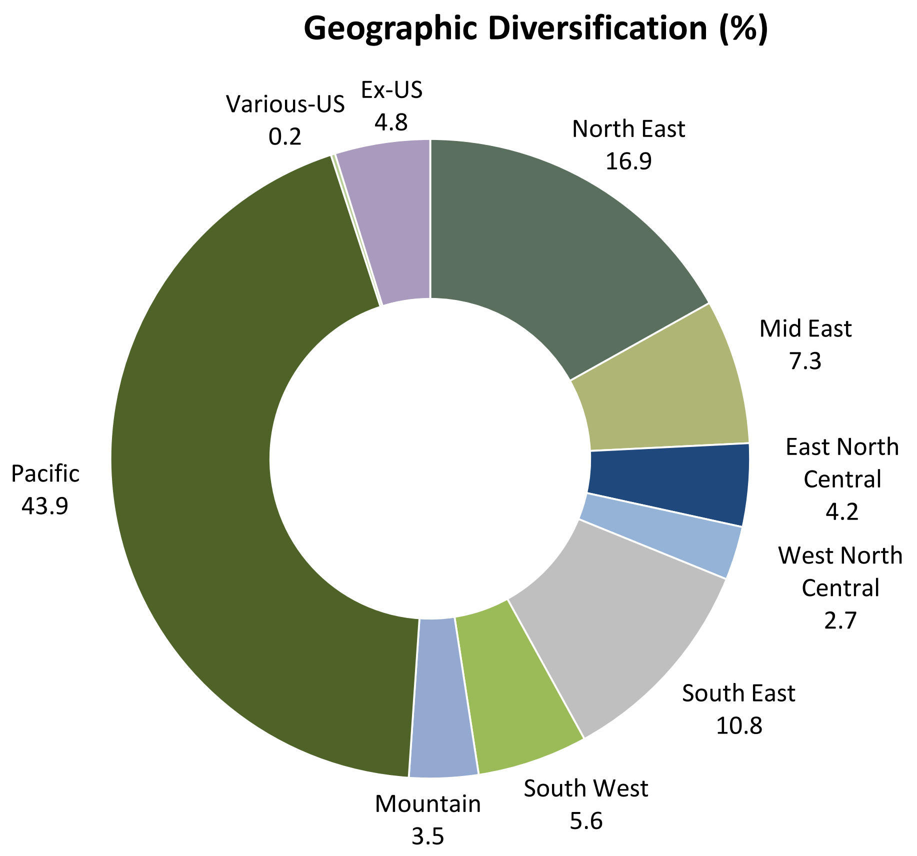


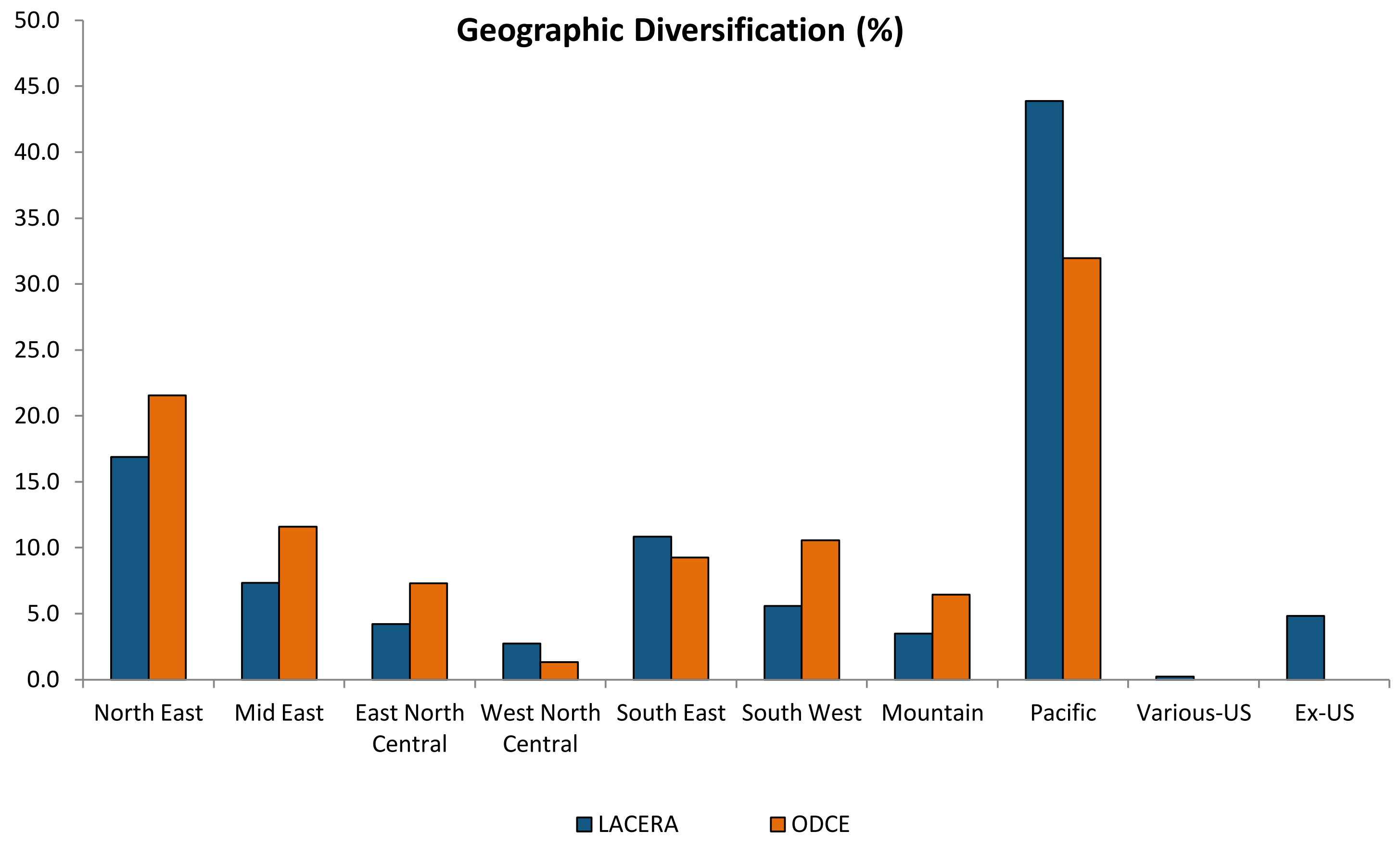


Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Various-US	Ex-US
Core Portfolio										
Barings Core I.M.A.	-	-	-	-	-	-	-	-	-	-
Barings Debt I.M.A	-	-	4.2	-	-	-	-	95.8	-	-
Capri Capital Core I.M.A.	-	-	-	-	-	27.6	-	72.4	-	-
Cityview Core I.M.A.	-	-	-	-	-	-	-	100.0	-	-
Clarion Core I.M.A.	-	-	-	-	-	13.3	-	86.7	-	-
Gateway I.M.A. (Avison Young)	-	-	-	-	-	-	-	100.0	-	-
Heitman Core I.M.A.	-	17.1	-	21.1	30.6	12.9	-	18.3	-	-
Invesco Core I.M.A.	60.3	12.1	-	-	8.3	-	11.1	8.2	-	-
Invesco Real Estate Asia Fund	-	-	-	-	-	-	-	-	-	100.0
Prologis Targeted Europe Logistics Fund	-	-	-	-	-	-	-	-	-	100.0
Quadrant I.M.A	-	100.0	-	-	-	-	-	-	-	-
RREEF Core I.M.A.	19.2	6.9	18.9	-	-	-	7.3	47.7	-	-
RREEF Core Plus Industrial Fund L.P.	1.6	-	38.4	-	-	-	-	60.0	-	-
Stockbridge Core I.M.A.	-	8.8	-	-	14.6	12.9	22.0	41.7	-	-
TA Associates Core I.M.A.	41.4	12.8	1.7	2.3	36.3	2.2	-	3.3		-
Core Portfolio	**19.4**	**7.6**	**5.6**	**1.7**	**10.6**	**5.0**	**4.6**	**40.3**	**-**	**5.2**
Total Core Separate Accounts	**21.1**	**8.3**	**4.7**	**1.8**	**11.6**	**5.5**	**5.0**	**41.9**	**-**	**-**
Value Added										
Barings Value I.M.A. Vintage 2003	-	-	-	-	-	-	-	100.0	-	-
CBRE Asia Value Fund L.P.	-	-	-	-	-	-	-	-	-	-
CBRE Strategic Partners European Fund III	-	-	-	-	-	-	-	-	-	-
CBRE Strategic Partners UK Fund III	-	-	-	-	-	-	-	-	-	-
Cornerstone Hotel Income Equity Fund II	-	-	-	-	-	-	-	-	-	-
Heitman Value I.M.A. Vintage 2013	-	-	-	-	100.0	-	-	-	-	-
Hunt UK Realty Partners LP	-	-	-	-	-	-	-	-	-	100.0
Invesco Value I.M.A. Vintage 2010	-	-	-	-	-	100.0	-	-	-	-
Invesco Value I.M.A. Vintage 2012	100.0	-	-	-	-	-	-	-	-	-
LaSalle Medical Office Fund II	-	-	-	-	-	-	-	-	-	-
RREEF Value I.M.A. Vintage 2009	-	-	-	-	-	-	-	-	-	-
Stockbridge Value I.M.A. Vintage 2014	-	-	-	-	100.0	-	-	-	-	-
Vanbarton Value I.M.A. Vintage 2003	-	-	-	-	-	-	-	-	-	-
Vanbarton Value I.M.A. Vintage 2006	1.4	-	-	94.9	3.7	-	-	-	-	-
Value Added	**25.8**	**-**	**-**	**16.2**	**9.8**	**11.8**	**-**	**36.2**	**-**	**0.2**
Value Added Portfolio (w/o Sarofim I & Sarofim II)	**25.8**	**-**	**-**	**16.2**	**9.8**	**11.8**	**-**	**36.2**	**-**	**0.2**
Total Value Separate Accounts	**25.8**	**-**	**-**	**16.3**	**9.8**	**11.9**	**-**	**36.2**	**-**	**-**

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Various-US	Ex-US
High Return										
Barings High I.M.A. Vintage 2007	-	-	-	-	-	-	-	-	-	-
Capri Capital High I.M.A. Vintage 2006	-	-	-	-	-	-	-	100.0	-	-
Capri Urban Investors	-	45.4	9.9	-	-	-	-	44.6	-	-
Carlyle Europe Real Estate Partners III	-	-	-	-	-	-	-	-	-	100.0
CityView Bay Area Fund II	-	-	-	-	-	-	-	100.0	-	-
CityView LA Urban Fund I	-	-	-	-	-	-	-	100.0	-	-
CityView Southern California Fund II	-	-	-	-	-	-	-	100.0	-	-
CityView Western Fund I, L.P.	-	-	-	-	-	-	-	100.0	-	-
Clarion High I.M.A.	-	-	-	-	-	-	-	100.0	-	-
Europa Fund III	-	-	-	-	-	-	-	-	-	100.0
Europa Fund IV	-	-	-	-	-	-	-	-	-	100.0
Genesis Workforce Housing Fund II	-	-	-	-	-	-	-	-	-	-
INVESCO Asian Real Estate Partners II (USD Vehicle)	-	-	-	-	-	-	-	-	-	100.0
Invesco High I.M.A. Vintage 2012	-	-	-	-	100.0	-	-	-	-	-
Invesco High I.M.A. Vintage 2016	-	-	-	-	-	100.0	-	-	-	-
RREEF High Return I.M.A. III	-	100.0	-	-	-	-	-	-	-	-
Starwood Brandco	79.4	3.8	-	-	5.9	2.9	-	8.1	-	-
Starwood Capital Hospitality Fund II	13.0	-	-	4.2	29.0	-	8.0	-	29.2	16.6
Stockbridge High I.M.A. Vintage 2014	-	-	-	-	66.3	-	-	33.7	-	-
TriPacific (LERI/LERP)	-	-	-	-	-	-	-	-	-	-
High Return	**0.8**	**10.1**	**0.4**	**0.2**	**12.5**	**4.7**	**0.4**	**64.1**	**1.3**	**5.6**
Total High Separate Accounts	**-**	**15.2**	**-**	**-**	**20.5**	**8.6**	**-**	**55.7**	**-**	**-**
Total Non-Core Portfolio	**9.4**	**6.6**	**0.3**	**5.8**	**11.6**	**7.1**	**0.2**	**54.4**	**0.9**	**3.7**
High Return excluding TriPacific (LERI/LERP)	**0.8**	**10.1**	**0.4**	**0.2**	**12.5**	**4.7**	**0.4**	**64.1**	**1.3**	**5.6**

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Various-US	Ex-US
Total Portfolio										
LACERA	**16.9**	**7.3**	**4.2**	**2.7**	**10.8**	**5.6**	**3.5**	**43.9**	**0.2**	**4.8**
Benchmark										
ODCE	**21.6**	**11.6**	**7.3**	**1.3**	**9.3**	**10.6**	**6.4**	**32.0**	**-**	**-**





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Advisory Disclosures and Definitions

Disclosures:
Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level Net IRR's and equity multiples are reported.

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly[1] from the investment managers via a secure data collection site.

[1] In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.

Benchmarks
The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.

Footnotes

* Funded amount + unfunded commitments may not aggregate to commitment amount due to, but not limited to, one or more of the following reasons: (1) The reinvestment of distributions/withdrawals, (2) a redistribution of interest made between limited partners after the funds initial closing.

** The Internal Rate of Return (IRR) is the annualized implied discount rate (effective compounded rate) that equates the present value of all the appropriate cash inflows (Paid-in Capital, such as drawdowns for net investments) associated with an investment with the sum of the present value of all the appropriate cash outflows (such as Distributions) accruing from it and the present value of the unrealized residual fund (unliquidated holdings). For an interim cumulative return measurement, any IRR depends on the valuation of the residual assets. The IRR is affected by both the timing and amount of cash flows. The Xirr funcion in excel is used for calculation and liquidation of the whole portfolio is assumed at the end of the quarter.

*** Capital Returned is a sum of distributions and withdrawals. Distributions are further defined as any income or appreciation that is a return on capital. Withdrawals are return of capital.

1,2) The gross to net spread on a since inception basis is due to the statistical impact of two fully liquidated investments (Sarofim I and II, formerly TCEP). Without the inclusion of these funds, since inception returns for the Value Added portfolio are equal to 7.8% gross and 6.4% net, and for the Non-Core portfolio 7.6% gross and 4.8% net.

3) These funds were converted from their currency to USD by Townsend.

4) ‘Broken’ TWR – In a series of quarterly returns for an investment line item, a single quarter of significant volatility and/or temporary negative market value will ‘break’ the time weighted calculation and period returns (including since inception) may not accurately reflect performance of the investment line item. Line item data continues to be reflected in the sub-portfolio and portfolio totals, however for the individual line item, the internal rate of return (“IRR”) becomes a more appropriate data point for evaluation.

5) Aggregate level returns are distorted by the previous negative market values of specific investments (TriPacific (LERI/LERP)).

6) In 3Q2013, the method to calculate TriPacific (LERI/LERP)'s Market Value was adjusted to reflect the full recourse debt amount.

7) Cornerstone High IMA is a fully liquidated fund. Cash and the transfer of a single property from the Cornerstone Value IMA (Alric) is what makes up the Fund's residual market value.

8) Non Core separate account I.M.A.s are presented by vintage year to mirror closed end commingled funds. The following I.M.As are included in their respective style and total real estate composites, but are not shown separately as they have fully liquidated: Capri Capital Value I.M.A. Vintage 2003; Invesco Value I.M.A. Vintage 1998 & 2004; Invesco Development I.M.A. 2001; LaSalle Value I.M.A. Vintage 2003; Lend Lease Value I.M.A. Vintage 1998; Lowe Value I.M.A. Vintage 1998; RREEF Value I.M.A. Vintage 2001, 2003 & 2005; TA Associates Value I.M.A. 2005; Invesco High I.M.A. Vintage 2008; and RREEF High I.M.A. Vintage 2000 & 2004.

9) Fully liquidated funds/separate accounts left with limited cash positions. Short term time-weighted returns are no longer displayed because they are not meaningful.

10) Partial periods are excluded from since inception return calculations at the investment level, but are included in the calculations of composites and the total portfolio level.

11) This separate account currently only has one asset, which is a new development project. Returns are not displayed as they are not yet meaningful.

12) New Funds early in their investment period may only call capital for management fees, creating negative returns. Short term time-weighted returns are not longer displayed because they are not meaningful.

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ATTACHMENT C. Due Diligence Memorandum – AG Europe Realty Fund II

REVIEW OF AG EUROPE REALTY FUND II

A Pan-European High Return / Opportunistic Fund

Date: May 2017

The Townsend Group

1660 W. Second Street
Suite 450
Cleveland, Ohio 44113

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EXECUTIVE SUMMARY

OVERVIEW

Angelo, Gordon & Co ("AG", the "Firm", or the "Manager") is establishing AG Europe Realty Fund II, LP (the "Fund" or "Fund II") to continue its diversified high return / opportunistic investment strategy in Europe. The Manager will acquire and reposition underperforming real estate assets in Western Europe utilizing leverage of 55-65% LTV. The Fund will invest with local joint venture operating partners where the partner provides support in sourcing, business plan execution, and asset management. The Fund will target a 14-15% net IRR after any JV partner fees / promote.

AG is a New York City based, privately held (100% employee owned), alternative investments company, founded in 1988 by John Angelo and Michael Gordon. The Firm has 419 employees, including more than 150 investment professionals, and manages $27 billion in assets under management ("AUM") across credit, private equity, and real estate strategies with 36% of the platform's AUM coming from real estate. The Firm has 12 offices worldwide including four offices in Europe (London, Amsterdam, Frankfurt, and Milan). There are currently 66 investment professionals across AG's real estate platform globally, of which 46 are dedicated to real estate private equity strategies including 12 investment professionals for this Fund. The Fund team is led by co-portfolio managers Adam Schwartz (head of US and Europe real estate) and Anuj Mittal, who are both partners in the Firm. The European real estate team benefits from working collaboratively with other teams across AG, including global real estate, credit, and finance/structuring professionals.

The Fund will target sub-performing and distressed assets across Western Europe. AG will generally target either: (i) transitional assets in strong locations that require deeper value add business plans, or (ii) assets in weaker locations but have durable cash flow where the Firm can get a strong basis. In almost all cases, the Firm will utilize a promoted JV operating partner. Geographically, the Fund will have a focus on the UK (expected to be 30-40% of the Fund), Germany (15-25%), France (10-15%), and Netherlands (10-15%). The Fund may also have some exposure to Italy, Spain, Belgium, and the Nordics.

AG has been investing in direct real estate for 24 years following the Firm's movement into US opportunistic strategies in 1993. In 2009, the Firm expanded its real estate investment platform to Europe. Since then, the Manager has invested $994 million of equity in 34 transactions in Europe via its AG Realty funds, AG Core Plus Realty funds, and its first opportunistic fund dedicated to Europe, AG Europe Realty Fund. While early performance is strong, AG's track record in Europe is mostly unrealized to date and has benefited from being deployed post-GFC.

The Firm is targeting a $750 million fundraise with the hard cap not yet set, but the Manager expects one will be negotiated. The First Close is set for May 31st, 2017 where AG expects $200 million to be committed to the Fund. The Manager expects to hold another close in June. AG has 12 months from the First Close to raise the Fund, however the Firm expects to have the Final Close by yearend. A fee break is offered to first closers which is discussed in further detail in the *Fund Structure* section. The Manager expects to start investing Fund II sometime in 4Q17.

1. Platform Stability / Experience

AG is a well established company with the real estate platform housed within a leading credit firm that has been in existence since 1988 and today has $27 billion in AUM. The Firm has established relationships, an established investment process, and has industry presence and a well regarded brand – all of which enhances sourcing and brings informational advantages to the team.

AG has been investing in real estate for 24 years and investing in Europe across its credit business for 17 years, later moving into European real estate in 2009. The Firm has a strong senior management team and the Fund benefits from direct access to the leadership of the Firm, including Michael Gordon (co-founder and CEO), Mark Maduras (head of finance for real estate, net lease, and private equity), and Adam Schwartz (head of US and Europe real estate), all of whom have worked together for a significant amount of time, are members of the Investment Committee (“IC”), and are partners in the Firm. IC members average 25 years of industry experience and 13 years at the Firm. The Manager also has a deep bench of experienced real estate investment professionals dedicated to its Europe strategy. Excluding the co-portfolio managers, the senior team has an average of nearly 18 years of experience.

2. Resources

While the Fund team is relatively small with 12 employees, only eight of which are strictly dedicated to the Fund, the team benefits from access to more than 150 investment professionals across AG’s platform with a local finance and structuring team in Europe. The team further benefits from the scale, industry presence, and relationships of the platform, working collaboratively with AG’s complementary businesses, including its private equity and credit platforms, as well as centralized operations.

AG emphasizes collaboration among its investment teams which provides a competitive edge. The Fund benefits from the broader platform’s contacts and expertise. AG is a significant investor in the commercial mortgage backed security and public real estate debt markets as well as in distressed corporate debt securities. As an investor in debt, the Firm has access to deal flow, default information, and relationships with financial institutions that is helpful to the Fund. Also, the credit teams’ expertise with bankruptcy and restructuring has been beneficial to the real estate group. In addition, the Firm’s private equity and credit teams bring knowledge and experience in analyzing specific industries and credit quality of tenants. The various teams at the Firm communicate frequently and assist each other in market intelligence and investment analysis. Of note, the Fund team expects that it will be able to utilize the platform’s network of relationships with leading European banks, loan servicers, and bankruptcy liquidators to source opportunities and gain information on properties.

3. Alignment

AG is independent and 100% owned by its founders and their related parties as well as 98 other senior employees. This broad internal ownership incentivizes employees to collaborate across strategies. Also, the ownership structure has and is expected to remain stable with partnership in the parent company offered to senior professionals over time. AG is further aligned with Fund LPs for several reasons including: (i) sponsor co-invest (including employees) of $15 million, and (ii) partners have a vested interest in the Fund’s performance via a shared general account. All partners meaningfully contribute to a general account which invests in all AG funds platform wide, in addition to Fund II, thus encouraging a collaborative culture across the Firm. Senior professionals also have to co-invest in the funds for which they have primary responsibility and the Fund team is attributed 45% of the carried interest. Other AG employees that are not part of the Fund team may also co-invest directly in the Fund and some are expected to. This further aligns the wider business with the performance of the Fund.

Partners in the Firm are impacted by the performance of Fund II via: (i) their ownership in the platform and thus the Fund's impact on the platform's P&L, and (ii) the above mentioned general account which invests into every fund platform wide. If the Fund performs well, the partners benefit which encourages collaboration. Of note, any carried interest earned is shared 55% to the broader platform. This also incentivizes areas outside of the dedicated real estate team to work on real estate transactions or provide assistance to the Fund team. Also of note, this Fund is the second in what is expected to become a series of opportunistic real estate funds. The Firm will need these early funds to be successful in order to establish its track record and launch this new line of business.

4. Joint Venture Partner Network

AG is established in terms of industry presence and relationships for deal flow. The Manager has developed an extensive and diversified set of JV partners. Currently, AG has approximately 40 real estate operating partners in Europe. This helps the Manager as it moves between markets and opportunities. This large network of JV partners assists the Manager with the sourcing, execution, and management of investments. AG maintains strong deal flow through this network of partners which provide a local presence across a range of markets. AG expects to continue to work with many of its current partners and has executed repeat transactions with the same partners. The Firm also expects to add a few new partners a year. Also, AG's operating partners, who are local to their markets and are well aware of tenants, sales, leasing, cap rates, etc. in their markets, are a critical source of real-time property and market specific information. More detail on these JV partner relationships and the agreements in place is provided in the *Strategy* section.

POTENTIAL ISSUES AND CONCERNS

1. Limited Track Record in Europe

AG only started meaningfully investing in European real estate in 2009 with the Fund being its second vehicle strictly dedicated to European real estate. Early performance has been relatively strong, but limited and restricted to post-GFC investing. As a 2014 vintage fund, Fund I is still in its investment period with only 12% of the fund realized based on projected proceeds. The Manager is competing with longer established peer pan-European managers who have been operating much longer in the region with successive vintages invested across market cycles. Also, the team responsible for investing the Fund is newer with two country heads recently hired in 2016 and 2015 as well as an IC member hired in 2012. Of note, the Fund team is still reliant on its US counterparts that are also responsible for investing their own fund. Further detail on the Firm's track record in Europe as well as a vintage peer comparison and dispersion of returns is shown in the *Performance* section.

Discussion: While the Firm is newer to Europe than some peers, its pre-fund series transactions are projected to perform strongly above target with an aggregate 21% gross IRR and 1.8x gross equity multiple ("EM"). Also, early performance for Fund I has been quite strong with a 16.2% FMV net IRR and 1.2x net EM. Relative to same vintage non-core peers, the fund is a second quartile performer. However, it must be noted that the fund and its peers are still early in their lives with early performance affected by several factors including investment strategy. The proforma life-of-fund net IRR for Fund I is 18% which is above its target of 14-15% net. As of yearend, the fund had fully realized three deals earning a 63% gross IRR and 1.9x gross EM. These early strong performers have helped drive up the overall return of the fund. AG also has five unrealized deals that are projected to earn IRRs above 30%. None of the deals in Fund I are significantly underperforming. Of note, this strong performance of Fund I was accomplished utilizing only 42% leverage as of 4Q16.

2. Vintage / Macro Risk

The macro view of many European markets can be broadly characterized as one of low interest rates, low growth expectations, and low cap rates. Core stabilized assets continue to be in high demand. However, many investors have been approaching the markets with increased caution post-Brexit as its consequences on real estate fundamentals throughout the Euro zone are still being determined / understood. Other overarching uncertainties in the region are also giving investors pause, such as recent and upcoming elections and the overall political climate. In this environment, investment strategies seeking to take on material vacancy / leasing risk or rehab / redevelopment execution risk, requiring strong rental growth and/or further cap rate compression with a view to selling into a strong core investor market are not straightforward to underwrite.

Also, this low growth environment with less distress than what was seen in other recent vintages is potentially less attractive for a pure high return / opportunistic fund. Less distress generally means less of an opportunity to buy at a strong basis. For many opportunistic funds, a certain amount of return is created by buying assets at a discount. Also, the Firm is targeting a 14-15% net IRR after any JV partner fees / promote. To reach this return target, the Firm must generate property level returns of about 21-22% given the estimated 150-200 bps of leakage generally caused by using promoted JV partners (this is discussed in detail below). These return targets are quite high given the current market environment. In order to reach these target returns, the Manager may look to execute higher risk deals.

Discussion: Fund II is a diversified fund that has the ability to invest across Western Europe. The Fund's flexibility allows it to look across markets and property types for attractive opportunities. Also, as mentioned above, the Manager has developed strong relationships with local operators across Western Europe. These relationships should help the Manager source strong opportunities.

3. Allocator Model

There are two main considerations with an allocator model.

- Using a JV partner that is paid an incentive fee and an asset management fee adds fee leakage to each deal. This added leakage is generally around 150-200 bps assuming the Manager reaches its return target. This additional fee layer is more impactful in a period of lower growth/ return expectations. Also, this approach generally requires an incrementally higher risk at the property-level in order to achieve the Fund's target returns.
- AG relies on JV partners for day-to-day management of its assets and for executing its business plans. In the current market environment, NOI growth is typically the major driver of returns. An allocator gives this important responsibility to its JV partners.

Discussion: AG has a network of about 40 JV partners in Europe that cover target regions and property types. These partners provide access to deal flow as well as local market intel. They also provide local relationships and expertise which is advantageous in executing business plans. Given the diverse nature of Europe, including many individual countries with their own local market dynamics as well as legal systems, it is acknowledged that it can be effective to use a JV partner network to leverage local relationships for information, off market investment sourcing, or specific specialist skills. These local partner relationships form an important part of AG's deal sourcing and execution capability.

4. Shared Investments

A minority share of each Fund II investment will be taken by the Firm’s US / global opportunistic fund series (“AG Realty funds”) or the core plus fund series (“AG Core Plus Realty funds”). Additionally, the Fund may invest alongside other AG funds and managed accounts, such as for the German Liquidating Fund Shares investment in Fund I, which was transacted alongside AG’s credit platform. This cross-fund and platform investing has the potential to create conflicts of interest, particularly for timing for best exit execution.

Discussion: AG is focused on the performance of all of its funds with strong alignment across the organization as described above. Further, the Fund team is heavily vested in the Fund via the sponsor co-investment and allocations of carried interest. Fund II has to have a majority of each deal with the current allocation expected to be 75% to Fund II and 25% to the AG Realty funds or to the AG Core Plus Realty funds. Of note, these funds may not cherry pick the best deals. Also, the Manager has stated that, outside of the German Liquidating Fund Shares deal, there have not been many cases where a deal fit the European opportunistic real estate fund series and another vehicle within AG outside of real estate.

5. Leverage

The Fund leverage target is prudent at 55-65% LTV, however Fund legal documents initially allowed for leverage up to 75% of the sum of the FMV of Fund assets and one-third of unfunded capital commitments. The section below desribes the new threshold of 70%. This leverage cap excludes any debt outstanding on subscription lines which is not ideal. Although AG’s historical use of leverage has been conservative, Fund documentation allows for higher levels. Also, the Fund documents are silent with regards to recourse debt and cross-collateralized debt. While the Manager has stated that there is no intent to cross-collateralize non-portfolio investments, the Firm may utilize some recourse. For deals with deep value add business plans, banks may require guarantees that have a look through to the Fund and in that sense are recourse.

Discussion: Subsequent discussions with AG have led to slightly improved terms for investors. As of February 20, 2018, AG has agreed to reduce the fund level cap from 75% to 70%. A side letter now calls for AG to borrow up to 70% of the Adjusted Fair Market Value of the Partnership's total assets at the time of such borrowing. The maximum leverage allowed is high, however AG has historically used leverage which is in line with its target of 55-65%. Of note, Fund I is only utilizing 42% leverage as of 4Q16. Also of note, the vast majority of AG’s deals are non-recourse. With that said, the Fund documents do not protect an investor, providing no assurances. Townsend recommended lower limits placed on leverage (and AG has responded) as well as additional language which limits or preferably prohibits the use of recourse and cross-collateralized debt. Ideally, any completion guarantees required by the lender would be pushed on to the JV partner. Of note, completion guarantees are always capped and are typically small in amount. The Firm’s leverage use is discussed in further detail in the *Strategy* section.

6. Currency Considerations

The Fund is dollar denominated, however all deals will be non-dollar denominated with the majority of exposure to Euros and British Pounds. Given volatility in the Euro and Pound relative to the dollar, LPs should take into consideration the effect of currency movements and the cost to hedge on returns.

Discussion: The goal of the Firm’s hedging policy is to minimize the impact of any currency movement. Despite the strength of the dollar against the British Pound and Euro, the foreign exchange impact to Fund I has been dilutive by less than 100 bps to the fund’s gross return. Had AG not hedged its investments, its gross return would have declined by nearly an additional 500 bps. With that said, had the Fund been Euro or Pound denominated, the cost to hedge would have been far lower given a large portion of the Fund’s investing would go un-hedged.

Of note, it is expected that the majority of investors in the Fund will be dollar domiciled entities and as such the Fund has been structured to be favorable towards US investors. These investors can rely on AG to execute the hedging back to dollars. Given the size / scale of the Firm and its global operations, it is reasonable to assume that the Firm is able to execute its hedging policy effectively. Further detail on the hedging policy is in the *Strategy* section.

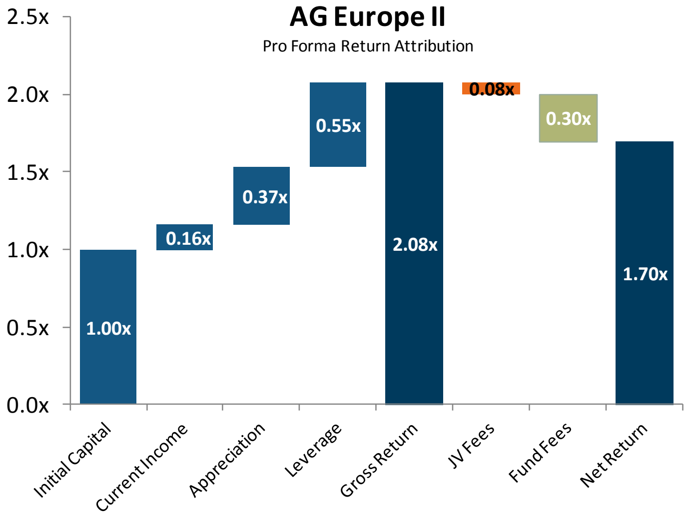
STRATEGY

SUMMARY

The Fund will target sub-performing and distressed assets with business plans that may range from modest lease-up and operational improvements to a more significant value add strategy which may require complete capital restructuring and repositioning to stabilize for core exit. AG will generally target either: (i) transitional assets in strong locations that require deeper value add business plans including potentially taking NOI to zero, or (ii) assets in weaker locations but have durable cash flow where the Firm can get a strong basis. Of note, AG does not expect to execute ground up development.

The Firm typically purchases assets from owners who lack the capital or expertise to improve value. The assets are attractively priced due to a broken sale process, information gaps due to lender control, or specific attributes of the asset which AG looks to work out. The Fund will utilize JV partners to help source investments as well as correct the asset's sub-performance. AG looks for assets that have clearly identifiable reasons for underperformance, an achievable plan for turnaround, a purchase price and forecasted stabilized value that are discounts to replacement cost or competition, favorable supply and demand dynamics in the local market, and a clear exit strategy.

The Fund will have a focus on the UK (expected to be 30-40% of the Fund), Germany (15-25%), France (10-15%), and Netherlands (10-15%). The Fund may also have some exposure to Italy, Spain, Belgium, and the Nordics. AG invests in traditional property types, as well as hotels, and may also invest in alternative property types. The Fund will typically pursue equity investments but may complete entity/ platform investments. AG expects that it will be able to utilize the Firm's network of relationships with European banks, loan servicers, and bankruptcy liquidators to source opportunities or gain information on properties. The Fund's targeted hold period for assets will range from 3 – 7 years, depending upon the length of time needed to correct an asset's sub-performance. The targeted average total transaction size is in the range of $25-100 million. The approximate return attribution for the Fund is shown below:



JOINT VENTURE PARTNERS

- AG has a network of approximately 40 JV partners in Europe that cover target regions and property types. The Firm uses these partners to assist in sourcing deals as well as executing business plans. These partners also provide local relationships and market knowledge.
- These partnerships are usually structured with JV partners: (i) co-investing between 2-20% of the equity, (ii) typically receiving a flat asset management fee, and (iii) promoted on a tiered basis which usually includes a minimum multiple. AG does not typically pay an acquisition fee.
- The investment team and AG's operating partners work together on asset management. AG maintains control over and is responsible for asset management and investment decisions, while the operating partners are responsible for day-to-day operations.
- If the JV partner is setup to provide certain services (for example leasing, construction management, and/or property management), they will be used and market rate fees will be paid. However, this is typically not the case. Generally, a third party is used.
- **Exhibit F** shows an overview of the partners recently used, their share of deal equity, incentive fee structures, other fees charged, and deal performance where those partners were used.

LEVERAGE

- The Fund has a revised cap on leverage of 70% measured as the FMV of Fund assets. While the cap on leverage is still high, the Manager's intended and historical usage is lower at about 55-65%. Of note, the team has never used mezzanine loans and does not intend to.
    - AG expects to typically borrow from balance sheet lenders, either commercial banks or specialized property funds.
    - There is no cap on leverage at the individual asset level.
    - The leverage cap calculation excludes subscription lines which will be used for cash management purposes.
- For deals with deep value add business plans, banks may require guarantees that have a look through to the Fund and in that sense are recourse. While the vast majority of deals are non-recourse, the Fund will cap any recourse exposure when banks require it.
    - Fund documents do not limit or prohibit the use of recourse or cross-collateralized debt, but the Manager rarely utilizes these parameters.

HEDGING

- Currency: At acquisition the Firm hedges 100% of its equity and 50% of its projected profit for the full projected holding period via forward contracts. If any cash flows are received early, AG can unwind a portion of the hedge which has some added cost to it. Later in the deal's life and as it performs, the Firm will increase its hedge to NAV.
    - Of note, the Firm's stated goal of its hedging policy is to minimize the impact of any currency movement. Despite the strength of the dollar against the British Pound and Euro (including the impact of Brexit) the foreign exchange impact to Fund I has been dilutive by less than 100 bps to the fund's gross return. Had AG not hedged its investments, its gross return would have declined by nearly an additional 500 bps.
- Rates: AG will hedge all or almost all of its floating rate exposure through either a cap or swap utilizing which ever product that offers best execution for that deal's business plan.

INVESTMENT GUIDELINES

- No more than the greater of (i) $75 million or (ii) 15% of commitments in a single property.
- No more than 10% of commitments outside of the UK and Europe.
- No more than 10% of commitments in publicly traded securities.
- No investment is permitted in AG's other pooled investment vehicles.
- No investment is permitted in other pooled investment vehicles.

PIPELINE

- A summary of the Fund's current investment pipeline is attached as **Exhibit A**.

SPONSOR

PARENT COMPANY

AG is a privately held company specializing in alternative investments. The Firm was founded in 1988 by John Angelo and Michael Gordon, is fully owned by its employees, has 419 employees of which more than 150 are investment professionals, and currently manages $27 billion. The founders and their related parties own about two-thirds of the platform while 98 senior employees own the remaining third. This is a notable amount of professionals with ownership which is a strong contributing factor to AG's alignment with LPs. This broad internal ownership incentivizes employees to collaborate across strategies. Of note, 25 of the owners are from the real estate division. AG has three core strategies: credit (62% of AUM), real estate (36%), and private equity (2%). The Firm has 12 offices worldwide with its headquarters in New York. This office has the majority of the Firm's employees. AG has four offices in Europe (London, Amsterdam, Frankfurt, and Milan). The Firm's AUM is broken out below:

Strategy	AUM (bn)	% AUM
Non-IG Corporate Credit	$4.7	17%
Distressed	3.2	12%
Residential & Consumer Debt	4.0	15%
Convertible & Merger Arbitrage	0.7	3%
Energy	0.3	1%
Middle Market Direct Lending	2.3	9%
Unallocated Multistrategy Cash	1.6	6%
Credit Total	16.8	62%
Real Estate	6.5	24%
CRE Debt & Loan Origination	1.7	6%
Net Lease	1.4	5%
Real Estate Total	9.7	36%
Private Equity	0.5	2%
Firm Total	$27.0	100%

As mentioned above, collaboration among investments teams within the platform is an emphasis for AG. The Fund is expected to benefit from other contacts and expertise within the Firm, particularly as it relates to the credit team and their access to real estate deal flow, market contacts, and default information as well as that team's restructuring expertise that is likely to be helpful to the Fund. In addition, AG's private equity and distressed groups bring knowledge and experience in analyzing specific industries and credit quality of tenants. According to the Firm, the various teams at AG communicate frequently and assist each other in market intelligence, investment analysis, and underwriting.

On January 1st, 2016, John Angelo died. His ownership stake was transferred to related parties. Agreements are in place where Michael Gordon, his related parties, and John Angelo's related parties will have their ownership stake in the Firm bought down to a minority interest via a combination of profits from the business and other owners of the Firm putting further personal capital in to the Firm. According to the Manager, AG will not be sold to a third party or listed on the public markets. Outside of the co-founders, former senior employees' ownership interests are fully bought out when they leave.

Regarding succession, AG has established a Management Committee to manage the Firm and transition governance to AG's next generation of leaders.[1] The committee meets weekly and has responsibility for all aspects of the business of the Firm, including its day-to-day operations. The committee is supported by a large team of investment, investor relations, and back office professionals. AG also has an Executive Committee that is comprised of several senior leaders of the Firm. The primary role of the Executive Committee is to enhance communications around business results and advise the Management Committee on critical strategic, financial, and other matters. This committee meets monthly.

REAL ESTATE GROUP

AG's commercial real estate arm is separated into three divisions: real estate private equity (67% of real estate AUM), real estate debt (18%), and net lease (14%). AG has been investing in opportunistic real estate for 24 years starting in 1993. The Firm later expanded into core plus strategies in 2003, began investing in Asia in 2005, and in Europe in 2009. There are currently 66 investment professionals across AG's real estate platform globally, of which 46 are dedicated to real estate private equity strategies. Since 1993, AG has acquired $23 billion of real estate assets in over 450 transactions, representing approximately $10 billion of equity in a series of opportunistic and core plus real estate funds.

FUND TEAM

The Fund team is comprised of 12 investment professionals, however four of these professionals also work on US transactions. Five professionals work out of London, four out of New York City, and one professional is in each of Amsterdam, Frankfurt, and Milan. The team is supported by four finance / structuring professionals as well as the broader US real estate team and the European distressed credit team. The Fund team is led by Anuj Mittal (co-portfolio manager) who is based in AG's Amsterdam office and Adam Schwartz (head of US and Europe real estate) who is based in AG's New York City office. The team has committed $994 million of equity in Europe across 34 transactions since 2009. Refer to **Exhibits B and D** for biographies and the organizational chart, respectively, for the Fund team. Of note, AG's real estate investment personnel are not separated by fund or function (i.e., asset management, acquisition, disposition). Rather, each senior investment professional oversees a group of assets from acquisition, to asset management, and ultimately disposition.

TURNOVER, COMPENSATION, AND RETENTION

- The European investment team had one departure in the last five years – a vice president that left to pursue another opportunity. The team had eight additions in the same time frame, four of which were senior level additions (director and above): (i) Tom Rowley who is an IC member, (ii) Tracy DeBlieck who is based in Milan and focused on the Italian and Spanish markets, (iii) Stefan Doerffler who is based in Frankfurt and focused on Germany, and (iv) Chris Oka who is focused on the hospitality sector in the US and Europe.

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[1] Management Committee members are: Michael Gordon (CEO and CIO), Kirk Wickman (COO), Adam Schwartz (Head of US and European Real Estate), and Josh Baumgarten (Deputy CIO).

  - At the senior level, the Firm believes it is well staffed. However, it may add more junior professionals to the team during the life of the Fund.
- Any carried interest earned is shared 55% to the broader platform and 45% to the Fund team. For the investment professionals, about 60% of their carried interest allocation vests during the Investment Period and the balance vests over the harvest period.
  - Within the Fund team, carried interest is allocated to vice presidents and above with more senior professionals receiving a larger portion of the carry.
  - Select senior professionals are given the opportunity to become partners in the Firm.
- The Firm will commit 3% of commitments, up to $15 million, to the Fund. The total commitment comes from a combination of AG's balance sheet, senior Fund team members, and other senior members at the Firm. Of note, in order to share in the carried interest, Fund team members are required to co-invest in the Fund with at least the following amounts: managing directors $100,000, directors $50,000, and vice presidents $25,000.

INVESTMENT PROCESS

OVERVIEW

AG has an established investment process that has been developed and refined with the growth of the Firm over 29 years. This process will be used for the Fund with its primary features outlined below.

- Sourcing: The Fund team's primary source of deal flow comes from its local JV partner network. AG has deep experience in creating and managing JV partnerships that often lead to long term relationships and multiple transactions. The team also has established relationships with direct sellers, brokers, distressed debt players, and banks. Of note, AG's credit team is often able to assist with sourcing opportunities and gaining information on properties.
- Acquisitions: When a strong deal is identified, a deal team is formed to due diligence it. The team is comprised of senior / junior team members. Due diligence covers: (i) market research, (ii) financials, and (iii) the proposed business plan. The team engages third party advisors as appropriate, including engineers, accountants, and lawyers. Usually, teams are assigned deals based on their JV partner relationships which provides consistency and efficiency in dealing with partners, particularly considering that partners are geography and property type focused.
- Dispositions: The deal team manages / recommends dispositions with oversight / final approvals from the Fund's co-portfolio managers. AG monitors assets continuously and reviews disposition plans quarterly. After an asset is stabilized, AG will engage a broker to market the asset for sale.

INVESTMENT COMMITTEE

- Once an acquisition is identified that meets all of the required underwriting criteria, it will be voted on by the Investment Committee from which unanimous consent is required.
- An IC vote is only required for acquisitions. Asset management and dispositions are led by the deal team with oversight and final major approvals by both of the Fund's co-portfolio managers.
- The below table summarizes the IC members:

Member	Firm Title	Years in Industry	Years with AG
Michael Gordon	CEO & CIO	45	28
Adam Schwartz	Head of US/Europe Real Estate and Co-Portfolio Manager	19	16
Anuj Mittal	Co-Portfolio Manager	15	11
Tom Rowley	Managing Director	17	4

Reid Liffmann	Managing Director	29	6
Mark Maduras	Managing Director	26	15

ASSET MANAGEMENT

- The deal team responsible for a property's acquisition asset manages it throughout the execution of the business plan and ultimate disposition.
- Prior to acquiring a property, and concurrently with due diligence, AG develops a business plan. Once the asset is acquired, AG will fine-tune the plan with its JV partner. The Firm then monitors the implementation of the business plan, along with all other operational and financial issues.
- Day-to-day operations of the investment will be the responsibility of the operating partners as well as other third party service providers. AG oversees the management of each investment and maintains full control of all decision making. The deal team typically has approval rights for: (i) annual budgets, (ii) leases, (iii) financing and refinancing decisions, and (iv) dispositions.

ADVISORY COMMITTEE

- AG will establish an Advisory Committee ("AC") consisting of representatives of the LPs which are appointed by the GP.[2] AC members are typically the larger LPs in the Fund, but there is no specified minimum commitment to participate.
- Important rights of the Advisory Committee include: (i) being able to order an independent third party valuation, (ii) consenting to allow the GP to exceed its stated concentration limits, geographical limits, limits to publicly traded securities, and leverage limits, and (iii) approving a successor in a key person event. A majority Advisory Committee vote is considered an approval.

EXCLUSIVITY

- The Fund will be AG's sole vehicle dedicated to opportunistic real estate investments in Europe. AG may not sponsor a successor fund with a similar strategy until the Fund is 75% committed, invested, or reserved.
- The Fund will only be allocated at least 70% of each European investment. With that said, it is expected to receive 75% with the remaining 25% going to the AG Realty funds or the AG Core Plus Realty funds. This co-investment is strictly mechanical based on a set percentage based on the ultimate size of the respective funds. The other funds cannot cherry pick the best deals.
  - Expenses will be allocated pro-rata between the funds that share investments.

VALUATIONS

- AG engages third party appraisers to assist in the valuation process for approximately one-third of the portfolio on an annual basis. The investments selected for appraisal are rotated, so each investment in the portfolio is independently reviewed at least once every three years.
- Valuations are updated on a quarterly basis with any resulting change in value being recorded as an unrealized gain or loss.
- AG's investment team, operating partners, and third party appraisers are responsible for preparing the initial draft of the valuation calculations. The accounting / finance group compiles the valuation information and reviews the assumptions used. This information is summarized

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[2] The following investors comprised Fund I's AC: Makena Capital, National Railroad Retirement Investment Trust, William and Flora Hewlett Foundation, Stanford Management Company, and Confidential Supranational Organization.

and discussed with senior members of the real estate team. Once the senior team agrees on the valuations, they are distributed to senior management at the parent company. Any valuation adjustments are then recorded to each respective real estate fund managed by AG.

- The valuation policy for Fund II is consistent with that of Fund I.

PLACEMENT AGENT

No placement agents have been or are expected to be used for marketing the Fund.

FUND STRUCTURE

It is expected that the majority of investors in the Fund will be US domiciled entities and as such the Fund has been structured to be favorable towards US investors. The Fund is a Cayman Islands exempted limited partnership. In addition, the Firm is also forming a Cayman Islands exempted limited partnership that will elect to be treated as a corporation for US federal income tax purposes. The Fund structure is illustrated in **Exhibit C**.

- Investment Manager: Angelo, Gordon & Co, LP
  - The Manager is registered as an investment adviser with the SEC.

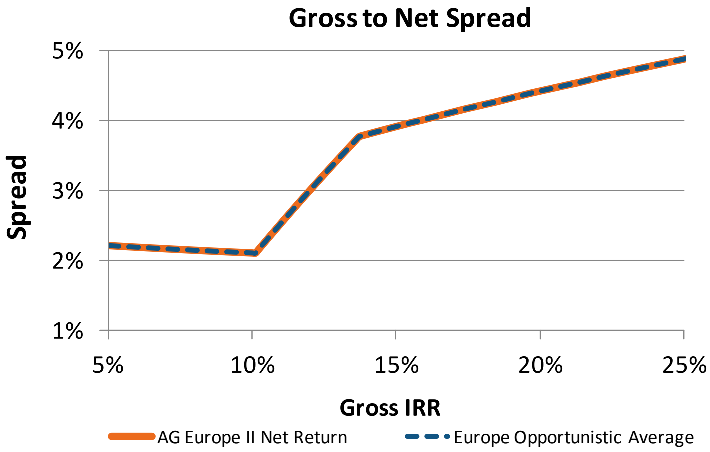
KEY TERMS

		Townsend Comment
Target Return:	18-20% gross IRR / 14-15% net IRR Return targets are after partner fees/promote.	Using Townsend's fee model and the given fee structure and term, the Fund's gross to net spread shown is accurate.
Fund Size:	$750 million target	The hard cap has not yet been set, but the Manager expects one will be negotiated.
Sponsor Commitment:	3% of aggregate commitments up to $15 million	As discussed above, this is a strong GP co-investment that helps create alignment.
Investment Period:	4 years from the First Close	Reasonable
Fund Term:	8 years from the First Close, plus two 1-year extension options	Reasonable
Key Person Provision:	If both Adam Schwartz and Anuj Mittal are no longer involved with in the management of the Fund, the Investment Period will be automatically suspended. The Advisory Board must approve the replacement. If no replacement is approved within 90 days after the Key Person event, the Investment Period will be terminated unless the GP obtains the vote of at least two-thirds of the Advisory Committee to reinstate the Investment Period.	Reasonable
No-Fault Provisions:	GP removal requires a 75% vote of LP capital Fund liquidation requires a 75% vote of LP capital	Ideally the no-fault hurdles would be set lower than 75%. However, having two provisions is notable.

FEES AND DISTRIBUTIONS

<table>
<tr><td>Organizational Expenses:</td><td>$2 million</td></tr>
<tr><td>Management Fee:</td><td>
<table>
<tr><th>Commitment</th><th>Fee During Investment Period</th><th>Fee After Investment Period</th></tr>
<tr><td>< $5 million</td><td>1.75%</td><td>1.75%</td></tr>
<tr><td>$5 - 74 million</td><td>1.50%</td><td>1.50%</td></tr>
<tr><td>> $75 million</td><td>1.25%</td><td>1.50%</td></tr>
</table>
Fees are on committed capital during the Investment Period and on invested capital thereafter. Of note, a First Close fee break is being offered of 0.25% during the Investment Period.</td></tr>
<tr><td>Incentive Fees / Waterfall Distribution:</td><td>• 8% preferred return and return of capital
• 50% LP / 50% GP catch up
• 80% LP / 20% GP split thereafter
• Fully-pooled waterfall</td></tr>
</table>

FEE ANALYSIS



Townsend compared the Fund's proposed fee structure to an average of 21 currently open European opportunistic fund offerings. The chart to the right plots the estimated gross to net spread of the Fund across a range of gross IRR outcomes. The results are in line with peers. The Fund's 8% preferred return, 50% GP catch-up provision, and 20% GP carry split are all market terms. Townsend would note that for funds with a catch up, the preferred return is on the low end (less favorable) of market. The management fee is also market, assuming the 1.5% rate for commitments over $5 million. The analysis is pertinent to the gross fund level to the net fund level spread. This does not incorporate leakage at the property level due to JV partner promote and asset management fees which is estimated to total 150-200 bps. In total, the Fund will require property level IRRs of approximately 22% to produce a 15% net to investors.

PERFORMANCE (AS OF 4Q16)

SUMMARY

Vehicle	Invested Equity (M)	Vintage	Number of Transactions	Projected		% Realized	
				Gross IRR	Gross EM	# of Transactions	of Projected Proceeds
Pre-Fund Europe Composite	$401	2009-14	13	21.0%	1.8x	38%	60%

After establishing a European presence in 2009, AG made 13 investments between 2009 and 2013, capitalized by AG Realty Funds VII & VIII and AG Core Plus Realty Fund III.

- The weighted average gross IRR since inception is 21% and the gross equity multiple is 1.6x.
- The set includes 12 UK deals and one industrial property in Zurich.
- Five of 13 investments are realized to date.

Vehicle	Fund Size (M)	Vintage	Number of Transactions	Pro-Forma Life-of-Fund Net IRR	Fair Market Value			% Realized*		Gross DPI
					Net IRR	Net EM	Quartile Rank	# of Transaction	of Projected	
AG Europe Realty Fund	$570	2014	21	18.0%	16.2%	1.2x	2Q	14%	12%	0.05

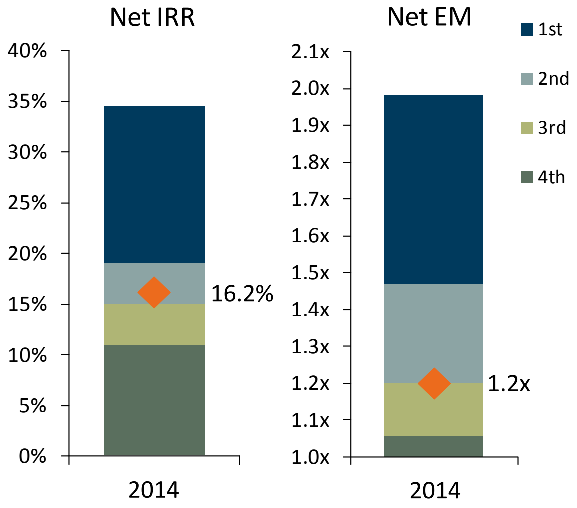
*Based on existing Fund assets. Fund I has committed 80% of capital.

AG launched its first dedicated European real estate vehicle in 2014. All of AG's European investments have gone to this fund with the AG Realty funds and AG Core Plus Realty funds gaining exposure through co-investment.

- The Fund has acquired a portfolio representing several countries including Germany, Netherlands, Spain, France, the UK, and Ireland. Business plans included primarily repositioning opportunities with no new development. This is consistent with the Fund II focus.
- The fund has realized three investments, producing an aggregate gross IRR of 63%.
- The fund is expected to be fully committed by 4Q17 and projects liquidation in 2022.

VINTAGE PEER COMPARISON

The chart to the right compares Fund I to same vintage European non-core peers. Returns are presented in the base currency of each respective fund. In general, the results of 2014 vintage funds should be viewed with the context that: (i) funds in the vintage may only be partially invested, (ii) some existing assets will be held at cost while value is driven by high IRRs in early realizations, and (iii) income producing strategies are likely to outperform deeper value add and development funds early on. AG has managed to avoid significant J-curve during the investment period and is currently a second quartile performer relative to peers. An additional consideration is that Fund I is the only dollar denominated fund in the 2014 peer set, in a period where the dollar has generally strengthened against the Euro and Pound. AG hedges most currency exposure, but a Euro denominated return without hedging expense would have benefited AG's ranking among peers.

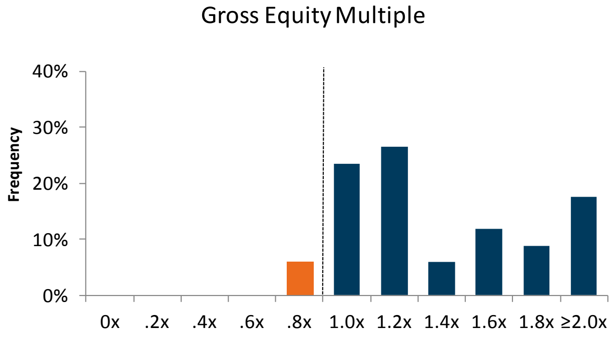


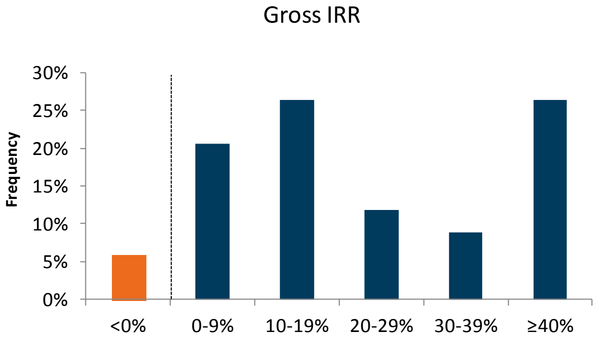
Source: Townsend database & Preqin as of December 31, 2016.
Range shown is 95th to 5th percentile.

DISPERSION OF RETURNS

The chart below illustrates the dispersion of individual investment returns in AG's European track record. Returns are shown on a realized plus mark-to-market basis.

- Returns are positively skewed toward outperformance with only 9 of 34 assets projected to return less than a 16% gross IRR. These were, in most cases, attributed to a slower than expected performance of London residential or UK secondary markets.
- The track record's two mark-to-market losses are recent acquisitions that are projected to meet target returns.





OTHER VEHICLES

AG manages three other real estate fund series. There is overlap between the decision making committees with Adam Schwartz, Mark Maduras, Reid Liffmann, and Michael Gordon serving as IC members of multiple product lines. Information on the track record is provided as **Exhibit G** and includes the following product lines:

- AG Realty funds: US focused global opportunity funds where up to 25% of capital is co-invested alongside the AG Europe and Asia funds.
- AG Asia Realty funds: Opportunistic funds investing in China, Japan, and South Korea.
- AG Core Plus Realty funds: US value-add / core plus strategy.

EXHIBIT A: Investment Pipeline

Deal	City	Country	Property Type	Size (SF/Units)	Expected Close	AG Equity Contribution (USD in millions)	Comments
TIER 1 - EXCHANGED							
	Amsterdam	Netherlands	Residential / Retail	222 / 103,745	1H 2017	22.8	• Opportunity to acquire newly built retail and residential complex from a government agency that was a forced seller due to regulatory changes. • Well located in SE Amsterdam with very good public transport links from the property. • Existing rents are 20% below market. • Going in cap rate of approximately 6% allows for double digit cash on cash returns.
	Oslo	Norway	Retail / Office	83,625	1H 2017	15.4	• High street retail asset in central Oslo being bought from liquidating fund. • Broken marketing process. • Vacancy in sub-market is below 3% and in-place rents are circa 40% below market.
TIER 2 - UNDER SERIOUS CONSIDERATION							
	Isle of Wight	England	Residential / Leisure	325	TBD	13.3	• Off market purchase of mis-managed parks. • Majority of income is long term and virtual ground rents. • Upside from correcting bloated expenses and optimizing un-used land.
	Utrecht	Netherlands	Office	160,888	TBD	11.3	• Strategically located outside of Utrecht on the junction of the motorways A2 & A12. • Purchase price is approximately 20% below the prior 2007 acquisition price. • Current owner is a core fund that needs to sell ahead of transfer to liquidator; building was leased to an IT firm who vacated in early 2017. • Plan to upgrade the lobby and re-lease the building.
	Milan	Italy	Office	70,000	TBD	28.0	• Off market opportunity to buy B office building in an A locaiton in Milan. • Owner is family in need of capital.
	Milan, Rome, Genova, Torino	Italy	Self Storage	538,000	TBD	TBD	• Off market opportunity to purchase self storage company from distressed PE owner. • The acquisition includes seven assets and the existing management would remain in the investment. • In-place NOI yield is ~7.5% and assets have 35% vacancy compared to normal vacancy of circa 15% • Potential to expand the business.
	San Fidenzio	Italy	Shopping Center	30,000	TBD	TBD	• Off market opportunity to purchase shopping center outside of Verona. • Consensual deal with distressed lender and borrower. • Approximate 12% entry yield compared to market yields below 7%.
	Madrid	Spain	Office	58,000	TBD	18.0	• Bankruptcy auction of empty office building in prime Madrid. • Plan to modify use-restriction (as of right) and then re-lease.

EXHIBIT B: Biographies

Adam Schwartz is a member of the four-person Management Committee which is responsible for the management of Angelo, Gordon and is the head of the firm's United States/Europe real estate group. He has been directly responsible for, or overseen, in excess of $10 billion of real estate assets since joining Angelo, Gordon in 2000. Adam has significant experience in the acquisition and repositioning of all property types. Prior to joining the firm, Adam worked in the acquisitions group at Vornado Realty Trust, a public real estate investment trust. His work focused on the acquisition of public and private real estate companies in addition to single asset acquisitions. Adam is a member of the executive committee of the Zell-Lurie Real Estate Center at The Wharton School and is a trustee of the Urban Land Institute. He is also a member of the board of directors of The Catalog for Giving. Adam received a B.A. degree from the University of Pennsylvania.

Anuj Mittal is co-portfolio manager of European real estate with Adam Schwartz, focusing on real estate opportunities in the United Kingdom and Europe. Prior to re-joining Angelo, Gordon in 2008, Anuj was self-employed as a real estate developer focusing on office redevelopments in Germany and The Netherlands. Before that, Anuj worked for Cerberus Capital Management where he purchased and managed opportunistic real estate portfolios throughout Europe. Between 2004 and 2006, Anuj worked for Angelo, Gordon in New York focusing on real estate opportunities in the U.S. Prior to Angelo, Gordon, Anuj was a member of the U.S. investing team for the Morgan Stanley Real Estate Funds. He holds a B.S. degree from Johns Hopkins University. Anuj speaks Dutch, Hindi and English.

Jacopo Burgio joined Angelo, Gordon London in 2016 and focuses on real estate investment opportunities predominantly in Italy, France and Spain. Prior to joining the firm, Jacopo worked for over 3 years at The Blackstone Group in London, in the Real Estate team, and began his career at Jefferies where he worked in their Real Estate Investment Banking and Global Mergers & Acquisitions Groups. Jacopo holds a Bachelor of International Economics from Bocconi University in Milan and he is fluent in French, Italian, Spanish and English.

Tracy DeBlieck is based in Milan and focuses on real estate investment opportunities in Europe. Prior to joining Angelo, Gordon in 2016, Tracy was co-head of acquisitions for Aventicum Capital Management, a pan-European real estate private equity firm. Before that, Tracy was the European Property and Investment Director at Regus. Prior to joining Regus, Tracy was responsible for international development at IDeA FIMIT, a leading Italian real estate investment management firm. Previously, Tracy was a Managing Director at Goldman, Sachs & Co., where she focused on the acquisition and management of opportunistic real estate investments in the UK and Europe on behalf of the Whitehall Street Real Estate Funds. Tracy began her career as a financial analyst in Goldman, Sachs's real estate investment banking group. She holds an A.B. degree from Princeton University and an M.B.A. degree from Harvard Business School. Tracy speaks Italian and English.

Michael Diana joined Angelo, Gordon in 2007 and is employed by an associated local office of Angelo, Gordon in London. Mike has been working alongside Anuj on real estate opportunities in Europe since 2009. Prior to joining the firm, Mike worked at JPMorgan Asset Management in its Real Estate group and he began his career at Deloitte & Touche, LLP. Mike holds B.S. and M.S. degrees from Lehigh University.

Stefan Doerffler is based in Frankfurt and focuses on real estate investment opportunities in Europe. Prior to joining Angelo, Gordon in 2015, he was a Principal at Apollo Global Management where he focused on real estate and credit acquisitions predominantly in Germany. Previously, Stefan worked within portfolio management at Hudson Advisors and was with a UK based operator specializing in the acquisition and management of retail assets across Europe. He started his career in the valuation advisory group at Jones Lang LaSalle's Frankfurt office. Stefan holds a B.Sc. degree from CASS Business School, a M.Sc. from Warwick Business School and has completed all three levels of the CFA program. Stefan is fluent in German and English.

Marcel Hertig joined Angelo, Gordon Netherlands in 2014 and focuses on real estate investment opportunities across Europe. Prior to joining the firm, Marcel worked at Patron Capital Advisers LLP in London and he began his career at Landesbank Baden-Wuerttemberg in Stuttgart, Germany. Marcel holds a B.A. (Hons) degree in Real Estate Management from University of Cooperative Education Stuttgart. Marcel is fluent in English and German.

Reid Liffmann joined Angelo, Gordon's real estate group in 2010. He is a Managing Director and a member of the firm's executive committee. Reid assists in the oversight and management of the firm's real estate investments in the U.S. and Europe, and is co-portfolio manager with Adam Schwartz of the U.S. opportunistic and core plus real estate funds. Reid has over 20 years of direct real estate ownership and operating experience with a focus on development, redevelopment and asset repositioning. Formerly, Reid was a partner with Greenebaum & Rose Associates, a real estate development and investment firm focusing on the mid-Atlantic. Reid was previously one of Angelo Gordon's operating partners and completed several real estate transactions with the firm. Reid began his career as a real estate financial analyst at LaSalle Partners. He holds a Bachelor of Accountancy from George Washington University and an MBA degree from The Wharton School of the University of Pennsylvania.

Kaveh Malekanian joined Angelo, Gordon in London, where he focuses on real estate investment opportunities in the United Kingdom and Europe. Prior to joining Angelo, Gordon in 2014, Kaveh worked for Houlihan Lokey as an Analyst in London. Kaveh holds a M.Sc. degree in Finance & Private Equity from the London School of Economics and Political Science.

Christopher Oka is based in New York and is responsible for Angelo, Gordon's real estate activities within the hospitality sector within the U.S. and Europe. In addition, Chris is responsible for the firm's real estate activities in Florida. Prior to joining the firm in 2013, Chris worked for Fortress Investment Group in its credit and real estate funds where he focused on asset and entity level acquisitions, distressed debt, and lending opportunities within the hospitality sector. Chris holds a B.A. degree from UCLA and an M.B.A. degree from UC Berkeley's Haas School of Business.

Tom Rowley is based in London and focuses on real estate investment opportunities in the UK & Europe. Prior to joining Angelo, Gordon in 2012, Tom was co-founder of a real estate investment and operating platform based in London. Prior to that, Tom was the Head of UK Real Estate for Babcock & Brown, where he purchased and managed opportunistic real estate investments throughout the UK, Europe and Asia. Tom has over 10 years of industry experience prior to joining Angelo, Gordon and holds a business degree from the University of South Australia.

Frank Virga is based in New York and works with Chris Oka on acquisitions, asset management, and dispositions for all real estate activities within the hospitality sector in the U.S./Europe and the firm's real estate activities in Florida. Prior to joining the firm in 2015, Frank worked in the Acquisitions Group at CWCapital. Frank received a B.A. degree in Economics with honors from the College of Arts & Sciences of Boston College.

Global Real Estate Female Executives

Aliana Spungen joined Angelo, Gordon & Co. in 1999 and is a Managing Director. Aliana focuses on new business development for the firm's real estate activities. She has worked in the real estate industry since 1986, most recently as Director of Marketing for Guggenheim Realty Funds Management. Previously, Aliana worked at SSR Realty Advisors, Eastdil Realty, and Southeast Bank. Aliana received her B.S. degree from the University of Florida.

Christina Lyndon joined Angelo, Gordon's real estate group in 2006. Christina oversees the firm's assets in the Mid Atlantic. Prior to joining the firm, Christina worked for Lehman Brothers Real Estate Partners where she focused on real estate fund acquisitions and mezzanine debt investments. Christina received her B.A. degree from Dartmouth College.

Dana Roffman joined Angelo, Gordon's real estate group in 1994. Dana has extensive experience with repositioning real estate assets and oversees Angelo, Gordon's assets in New York, New Jersey and Connecticut. Previously, Dana worked in the Real Estate Services Group of Arthur Andersen & Co. in Washington, DC, where she performed appraisals and portfolio valuations throughout the United States for financing, acquisition, and management purposes. Dana holds a B.A. degree from Duke University and an M.B.A. degree from New York University's Leonard N. Stern School of Business.

Jena Hines joined Angelo, Gordon's real estate debt group in 2008. Jena's primary responsibilities include the underwriting, credit analysis and surveillance of the firm's commercial real estate debt investments. Prior to joining the firm, Jena spent two years with LNR Partners, Inc., a commercial real estate special servicer, working in the acquisitions, surveillance, asset management and work-out groups. Before that, she was a member of Deutsche Bank's Project Finance Group. Jena holds a B.A. from Washington University in St. Louis.

Lisa Speltz, AIA, LEED GA joined Angelo, Gordon in 2011 and is a Managing Director and Head of Asset Management for the firm's net lease group. Lisa has over 28 years of broad strategic asset management and corporate real estate experience as well as design and construction experience. Lisa was Director of Real Estate for 10 years of the industrial and office portfolio for Nestle' Waters North America, Inc. In addition, Lisa was an Alliance Director and Director of Project Management for Trammel Crow Corporate Services; Asset Manager for an office and retail portfolio for ITT Hartford Group, Inc. and an Associate for Cesar Pelli & Associates. Lisa is a registered architect and alumna of the Harvard University Graduate School of Design. Lisa received an M.B.A. in Finance from the University of Connecticut School of Business and a Masters of Architecture from the University of Minnesota's School of Architecture. Lisa is a Fellow of the Industrial Asset Management Council.

Maureen Lane joined Angelo, Gordon in 2008 and is a Director in the real estate and private equity accounting group. She is primarily responsible for investment and fund reporting, tax compliance and real estate valuations. Prior to joining Angelo, Gordon, Maureen held real estate and private equity controller positions in the fund finance groups of RREEF Alternative Investments and AEW Capital Management L.P. Before that, Maureen worked in the real estate audit practice of Deloitte & Touche LLP. Maureen is a Certified Public Accountant and holds a B.B.A. degree from the University of Notre Dame.

Sharon Kilmer, CFA joined Angelo, Gordon in 2004 and is a Managing Director for the firm's net lease real estate strategy, overseeing the credit underwriting and research process. Prior to joining the net lease real estate team in 2009, Sharon was the Chief Investment Officer of Angelo, Gordon Advisors, LLC, a wholly-owned, externally managed fund of funds group. Sharon has over 18 years of broad fixed income investment management experience including portfolio management, credit analysis, trading, and hedging. She has experience in managing pension and insurance assets and open and closed-end mutual funds, with an expertise in corporate credit. Previously, she was an Executive Vice President at Pacific Investment Management Company, where she was a senior member of the portfolio management and investment strategy groups and a corporate credit specialist. Prior to that, she was Director of Fixed Income Portfolio Management at Transamerica Investment Services, where her duties included overall asset allocation and fixed income portfolio management for the Transamerica life insurance and pension assets. Sharon received a B.A. degree in Journalism and an M.B.A. degree from the University of Southern California. Sharon was elected to membership in Phi Beta Kappa in her junior year at USC.

Terri Herubin joined Angelo Gordon in 2017 as a Managing Director. She is the firm’s real estate product specialist and oversees client service for the firm's real estate portfolios. Prior to joining Angelo, Gordon, Terri was a Managing Director at Barings Real Estate, where she was lead portfolio manager of the firm's core open-end fund and a member of the investment committee. She joined Barings from the Townsend Group, where she led the underwriting of U.S. commingled fund mandates. Prior to Townsend, Terri was a co-portfolio manager for the New York State Teachers' Retirement System's equity real estate portfolio. She graduated from the University of Illinois at Urbana-Champaign with a B.A. in Urban Planning and has a J.D. from Brooklyn Law School.

Zoe Zuo is based in Hong Kong and works with Ken Ng on Chinese real estate investments. Prior to joining the Asia real estate team in 2009, Zoe was employed as a business development manager for Beijing Capital Land, a well-established Hong Kong-listed developer in China, where she worked on acquisitions, dispositions, and joint venture negotiations of large development projects. Zoe holds a B.A. degree from Peking University and an M.B.A. degree from The Wharton School of the University of Pennsylvania. She is fluent in Mandarin and English.

Other Senior Female Executives

Brigid Flanagan joined Angelo, Gordon & Co. in 2012 as a Managing Director. She focuses on institutional client development and consultant relations. Prior to joining the firm, Brigid was a Senior Vice President at Artio Global Management for over eleven years. While at Artio, she focused on large corporate and public funds, endowments, foundations and key consultants. Previously Brigid was at Bayerische Hypo und Vereinsbank as an Assistant GIC Trader and Ambac, Inc. as a Vice President in the Asset Management area. She began her career at Chase Manhattan Bank where she served as an Assistant Treasurer. Brigid holds a B.A. degree from Mount Vernon College.

Christina Hwang joined Angelo, Gordon in 2008 to focus on investments in the leveraged loan market. Prior to joining the firm, she was a Principal at Watershed Asset Management in San Francisco. Previously, Christina was an Associate in the International Principal Finance Group at Shinsei Bank in Tokyo focusing on Asian non-performing loans, and a Financial Analyst in the Technology M&A Group at JP Morgan Chase in San Francisco. Christina holds a B.S. degree in Bioengineering from the University of California, Berkeley and is fluent in Korean.

Colleen Casey joined Angelo, Gordon & Co. in 1998 and is a Managing Director. She focuses on institutional client development and consultant relations. Prior to joining the firm, Colleen was a National Sales Manager for The St. Regis, Aspen, a Starwood Resort. Colleen holds a B.A. degree from Villanova University.

WŜyyʎŜ ¢ƵY joined Angelo, Gordon in 2017 focusing on the firm's residential whole loan strategy. Prior to joining Angelo, Gordon, Jennie was a Vice President at Ranieri Partners Management, LLC where she executed transactions involving the acquisition, sale, financing and securitization of residential whole loans and was involved in all aspects of asset management of the portfolio. Prior to that, Jennie worked in the Residential Mortgage-Backed Securities Group at Deutsche Bank Securities, Inc., and was an Associate Director at UBS Securities, LLC in the Asset Backed Finance Team. Jennie holds a B.A. degree in Economics from Queens College and a M.B.A. degree in Finance from St. John's University.

Jessica Nels joined Angelo, Gordon in 2015 as a Director in the firm's middle market direct lending loan business. Prior to joining Angelo, Gordon, Jessica originated, structured, underwrote and monitored senior debt investments for private equity sponsored healthcare transactions at BMO Harris Bank. Before joining BMO Harris Bank, Jessica was with Kaufman, Hall & Associates, GE Capital and GE Antares Capital. While at GE Capital and GE Antares Capital, Jessica played a leading role in the structuring, underwriting, documentation and syndication of leveraged finance transactions for middle-market private equity sponsors. Jessica earned a B.S. in finance and accounting from the University of Wisconsin-Madison and received an M.B.A. in finance and economics from the University of Chicago Booth School of Business.

Karen Saunoris joined Angelo, Gordon in 2014 as Director of Operations for the middle market direct lending loan business. Prior to joining the firm, Karen was at Madison Capital Funding LLC for over 12 years, most recently as Operations Manager, where she focused on developing and building the loan servicing function. In addition, Karen worked at BAI and GE Capital in various operational roles. Karen received her B.S. degree in Finance from Illinois State University.

Lauren Gallagher joined Angelo, Gordon in 2016 to focus on investments in the leveraged loan market. Prior to joining the firm, she was a senior sector analyst in the High Yield sector strategy group at Credit Suisse. Previously she was an analyst in the Debt Capital Markets group at Credit Suisse. Lauren holds a B.S.B.A. degree from Georgetown University.

Lisa Yahr joined Angelo, Gordon in 2012 and is a Managing Director. Lisa is a multi-strategy credit product specialist focusing on the firm's commercial real estate debt, residential and consumer debt, non-investment grade corporate credit and middle market direct lending strategies. Prior to joining the firm, Lisa was a Director in Securitized Products Sales at Credit Suisse Securities. Previously, Lisa was at Lehman Brothers Inc. where she was a Senior Vice President on the Securitized Products Sales desk. Lisa holds a B.A. degree from Dartmouth College and an M.B.A. degree from Columbia Business School.

Louise Wasso joined Angelo, Gordon & Co. in 2005 as a Managing Director and is Global Head of the Private Wealth & Middle Market Group. With over thirty years of wealth management experience, Louise and her team work with individual investors, family offices, independent advisors, foundation/endowments and high net worth platforms advising on Angelo, Gordon's strategies and funds. Prior to joining Angelo, Gordon, Louise was a Managing Director at Morgan Stanley and Head of Alternative Investments/Graystone Consulting advising Morgan Stanley's private clients globally. In addition, Louise was President and Chief Operating Officer of Graystone Partners, a high net worth consulting firm specializing in alternative investments, which she co-founded in 1993 and was acquired by Morgan Stanley in 1999. Prior to Graystone, Louise worked as an equity block trader at Goldman Sachs, helped establish The Northern Trust Wealth Management Group and opened Bessemer Trust's Chicago office. Louise holds a B.A. in Economics from Mount Holyoke College and an M.B.A. in Finance from the University of Chicago Graduate School of Business. She is also a member of the Board of Trustees and Investment Committee of Mount Holyoke College.

Marianne Manzolillo joined Angelo, Gordon in 2005 to focus on investments in the leveraged loan market. Prior to joining the firm, Marianne served as a Managing Director at Stanfield Capital Partners where she focused on investments in leveraged loans, high yield bonds and distressed securities. Prior to Stanfield Capital Partners, she served as an analyst at Oppenheimer Funds and in the High Yield Research Department of Donaldson, Lufkin and Jenrette. Marianne holds a B.S. degree from Ramapo College of New Jersey and is a Certified Public Accountant.

Mary Parrinelli joined Angelo, Gordon in 2008 and is a Managing Director. She focuses on new business development as part of the Private Wealth & Middle Market Group. Prior to joining the firm, Mary worked in marketing and investors relations at Ivory Investment Management. Previously, she was employed at Auda Hedge LLC in hedge fund manager selection and Spencer Trask Ventures. She began her career in the investment banking division at UBS. Mary holds a B.S. degree from Georgetown University and an M.B.A. degree from the Kellogg School of Management at Northwestern University.

Maureen D'Alleva joined Angelo, Gordon in 2003 and is head of the firm's non-investment grade corporate credit business. Maureen is a Managing Director and a member of the firm's executive committee. She is also the portfolio manager of the firm's dedicated non- investment grade corporate credit portfolios, as well as its Northwoods Capital CLOs. Prior to joining the firm, she spent 15 years with Morgan Stanley as a Vice President in its Global High Yield group where she focused on investment analysis and underwriting of both bank loans and bonds. Maureen holds a B.A. degree from Baruch College.

Nicole Matuszewski joined Angelo, Gordon in 2013 as an asset manager for the firm's residential whole loans strategies. Prior to joining Angelo, Gordon, Nicole worked in structured credit portfolio management at Barclay's where she worked closely with senior management to reduce Barclay's legacy whole loan and residential mortgage-backed securities portfolio. Prior to that, Nicole worked in a number of positions at C12 Capital Management, Barclays, Deloitte & Touche, Rabobank International and Sanford C. Bernstein & Co., LLC. She earned a B.S. degree in Economics from Binghamton University.

Noreen Feldmann joined Angelo Gordon in 2009 and is a Managing Director. She focuses on client service. Prior to joining the firm, Noreen was responsible for client relationship management at AG Asset Management. Previously, Noreen was an institutional relationship manager at Credit Suisse Asset Management and Chancellor LGT Asset Management. She began her career as an investment performance analyst at Scudder Stevens and Clark. Noreen holds a B.A. degree from the University of Vermont.

Sharone BenEzra joined Angelo, Gordon in 2012 and is a Director. Sharone focuses on marketing and client service as part of the Private Wealth & Middle Market Group out of Angelo, Gordon's Los Angeles office. Prior to joining the firm, Sharone worked as an assistant controller focusing on portfolio reporting and investor due diligence at Owl Creek Asset Management. Sharone began her career at PricewaterhouseCoopers, LLC in the firm’s alternative investment management group. Sharone holds a B.S. degree from University of Texas at Austin and an M.P.A. degree from the McCombs School of Business. Sharone is also a Certified Public Accountant in the state of New York and a Certified Alternative Investment Analyst.

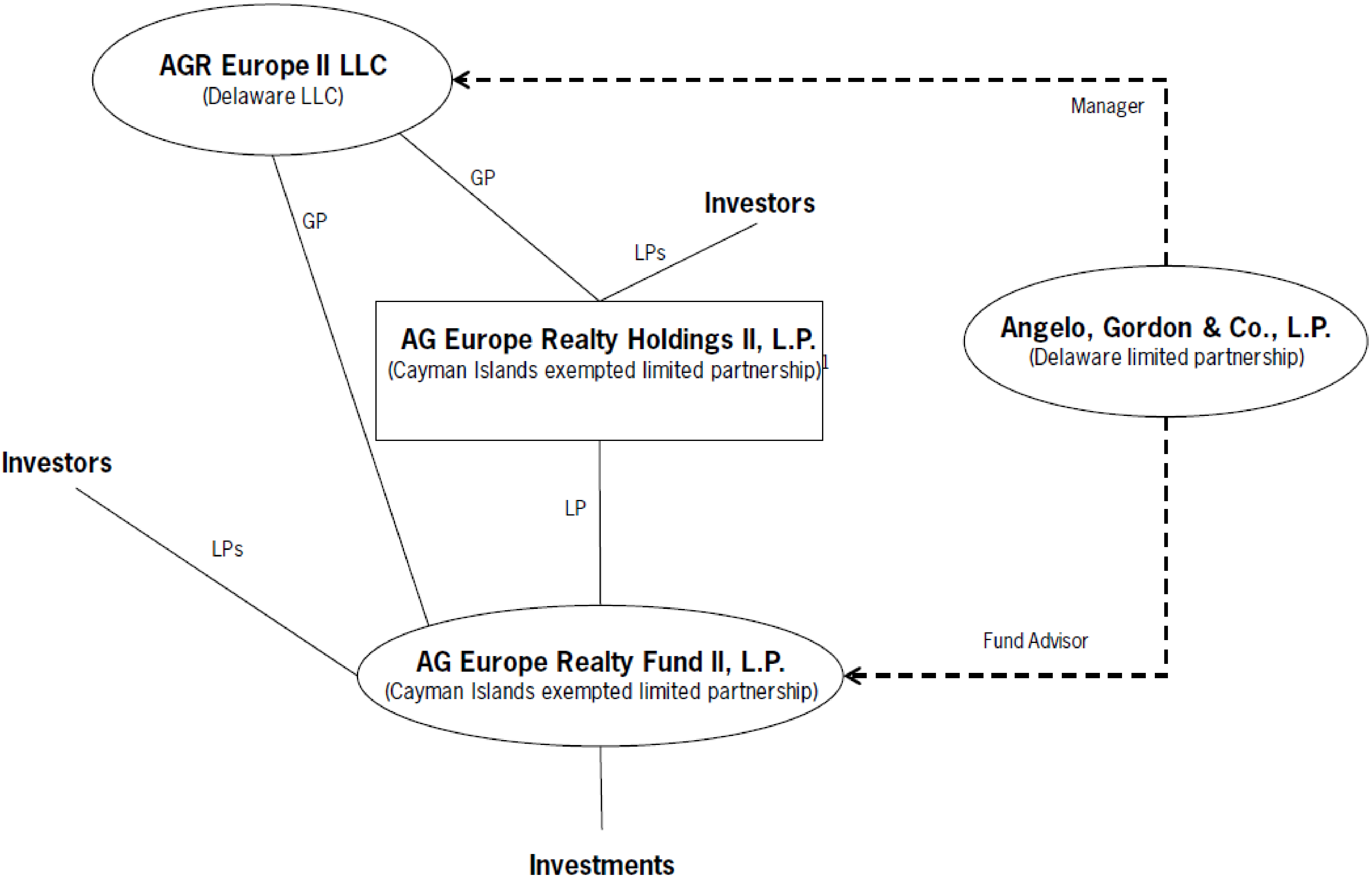
Stephanie Barry joined Angelo, Gordon in 2016 as a Managing Director and Head of Communications. She joins the firm with over twenty years’ international corporate communications experience in the financial services sector. Before joining Angelo, Gordon, Stephanie was Group Head of NY Financial Services at global public relations firm, Edelman, and prior to that was based in Hong Kong where she was Head of Communications for Asia-focused alternative investment manager, PAG, where she was responsible for the firm’s internal and external positioning and branding across the region. Stephanie has also held senior communications roles at the Commonwealth Bank of Australia and PwC. She has a B.A. degree from the University of Queensland.

Ruth Gitlin joined Angelo, Gordon & Co. at its inception and is a Managing Director. She is responsible for all client communication in the firm. Ruth began as a trader concentrating on convertible hedging strategies in European and Far Eastern markets. Previously, she was associated with L.F. Rothschild’s Arbitrage Department where she spent three years in London trading currencies, options and futures. Ruth holds a B.A. degree from Brandeis University and an M.B.A. degree from Columbia University School of Business.

Victoria Aston-Duff joined Angelo, Gordon & Co. in 2008 and is a Managing Director of Angelo, Gordon Europe. She is responsible for new business development and consulting with clients throughout Europe as well as helping to expand the capabilities of the firm's associated London office. Prior to joining Angelo Gordon, Vicki was with Bear Stearns International Ltd for 17 years, most recently as Co-Head of Equity, Derivative and Prime Brokerage Sales for Europe. Before that she was Global Head of Equity Sales for Europe. Vicki holds a post graduate diploma from The London School of Economics and a B.A. degree from Queen's University, Canada.

Yoon Hei Kim joined Angelo, Gordon in 2010 and is a Managing Director in the real estate accounting group. She assists Mark Maduras in overseeing financial reporting of the real estate funds. Prior to joining the firm, Yoon Hei was a Manager in the real estate audit practice of PricewaterhouseCoopers LLP. Yoon Hei is a Certified Public Accountant and holds a B.S. degree from the University of Maryland.

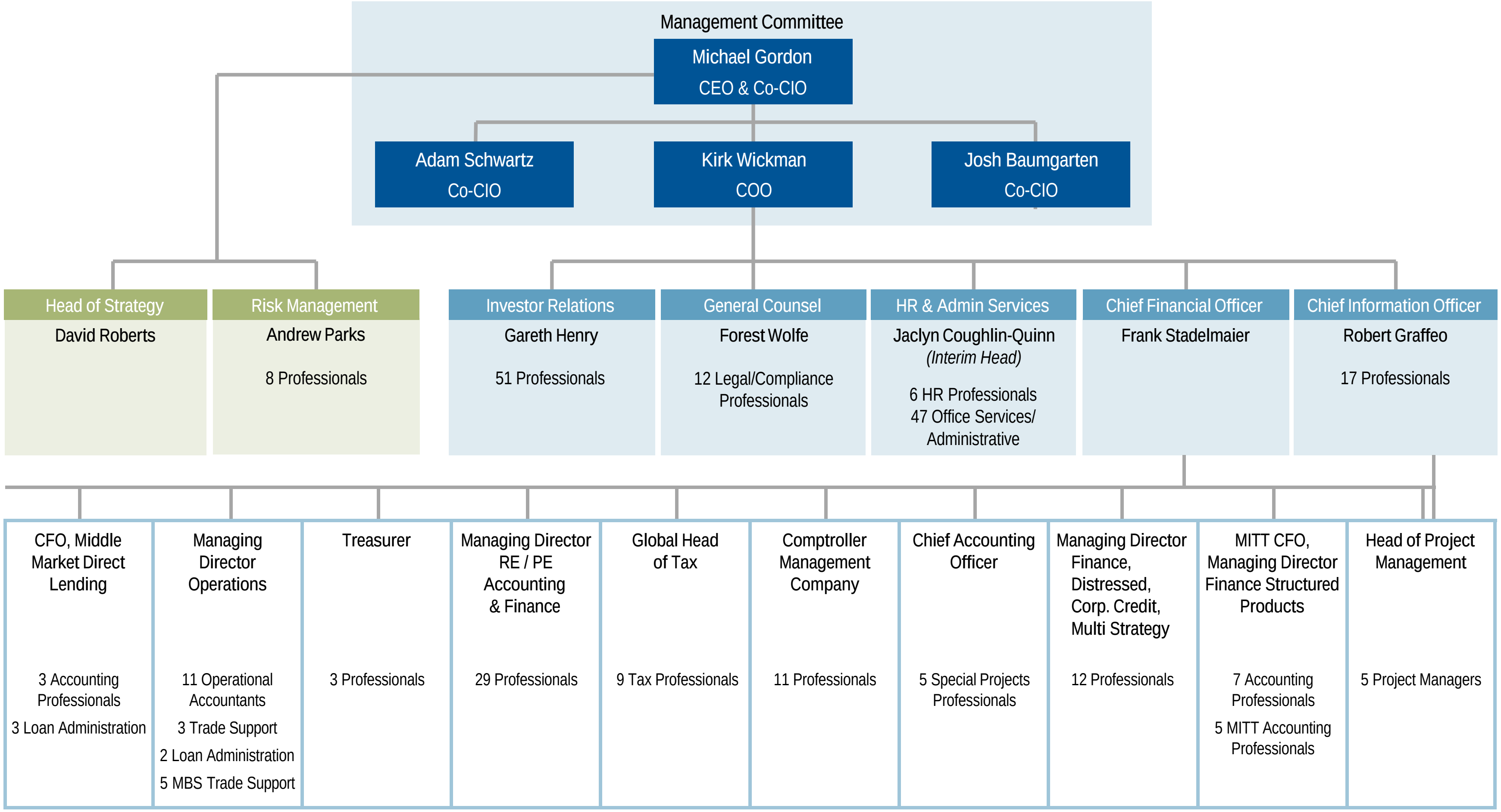
EXHIBIT C: Fund Structure



[1] Elects to be treated as a corporation for U.S. tax purposes

EXHIBIT D: Organizational Charts

Strategy, Investor Relations, and Control Functions



Management Committee

Michael Gordon
CEO & Co-CIO

Adam Schwartz
Co-CIO

Kirk Wickman
COO

Josh Baumgarten
Co-CIO

Head of Strategy
David Roberts

Risk Management
Andrew Parks
8 Professionals

Investor Relations
Gareth Henry
51 Professionals

General Counsel
Forest Wolfe
12 Legal/Compliance Professionals

HR & Admin Services
Jaclyn Coughlin-Quinn
(Interim Head)
6 HR Professionals
47 Office Services/ Administrative

Chief Financial Officer
Frank Stadelmaier

Chief Information Officer
Robert Graffeo
17 Professionals

CFO, Middle Market Direct Lending
3 Accounting Professionals
3 Loan Administration

Managing Director Operations
11 Operational Accountants
3 Trade Support
2 Loan Administration
5 MBS Trade Support

Treasurer
3 Professionals

Managing Director RE / PE Accounting & Finance
29 Professionals

Global Head of Tax
9 Tax Professionals

Comptroller Management Company
11 Professionals

Chief Accounting Officer
5 Special Projects Professionals

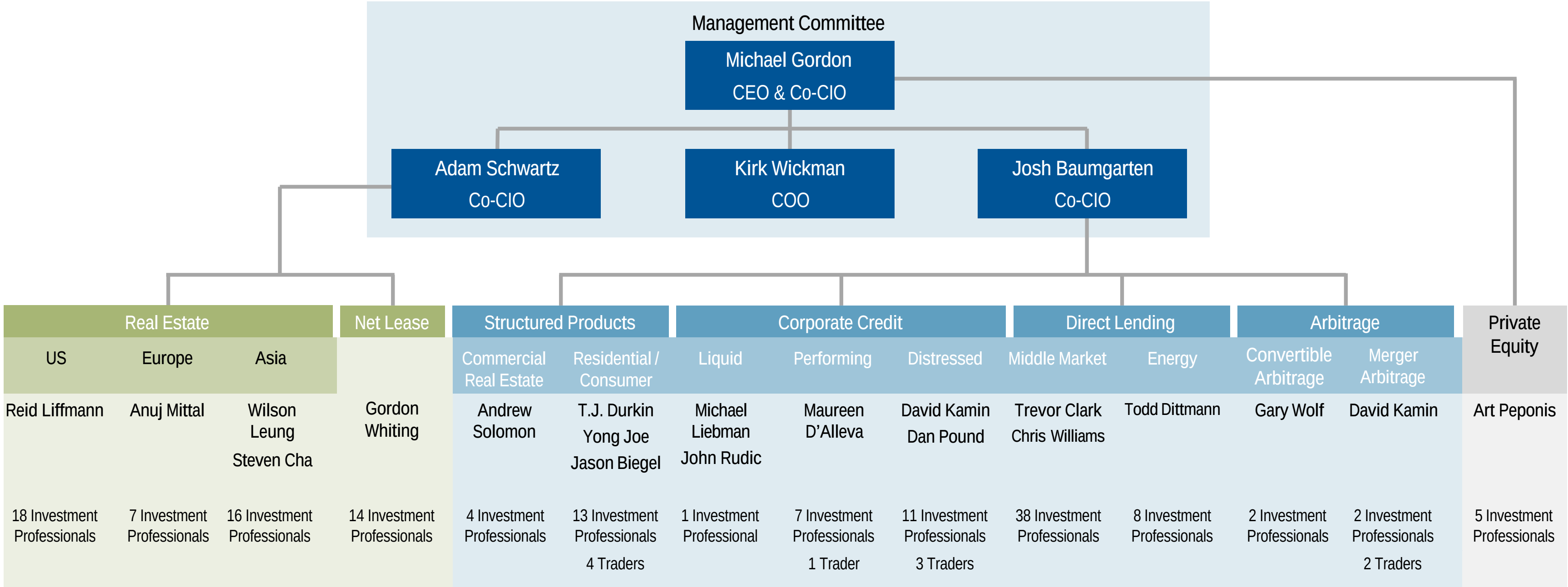
Managing Director Finance, Distressed, Corp. Credit, Multi Strategy
12 Professionals

MITT CFO, Managing Director Finance Structured Products
7 Accounting Professionals
5 MITT Accounting Professionals

Head of Project Management
5 Project Managers

* As of January 2018

Investment Teams



Management Committee

Michael Gordon
CEO & Co-CIO

Adam Schwartz
Co-CIO

Kirk Wickman
COO

Josh Baumgarten
Co-CIO

Real Estate			Net Lease	Structured Products		Corporate Credit			Direct Lending		Arbitrage		Private Equity
US	Europe	Asia		Commercial Real Estate	Residential / Consumer	Liquid	Performing	Distressed	Middle Market	Energy	Convertible Arbitrage	Merger Arbitrage	
Reid Liffmann	Anuj Mittal	Wilson Leung Steven Cha	Gordon Whiting	Andrew Solomon	T.J. Durkin Yong Joe Jason Biegel	Michael Liebman John Rudic	Maureen D'Alleva	David Kamin Dan Pound	Trevor Clark Chris Williams	Todd Dittmann	Gary Wolf	David Kamin	Art Peponis
18 Investment Professionals	7 Investment Professionals	16 Investment Professionals	14 Investment Professionals	4 Investment Professionals	13 Investment Professionals 4 Traders	1 Investment Professional	7 Investment Professionals 1 Trader	11 Investment Professionals 3 Traders	38 Investment Professionals	8 Investment Professionals	2 Investment Professionals	2 Investment Professionals 2 Traders	5 Investment Professionals

* As of January 2018

Real Estate Professionals	Title / Responsibility	Office	Years of Experience
Anuj Mittal	Managing Director / Co-Portfolio Manager	London / Amsterdam	15
Tom Rowley	Managing Director / All Markets	London	17
Tracy DeBlieck	Director / Italy and Spain	Milan	21
Michael Diana	Director / UK and Ireland	London	11
Stefan Doerffler	Director / Germany	Frankfurt	13
Jacopo Burgio	Associate / Italy, France, and Spain	London	5
Marcel Hertig	Associate / All Europe continental markets	Amsterdam	7
Kaveh Malekanian	Associate / UK and Ireland	London	2
Adam Schwartz	Managing Director / Head of U.S. and Europe	New York	20
Reid Liffmann	Managing Director	New York	29
Chris Oka	Managing Director / U.S. and Europe Hotels	New York	13
Frank Virga	Vice President / U.S. and Europe Hotels	New York	9
Accounting Professionals			
Mark Maduras	Real Estate CFO	New York	26
Jean-Baptiste Garcia	Head of International Structuring and Accounting	Amsterdam	15
Alice Wan	Finance Associate	Amsterdam	8
Lourenco Tete	Finance Associate	Amsterdam	8

EXHIBIT E: European Deal by Deal Track Record

(Dollars in Millions)

AG Europe Realty Fund Track Record	
Fund size	$570.2
Gross projected IRR as of June 30, 2017(1)	24%
Net projected IRR as of June 30, 2017	N/A
Net IRR based on liquidation at September 30, 2017(2)	16%

All Europe Real Estate Track Record

Fully Realized Transactions

Property	Fund	Date Purchased	Purchase Price	Peak Equity(3)	Gross IRR(1)	Gross Multiple(1)	Date Sold
Senior and mezzanine loans on 3 office properties	Pre-Europe I	Dec-09	$19.2	$18.2	62%	1.4x	Nov-10
Two office buildings totaling 249,000 sf in Manchester, UK	Pre-Europe I	Sep-12	32.9	19.3	54%	1.9x	Mar-14
331-room hotel in London, UK	Pre-Europe I	May-10	99.1	84.8	27%	2.4x	Jan-15
Class-A office building totaling 155,000 sf in London, UK	Pre-Europe I	Jun-12	109.9	39.6	34%	1.9x	Feb-15
16,000 sf office building in London, UK	Pre-Europe I	Mar-13	5.9	5.3	109%	3.2x	Jun-15
38,500 sf office building in London, UK	Europe I	Dec-14	61.9	24.2	95%	1.6x	Sep-15
121,000 sf mixed-use asset in Dusseldorf, Germany	Europe I	May-14	22.3	9.6	21%	1.6x	Nov-16
136-room hotel in Dublin, Ireland	Europe I	Mar-15	31.1	16.3	69%	2.2x	Dec-16
51,300 sf office building in London, UK	Europe I	Dec-15	17.7	7.8	92%	2.5x	Jun-17
2,798-unit multifamily residential portfolio in North Rhine-Westphalia, Germany	Europe I	Dec-15	112.9	40.9	22%	1.4x	Oct-17
67,500 sf office building in Amsterdam, Netherlands	Europe I	Dec-15	14.3	9.4	78%	2.7x	Nov-17
97,000 sf office building in London (South Bank), UK	Europe I	Sep-15	79.7	36.9	19%	1.5x	Dec-17
334,000 sf retail center in Hounslow, UK	Pre-Europe I	Dec-11	68.4	43.4	5%	1.2x	Dec-17
1,610 residential units in North Rhine Westphalia, Germany	Pre-Europe I	Jan-14	55.9	18.2	30%	2.4x	Jan-18
Portfolio of 330 residential units totaling 255,000 sf in Bochum, Germany	Europe I	Feb-15	12.2	5.4	39%	2.4x	Jan-18
Total - Fully Realized Transactions			**$743.4**	**$379.3**	**29%**	**1.9x**	

Partially Realized Transactions

Property	Fund	Date Purchased	Purchase Price	Peak Equity	Projected Gross IRR(1)	Projected Gross Multiple(1)	Gross Multiple Based on NAV(2)
Office to residential conversion in Hounslow, UK	Pre-Europe I	May-11	25.4	17.9	16%	1.8x	1.7x
Office park in Frimley, UK	Pre-Europe I	Nov-11	23.9	15.8	9%	1.6x	1.4x
Office portfolio in Ranstad area, Netherlands	Europe I	May-14	52.6	17.9	14%	1.8x	1.4x
Office portfolio plus large parking garage in Birmingham, UK	Europe I	Feb-15	34.2	36.1	17%	1.5x	1.3x
Office portfolio in Central Amsterdam, Netherlands	Europe I	Nov-16 to Nov-17	78.1	45.8	27%	1.9x	1.3x

Unrealized Transactions

Property	Fund	Date Purchased	Purchase Price	Peak Equity	Projected Gross IRR(1)	Projected Gross Multiple(1)	Gross Multiple Based on NAV(2)
Retail center in Stockton-on-Tees, Durham, UK	Pre-Europe I	Jan-11	$43.4	$23.5	4%	1.2x	1.1x
Industrial/office property in Greater Zurich, Switzerland	Pre-Europe I	Sep-13	29.7	10.6	17%	2.2x	1.9x
Office building in London, UK	Pre-Europe I	Nov-13	41.3	38.2	16%	1.8x	1.6x
Conversion of hotel into residential units in London, UK	Pre-Europe I	Dec-13	54.8	80.5	4%	1.1x	1.0x
Units in publicly traded open-ended investment funds incorporated in Germany (4)	Europe I	Aug-14 to Jan-16	31.0	17.8	25%	1.5x	1.3x
Office building in London, UK	Europe I	Nov-14	69.1	66.1	17%	1.7x	1.1x
Retail and office portion of a mixed-use tower in London, UK	Europe I	Nov-14	74.1	35.1	31%	2.2x	2.1x
Retail and residential asset in Madrid, Spain	Europe I	Dec-14	52.4	28.1	17%	2.0x	1.3x
Mixed use property with ability to add significant density in Central London, UK	Europe I	Dec-15	35.7	39.0	22%	1.5x	1.0x
Business parks in various regions in the UK	Europe I	Jan-16	130.1	59.3	23%	2.0x	1.5x
Office portfolio in Central Paris, France	Europe I	Mar-16 to Oct-16	57.4	20.0	23%	2.0x	1.5x
Office building in Central London, UK	Europe I	Sep-16	84.3	33.4	17%	1.9x	1.3x
Parking garages with potential redevelopment opportunities in London, UK	Europe I	Dec-16 to Feb-17	21.1	44.3	20%	1.8x	0.9x
Residential portfolio in Dublin, Ireland	Europe I	Dec-16 to Nov-17	46.7	18.6	15%	1.9x	1.0x
Residential complex in Amsterdam, Netherlands	Europe I	Apr-17	61.5	21.3	17%	2.0x	1.1x
Office building in Utrecht, Netherlands	Europe I	Apr-17 to Dec-17	15.6	44.8	21%	1.8x	1.0x
Mixed-use asset in Oslo, Norway	Europe I	Apr-17	38.7	13.9	21%	1.9x	1.0x
Portfolio of leisure/residential assets in Bay Filey, Isle of Wight, and South Devon, UK	Europe I	May-17 to Nov-17	44.5	30.7	23%	1.8x	1.0x
Senior living portfolio in Deventer, Netherlands	Europe I	Jul-17	13.4	4.6	18%	1.9x	1.0x
Hotel in Barcelona, Spain	Europe I	Sep-17	47.3	20.7	18%	2.1x	1.0x
Office with approval to convert to student housing in Greater Copenhagen, Denmark	Europe II	Oct-17	12.3	26.3	20%	1.9x	1.0x
Office building expected to be part of a larger portfolio in Central Amsterdam, Netherlands	Europe II	Dec-17	9.3	4.2	18%	1.5x	1.0x
Total - All Transactions(5)			**$1,971.3**	**$1,193.8**	**22%**	**1.8x**	

Footnotes to Angelo Gordon Europe Real Estate - Performance Track Record

(1) Gross returns are exclusive of carried interest, management fees and other operating and transaction costs, which may be substantial and which will reduce returns to investors. For unrealized investments purchase before June 30, 2017, projected returns reflect (i) historical cash flows through June 30, 2017 and (ii) projected cash flows through each investment's projected disposition date based on the June 30, 2017 projection model. Returns for deals purchased after June 30, 2017 are based on original underwriting and deals sold after June 30, 2017 are based on sale date. While target and projected performance is based on good faith assumptions that Angelo, Gordon believes are reasonable, there are many risk factors that could cause the assumptions of Angelo, Gordon to prove incorrect and actual conditions may differ from the underlying assumptions on which the applicable underwritten performance is based. Accordingly, the actual realized value of these investments may be materially different from the current projected performance contained herein. Angelo, Gordon has not consulted with independent third parties in determining projected cash flows for unrealized investments.

(2) For unrealized investments, Gross Multiples based on liquidation at the September 30, 2017 NAV for all deals except those purchased after that date in which NAV is assumed to be equal to equity invested. This methodology does not take into account expected value to be added over the holding period of the asset. Gross returns are calculated after deal level expenses, but are exclusive of carried interest, management fees and other operating and transaction costs, which may be substantial and which will reduce returns to investors.

(3) Peak Equity is the equity expected to be invested in the deal, which may include as-of-yet unfunded amounts. Based on June 30, 2017 projections for all deals except those purchased after June 30, 2017 which are based on original underwriting. Peak Equity for German open-ended fund units is as of last purchase.

(4) Excludes co-investments from non-real estate related Angelo, Gordon investment strategies.

(5) Projections are as of June 30, 2017; therefore, the average gross IRR and multiple of 22% and 1.8x, respectively, excludes deals purchased in the second half of 2017.

EXHIBIT F: Example Joint Venture Structures

Exhibit Redacted for Confidentiality Reasons

EXHIBIT G: Other Real Estate Performance

							REALIZED AND UNREALIZED INVESTMENTS (4)				
Fund	Vintage	Committed Capital	Capital Called	Capital Distributed	Percent Realized(2)	Actual Gross IRR of Realized Investments(3)	Actual/Projected Gross IRR(5)	Actual/Projected Net IRR(6)	Actual/Projected Net Equity Multiple(6)	Net IRR Based on Liquidation at NAV(7)	Net Equity Multiple Based on Liquidation at NAV(7)
US-Focused Real Estate Funds											
AG Realty Fund IX(8)	2015	$1,328.6	$805.3	$22.5	3%	73%	22%(10)	N/M(11)	N/M(11)	12%	1.1
AG Core Plus Realty Fund IV(8)	2015	1,307.7	549.2	0.0	1%	N/A	13%(10)	N/M(11)	N/M(11)	8%	1.1
AG Realty Fund VIII	2011	1,265.0	1,191.4	1,107.4	54%	30%	22%	16%	1.7	16%	1.5
AG Core Plus Realty Fund III	2011	1,014.2	963.4	96.0	74%	33%	27%	21%	1.7	22%	1.7
Managed AG Realty Account III	2010	151.5	143.9	149.1	61%	28%	22%	15%	1.7	15%	1.5
AG Realty Fund VII	2007	1,257.1	1,181.7	1,669.1	93%	19%	18%	13%	1.5	13%	1.5
AG Core Plus Realty Fund II	2006	794.3	750.6	974.5	96%	13%	11%	8%	1.3	8%	1.3
AG Realty Fund VI	2005	513.8	513.8	561.7	99%	5%	5%	2%	1.1	3%	1.1
AG Core Plus Realty Fund	2003	533.5	506.8	766.6	100%	21%	21%	18%	1.5	18%	1.5
Core Plus Managed Account	2002	68.2	68.2	118.9	100%	30%	30%	27%	1.7	27%	1.7
AG Realty Fund V	2001	333.0	299.7	479.1	100%	32%	32%	26%	1.6	26%	1.6
AG Realty Fund IV	1999	255.2	245.0	376.7	100%	11%	11%	8%(12)	1.5(12)	8%(12)	1.5(12)
Managed AG Realty Account II(9)	1998	62.8	88.4	173.3	100%	20%	20%	16%(12)	2.0(12)	16%(12)	2.0(12)
AG Realty Fund III	1997	60.6	60.6	80.1	100%	5%	5%	3%(12)	1.3(12)	3%(12)	1.3(12)
Managed AG Realty Account I	1995	30.0	30.0	66.8	100%	30%	30%	25%(12)	2.2(12)	25%(12)	2.2(12)
AG Realty Fund II	1995	33.1	33.1	71.3	100%	31%	31%	25%(12)	2.1(12)	25%(12)	2.1(12)
AG Realty Fund	1994	29.7	29.7	58.6	100%	27%	27%	23%(12)	1.9(12)	23%(12)	1.9(12)
Asia Real Estate Funds											
AG Asia Realty Fund III(8)	2015	$846.9	$416.7	$77.4	11%	68%	27%(10)	N/M(11)	N/M(11)	17%	1.2
AG Asia Realty Fund II	2010	615.5	564.6	703.6	78%	34%	26%	18%	1.6	18%	1.6
AG Asia Realty Fund	2006	525.6	494.0	437.5	79%	11%	7%	4%	1.2	3%	1.1
Europe Real Estate Funds											
AG Europe Realty Fund(8)	2014	570.2	441.9	85.1	13%	66%	24%(10)	N/M(11)	N/M(11)	16%	1.2

Closed End Funds Investment Results Endnotes

1) This table provides return information with respect to all private investment funds sponsored by Angelo, Gordon which are fully raised that focus on core plus, value-add or opportunistic real estate investments. Each fund referenced includes all parallel funds investing along with each such fund, where applicable. Information with respect to AG Europe Realty Fund II, L.P. is not included because the fund was in its offering period as of September 30, 2017.

2) Calculated based on the percentage of actual distributions over total actual/projected distributions from the investments in the relevant fund.

3) Actual Gross IRR reflects a dollar-weighted internal rate of return, compounded annually, after deal-level expenses and before Angelo, Gordon management fees, carried interest and operating and organizational expenses associated with the fund.

4) Certain transactions that have not yet been fully realized have experienced partial realizations.

Closed End Funds Investment Results Endnotes - continued

5) Based on June 30, 2017 projections. Actual/Projected Gross IRR reflects a dollar-weighted internal rate of return, compounded annually, after deal-level expenses and before Angelo, Gordon management fees, carried interest and operating and organizational expenses associated with the fund, based upon realized investments and Angelo, Gordon's projected equity cash flows through the projected disposition dates of the unrealized investments. Angelo, Gordon has not consulted with independent third parties in determining projected cash flows for unrealized investments. There is no guarantee that such investments will generate the full value projected by Angelo, Gordon.

6) Based on June 30, 2017 projections. Actual/Projected Net IRR reflects a dollar-weighted internal rate of return, compounded annually, net of Angelo, Gordon management fees, carried interest and operating and organizational expenses associated with the fund, based upon realized investments and Angelo, Gordon's projected equity cash flows through the projected disposition dates of the unrealized investments. Angelo, Gordon has not consulted with independent third parties in determining projected cash flows for unrealized investments. There is no guarantee that such investments will generate the full value projected by Angelo, Gordon. Net returns are aggregate returns, and not necessarily that of a representative investor. As a result, the returns represent a blend of all fee rates and are not representative of the returns earned by the highest fee rate investors. Moreover, the fees charged to investors in the Fund may be different from the fees charged to investors in the funds presented; these differences may be material.

7) Assumes hypothetical liquidation of the fund on September 30, 2017 at the fair market value. This methodology does not take into account expected value to be added over the holding period of the asset. Net IRR based on liquidation value reflects a dollar-weighted internal rate of return, compounded annually, net of Angelo, Gordon management fees, carried interest and operating and organizational expenses associated with the fund. Net Equity Multiple Based on Liquidation Value reflects a multiple of equity invested, net of Angelo, Gordon management fees, carried interest and operating and organizational expenses associated with the fund.

8) The fund was not fully called as of September 30, 2017 and is in active commitment period.

9) This fund was structured as an evergreen fund through 2004.

10) Calculated based on the fund's invested capital (60.6% of capital commitments for AG Realty Fund IX, 39.0% of capital commitments for AG Core Plus Realty Fund IV, 42.2% of capital commitments for AG Asia Realty Fund III, and 71.0% of capital commitments for AG Europe Realty Fund) as of June 30, 2017, without regard to the fund's uninvested capital.

11) N/M=Not meaningful as the fund is still in its investment period and not considered representative of the performance expected to be achieved over the life of the fund.

12) The Actual/Projected Net Equity Multiple and Actual/Projected Net IRR assume that a line of credit was used to make all fund investments during the initial portion of the investment period. This adjustment is necessary to make the net returns comparable from a cash management perspective to Angelo, Gordon's more recent funds, which generally utilize lines of credit to bridge investor capital calls. The adjustment takes into account certain assumptions and estimates made by Angelo, Gordon in good faith regarding the hypothetical line of credit (including assumptions regarding length of borrowings and interest expense).

ATTACHMENT D. AG Europe Realty Fund II Update – January 2018

AG Europe Realty Fund II – January 2018 Update

Fundraising:

AG has held a few closings in 2017 and has raised $550 million to date. Another $150 million are hard-circled for a January 15 closing, and AG agreed to a hardcap of $800 million.

Organization:

On January 1, 2018, Josh Baumgarten and Adam Schwartz joined Michael Gordon as co-CIOs of the firm. Mr. Baumgarten has been leading Angelo Gordon's $17 billion Credit business, and Mr. Schwartz has been leading the firm's $10 billion Real Estate business. Mr. Gordon will continue to serve as CEO and co-CIO.

Fund II Pipeline:

Fund II has closed on two assets to date:

- The first acquisition was a 62,430 sq ft, three-building office complex in Copenhagen with approval to be redeveloped into 522 student housing units. This deal was acquired off-market for DKK 78 million ($12.3 million) from an over-extended local developer in need of capital. The plan is to stabilize the asset and exit to an institutional investor at a 5.5% NOI yield (current comps are below 4.5%). AG is targeting a gross IRR of 20% and gross multiple of 1.9x. The asset was acquired in October 2017.
- The second asset is a freehold building located in the center of Amsterdam. It consists of two interconnected office buildings of 4 stories, with more than 21,500 square feet of leasable space that will be 100% leased to the seller for 12 months post-closing. It is supposed to be the first asset of AG's expected Central Amsterdam Portfolio II. The deal was closed in an all cash transaction and financing is expected to be obtained shortly. The purchase price was €7.9 million ($9.3 million). The closing took place in December 2017.

There are currently five additional deals in the pipeline, totaling over $130 million in equity. These include a UK logistics asset (underwritten gross IRR of 18-20%), and Italy logistics assets (14-16%), an Italy self-storage asset (18-20%), a Netherlands retail/logistics asset (18-20%) and a Netherlands Office Portfolio (16-18%).

AG Europe Realty Fund I realizations since May 2017:

Fund I has made two further realizations since May 2017. 42 Southwark closed in late December 2017 and Townsend has not yet received information on realized returns. 33 Queen Street in London was sold in June 2017. This office asset was acquired off-market from an owner-occupier in December 2015. After refurbishment and leasing the entire building to WeWork, the asset was sold at a 5.0% yield, achieving a 92% gross IRR and a 2.4x gross equity multiple.

Angelo Gordon Europe Real Estate - Performance Track Record (Dollars in Millions)

ATTACHMENT 2

AG Europe Realty Fund I Track Record	
Fund size	$570.20
Gross projected IRR as of June 30, 2017 (1)	24%
Net projected IRR as of June 30, 2017	N/A
Net IRR based on liquidation at September 30, 2017 (2)	16%

All Europe Real Estate Track Record

Fully Realized Transactions

Property	Fund	Date Purchased	Purchase Price	Peak Equity(3)	Gross IRR(1)	Gross Multiple(1)	Date Sold
Senior and mezzanine loans on 3 office properties	Pre-Europe I	Dec-09	$19.2	$18.2	62%	1.4x	Nov-10
Two office buildings totaling 249,000 sf in Manchester, UK	Pre-Europe I	Sep-12	32.9	19.3	54%	1.9x	Mar-14
331-room hotel in London, UK	Pre-Europe I	May-10	99.1	84.8	27%	2.4x	Jan-15
Class-A office building totaling 155,000 sf in London, UK	Pre-Europe I	Jun-12	109.9	39.6	34%	1.9x	Feb-15
16,000 sf office building in London, UK	Pre-Europe I	Mar-13	5.9	5.3	109%	3.2x	Jun-15
38,500 sf office building in London, UK	Europe I	Dec-14	61.9	24.2	95%	1.6x	Sep-15
121,000 sf mixed-use asset in Dusseldorf, Germany	Europe I	May-14	22.3	9.6	21%	1.6x	Nov-16
136-room hotel in Dublin, Ireland	Europe I	Mar-15	31.1	16.3	69%	2.2x	Dec-16
51,300 sf office building in London, UK	Europe I	Dec-15	17.7	7.8	92%	2.5x	Jun-17
2,798-unit multifamily residential portfolio in North Rhine-Westphalia, Germany	Europe I	Dec-15	112.9	40.9	22%	1.4x	Oct-17
67,500 sf office building in Amsterdam, Netherlands	Europe I	Dec-15	14.3	9.4	78%	2.7x	Nov-17
97,000 sf office building in London (South Bank), UK	Europe I	Sep-15	79.7	36.9	19%	1.5x	Dec-17
334,000 sf retail center in Hounslow, UK	Pre-Europe I	Dec-11	68.4	43.4	5%	1.2x	Dec-17
1,610 residential units in North Rhine Westphalia, Germany	Pre-Europe I	Jan-14	55.9	18.2	30%	2.4x	Jan-18
Portfolio of 330 residential units totaling 255,000 sf in Bochum, Germany	Europe I	Feb-15	12.2	5.4	39%	2.4x	Jan-18
Total - Fully Realized Transactions			**$743.4**	**$379.3**	**29%**	**1.9x**	

Partially Realized Transactions

Property	Fund	Date Purchased	Purchase Price	Peak Equity	Projected Gross IRR(1)	Projected Gross Multiple(1)	Gross Multiple Based on NAV(2)
Office to residential conversion in Hounslow, UK	Pre-Europe I	May-11	25.4	17.9	16%	1.8x	1.7x
Office park in Frimley, UK	Pre-Europe I	Nov-11	23.9	15.8	9%	1.6x	1.4x
Office portfolio in Ranstad area, Netherlands	Europe I	May-14	52.6	17.9	14%	1.8x	1.4x
Office portfolio plus large parking garage in Birmingham, UK	Europe I	Feb-15	34.2	36.1	17%	1.5x	1.3x
Office portfolio in Central Amsterdam, Netherlands	Europe I	Nov-16 to Nov-17	78.1	45.8	27%	1.9x	1.3x

ATTACHMENT 2

Unrealized Transactions

Property	Fund	Date Purchased	Purchase Price	Peak Equity	Projected Gross IRR(1)	Projected Gross Multiple(1)	Gross Multiple Based on NAV(2)
Retail center in Stockton-on-Tees, Durham, UK	Pre-Europe I	Jan-11	$43.4	$23.5	4%	1.2x	1.1x
Industrial/office property in Greater Zurich, Switzerland	Pre-Europe I	Sep-13	29.7	10.6	17%	2.2x	1.9x
Office building in London, UK	Pre-Europe I	Nov-13	41.3	38.2	16%	1.8x	1.6x
Conversion of hotel into residential units in London, UK	Pre-Europe I	Dec-13	54.8	80.5	4%	1.1x	1.0x
Units in publicly traded open-ended investment funds incorporated in Germany	Europe I	Aug-14 to Jan-16	31.0	17.8	25%	1.5x	1.3x
Office building in London, UK	Europe I	Nov-14	69.1	66.1	17%	1.7x	1.1x
Retail and office portion of a mixed-use tower in London, UK	Europe I	Nov-14	74.1	35.1	31%	2.2x	2.1x
Retail and residential asset in Madrid, Spain	Europe I	Dec-14	52.4	28.1	17%	2.0x	1.3x
Mixed use property with ability to add significant density in Central London, UK	Europe I	Dec-15	35.7	39.0	22%	1.5x	1.0x
Business parks in various regions in the UK	Europe I	Jan-16	130.1	59.3	23%	2.0x	1.5x
Office portfolio in Central Paris, France	Europe I	Mar-16 to Oct-16	57.4	20.0	23%	2.0x	1.5x
Office building in Central London, UK	Europe I	Sep-16	84.3	33.4	17%	1.9x	1.3x
Parking garages with potential redevelopment opportunities in London, UK	Europe I	Dec-16 to Feb-17	21.1	44.3	20%	1.8x	0.9x
Residential portfolio in Dublin, Ireland	Europe I	Dec-16 to Nov-17	46.7	18.6	15%	1.9x	1.0x
Residential complex in Amsterdam, Netherlands	Europe I	Apr-17	61.5	21.3	17%	2.0x	1.1x
Office building in Utrecht, Netherlands	Europe I	Apr-17 to Dec-17	15.6	44.8	21%	1.8x	1.0x
Mixed-use asset in Oslo, Norway	Europe I	Apr-17	38.7	13.9	21%	1.9x	1.0x
Portfolio of leisure/residential assets in Bay Filey, Isle of Wight, and South Devon, UK	Europe I	May-17 to Nov-17	44.5	30.7	23%	1.8x	1.0x
Senior living portfolio in Deventer, Netherlands	Europe I	Jul-17	13.4	4.6	18%	1.9x	1.0x
Hotel in Barcelona, Spain	Europe I	Sep-17	47.3	20.7	18%	2.1x	1.0x
Office with approval to convert to student housing in Greater Copenhagen, Denmark	Europe II	Oct-17	12.3	26.3	20%	1.9x	1.0x
Office building expected to be part of a larger portfolio in Central Amsterdam, Netherlands	Europe II	Dec-17	9.3	4.2	18%	1.5x	1.0x
Total - Fully/Partially/Unrealized Transactions			**$1,971.3**	**$1,193.8**	**22%**	**1.8x**	

Footnotes to Angelo Gordon Europe Real Estate - Performance Track Record

(1) Gross returns are exclusive of carried interest, management fees and other operating and transaction costs.

(2) For unrealized investments, Gross Multiples based on liquidation at the September 30, 2017 NAV for all deals except those purchased after that date in which NAV is assumed to be equal to equity invested.

(3) Peak Equity is the equity expected to be invested in the deal, which may include as-of-yet unfunded amounts.

ATTACHMENT 3

AG Europe Realty Fund II

SUMMARY OF FUND TERMS

Fund Size	$750 million (hard cap of $850 million)
Fund Manager	Angelo, Gordon
Investment Strategy	High Return
Investment Period	4 years from the first close
Fund Term	8 years from the first close, plus two 1-year extension options
Target Return	Net IRR of 14%-15%
General Partner Commitment	3% of capital commitments up to $18 million
Distributions to Investors	First, to all LPs pro-rata until each partner has received distributions in an amount equal to their unreturned contributions, together with an 8% compounded preferred return thereon; 50% LP / 50% GP catch up 80% LP / 20% GP split thereafter
Fees	
Management Fees	1.5% on committed capital during the investment period and on invested capital thereafter
Property Investments Profile	Acquire and reposition underperforming real assets in Western Europe
Target Markets	UK, Western Europe
Leverage	Up to 70% loan-to-value

February 20, 2018

TO: Each Member
Board of Investments

FROM: Jonathan Grabel
Chief Investment Officer

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: **LACERA TOTAL FUND ASSET ALLOCATION**

RECOMMENDATION

Approve the recommendations proposed in Meketa's March 2018 asset allocation review:

1. Adopt the use of a functional framework for LACERA's Total Fund
2. Expand LACERA's opportunity set to include a broader group of investments in Credit and Inflation Hedging/Real Assets

BACKGROUND

Attached for review by the Board of Investments ("BOI") is a presentation by Meketa on asset allocation for LACERA's Total Fund. This presentation outlines the approach, inputs, and timeline for approving a new asset allocation framework and the selection of asset categories for the Total Fund's 2018 Asset Allocation Study. As a reminder, the most recent asset allocation review was completed in 2015 by Wilshire Associates.

In preparation for the Asset Allocation Study, staff and LACERA's general consultants have provided the Board with presentations over the past several months: In September 2017, the BOI approved Meketa's capital market assumptions used in the asset allocation modeling for OPEB Master Trust and LACERA's Total Fund. In addition, educational sessions have been provided for two new asset categories - "Credit" and "Inflation Hedging/Real Assets." The sessions were conducted at the October and November 2017 BOI Meetings as well as the July 2017 and January 2018 Board Offsites.

Within Meketa's presentation there are two recommendations. Meketa's first recommendation is to adopt the use of a functional framework for LACERA's Total Fund. Staff concurs with this recommendation as it addresses the "why" of investing in strategies as opposed to the traditional view of "what" we are invested in. A functional framework has the potential to provide more robust portfolio construction, risk management, and performance reporting capabilities. Importantly, it better articulates asset class diversification as noted on page nine of Meketa's slide presentation and does so without wholesale changes to the component strategies in the portfolio. Meketa's second recommendation is to expand LACERA's opportunity set to include a broader group of investments in Credit and Inflation Hedging/Real Assets. Staff also agrees with this recommendation. The addition of new asset categories, which are increasingly typical investment strategies for institutions like LACERA, improves the return/risk quotient of the portfolio as a whole.

Staff anticipates the following schedule for completing the Study in 2018:

March	Evaluate recommendations herein
April	Review asset allocation options, evaluate model constraints as well as target risk and expected return range
May	Review allocation options, approve strategic asset allocation, review implementation timeline

Attachment

AC:cq

Los Angeles County Employees Retirement Association

Pension Fund Asset Allocation Review

Presented on:
March 5, 2018
by Meketa Investment Group

Table of Contents

Introduction

Introduction

- The Board of Investments ("The Board") is responsible for establishing investment policy and determining the asset allocation for the Pension Fund.
- LACERA's Investment Beliefs state that, "Long-term strategic asset allocation will be the primary determinant of LACERA's risk/return outcomes" and that "Asset allocation has a greater effect on return variability than asset class investment structure or manager selection."
- This document will discuss the current asset allocation and a proposal for a shift to a functional framework.
- This document will also discuss the addition of several new asset classes for consideration by the Board.

Asset Allocation Framework

Asset Allocation Framework

- LACERA currently utilizes an asset allocation framework organized by asset class. While this is the traditional approach it has some drawbacks:
  - Overlap: Strategies in different asset classes may provide similar exposures, potentially leading to inefficient implementation and reducing the Fund's overall diversification.
    - Fixed Income and Hedge Funds include significant exposure to credit strategies.
    - Private Equity contains credit strategies and energy strategies.
    - Real Estate has exposure to growth, inflation hedging, and credit.
  - Non-descriptive: Only answers the question, "What are we invested in?" and ignores the question of "Why are we invested in these strategies?"
- Functional frameworks organize strategies by the role they serve in meeting the long-term goals of the Fund.
- The underlying investment strategies remain the same, but the lens through which the Board views the asset allocation changes.

Asset Allocation Framework (continued)

Asset Class/Strategy	% of Portfolio[1]
U.S. Equity	23.8%
Non-U.S. Equity	24.0%
Fixed Income	**24.5%**
Core Fixed Income	10.3%
Core Plus Fixed Income	7.4%
High Yield	0.9%
Opportunistic Fixed Income	5.8%
Real Estate	**11.2%**
Core Real Estate	8.4%
Value Added Real Estate	1.1%
High Return Real Estate	1.7%
Real Estate Debt	0.0%
Private Equity	9.5%
Buyouts	8.5%
Venture	0.9%
PE Special Situations: Credit	0.0%
PE Special Situations: Energy	0.0%
Commodities	2.5%
Hedge Funds	**2.5%**
Diversified Hedge Fund Portfolio	1.7%
Credit Hedge Funds	0.8%
Cash	2.0%

Asset Class/Strategy	% of Portfolio[1]
Growth	59.0%
U.S. Equity	23.8%
Non-U.S. Equity	24.0%
Buyouts	8.5%
Venture	0.9%
High Return Real Estate	1.7%
Credit	7.6%
High Yield	0.9%
Opportunistic Fixed Income	5.8%
Real Estate Debt	0.0%
Credit Hedge Funds	0.8%
PE Special Situations: Credit	0.0%
Inflation Hedging and Real Assets	12.0%
Core Real Estate	8.4%
Value Added Real Estate	1.1%
Commodities	2.5%
PE Special Situations: Energy	0.0%
Risk Reducing and Mitigating	21.3%
Core Fixed Income	10.3%
Core Plus Fixed Income	7.4%
Diversified Hedge Fund Portfolio	1.7%
Cash	2.0%

Produce

Provide

Protect

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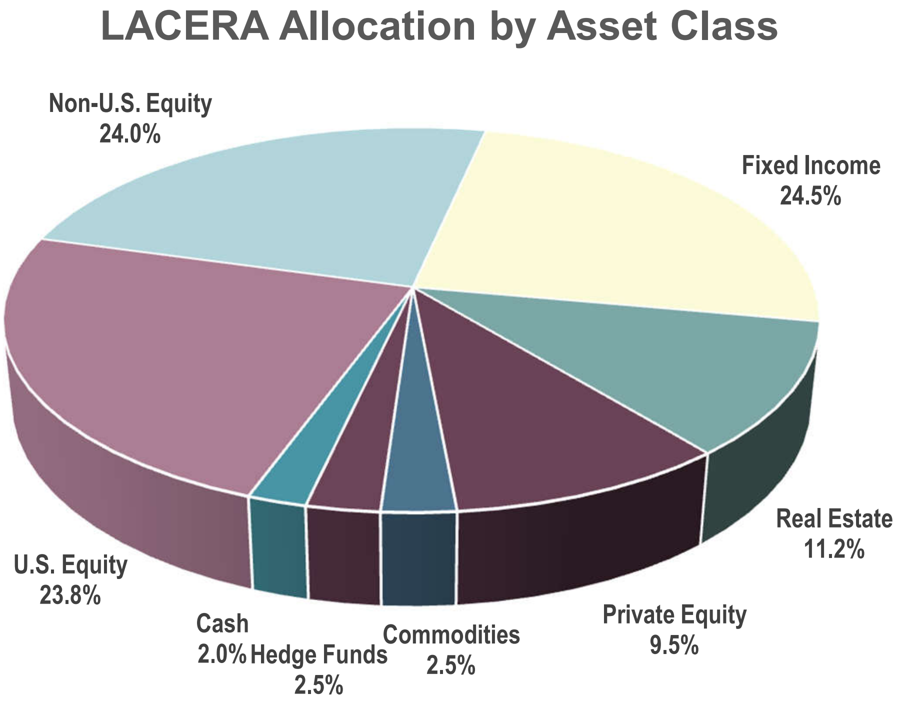
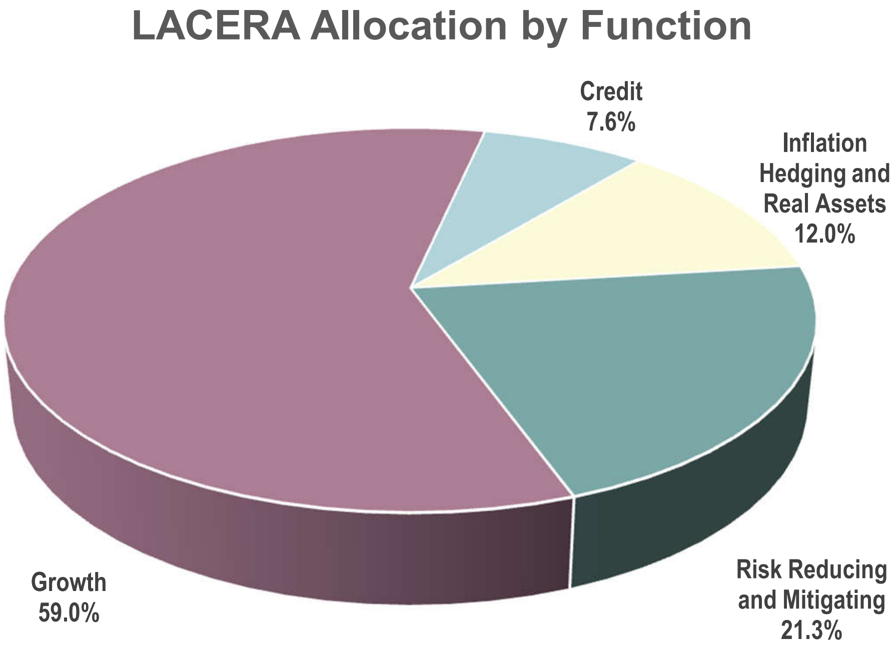
[1] Based on 12/31/17 market values. Values may not add to 100.0% due to rounding. Strategies with assets representing less than 10 basis points appear as 0.0%.

Asset Allocation Framework (continued)





- Utilizing a functional framework simplifies the top down view of the portfolio.
- The asset classes are aligned with the goals of the Fund.

Correlation of Functional Categories

	Growth	Credit	Inflation Hedging and Real Assets	Risk Reducing and Mitigating
Growth	1.00			
Credit	0.75	1.00		
Inflation Hedging and Real Assets	0.55	0.57	1.00	
Risk Reducing and Mitigating	0.33	0.57	0.47	1.00

- Each functional category serves a specific purpose and also provides diversification benefit to the overall portfolio.
- As the categories move down the risk spectrum from growth to risk reducing there is a clear decline in correlations.

Asset Class/Strategy Selection

Asset Class/Strategy Selection

- LACERA currently has a broadly diversified portfolio, however Meketa and Staff have identified several asset classes/strategies that can serve to expand LACERA's opportunity set and enhance the Fund's risk-adjusted returns.
- These potential opportunities fall within Inflation Hedges and Real Assets and would serve to mitigate LACERA's exposure to inflation risk:
  - TIPS
  - Infrastructure: Core and Non-Core
  - Natural Resources: Agriculture, Timber, Energy, and Mining
- Staff, Meketa, Stepstone, and Townsend have recently reviewed all of these asset classes/strategies with the Board.

Asset Class/Strategy Selection (continued)

Potential New Asset Classes/Strategies	10-Year E(R)[1] (%)	Historical Return (%)	Standard Deviation (%)
TIPS	3.0	3.3	7.5
Natural Resources Composite[2]	7.9	10.4	23.0
Timberland	5.5	12.3	12.0
Farmland	6.5	11.7	13.0
Oil & Gas E&P	8.8	10.7	26.0
Mining	7.5	7.8	35.0
Infrastructure Composite[3]	6.6	NM	17.4
Core Infrastructure	6.0	NM	16.0
Non-Core Infrastructure	8.8	NM	23.0

- While some of these asset classes/strategies have the potential to increase the Fund’s expected returns the primary reason for inclusion is additional diversification and mitigation of inflation risk for LACERA’s beneficiaries.

[1] The capital market expectations are those approved for use by the Board in September 2017. Expected returns are net of fees.

[2] Natural Resources Composite is composed of 10% Timberland, 15% Farmland, 55% Oil & Gas E.&P, and 20% Mining.

[3] Infrastructure Composite is composed of 80% Core and 20% Non-Core.

Recommendations

Meketa Recommendations

1. Meketa Investment Group believes that utilizing a functional framework is an effective tool for aligning the Fund's strategic asset allocation with LACERA's mission and goals. We recommend that the Board approve the use of the functional framework presented today.
2. Meketa Investment Group believes that expanding LACERA's investment opportunity set by including TIPS, Infrastructure, and Natural Resources (Farmland, Timber, Oil & Gas E&P, and Mining) will increase the Fund's diversification and enhance the Fund's risk-adjusted returns. We recommend that the Board utilize explicit allocations to each of these asset classes/strategies in the Fund's asset allocation.

Next Steps

Proposed Next Steps

- **This Meeting**
  - **Approve framework**
  - **Approve asset classes**
- April Meeting
  - Review an initial set of asset allocations options, using a variety of tools including MVO-based risk analytics, risk budgeting, scenario analysis, liquidity analysis, peer comparisons, etc.
  - Evaluate model constraints
  - Refine the target risk and expected return range
- May Meeting
  - Review a refined set of allocation options
  - Approve strategic asset allocation
  - Approve implementation timeline

Appendix

Fixed Income

Asset Class	10-Year E(R) (%)	Historical Return (%)	Standard Deviation (%)
Cash Equivalents	1.5	4.0	1.0
Rate Sensitive			
Investment Grade Bonds	2.5	7.5	4.0
Long-term Government Bonds	3.0	8.3	12.5
Credit			
High Yield Bonds	5.0	9.0	12.5
Bank Loans	5.1	5.7	10.0
Emerging Market Bonds	5.1	6.3	13.3
Private Debt Composite[1]	6.1	7.6	18.0
Investment Grade RE Debt	2.7	6.0	9.0
High Yield RE Debt	7.0	6.0	23.0

[1] Private Debt Composite is composed of 40% Mezzanine Debt, 40% Distressed Debt, and 20% Direct Lending.

Equities

Asset Class	10-Year E(R) (%)	Historical Return (%)	Standard Deviation (%)
US Equity	5.7	11.7	18.0
Developed Market Equity (non-US)	6.3	8.6	20.0
Developed Market Equity (50% currency hedge)	5.8	8.2	18.0
Emerging Market Equity	9.6	10.3	26.0
Global Equity	6.7	7.2	19.0
LACERA Private Equity Composite[1]	9.3	10.9	26.0

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[1] LACERA Private Composite is based on LACERA's target weights and is composed of 90% Buyouts and 10% Venture Capital.

Real Assets/Inflation Sensitive

Asset Class	10-Year E(R) (%)	Historical Return (%)	Standard Deviation (%)
TIPS	3.0	3.3	7.5
Real Estate Composite[1]	5.7	8.7	18.0
Core Private Real Estate	4.0	9.3	12.5
Value-Added Real Estate	6.0	6.9	19.0
Opportunistic Real Estate	7.5	10.0	25.0
Timberland	5.5	12.3	12.0
Farmland	6.5	11.7	13.0
Oil & Gas E&P	8.8	10.7	26.0
Mining	7.5	7.8	35.0
Commodities	4.4	2.4	19.5
MLPs	6.9	5.6	22.5
Infrastructure Composite[2]	6.6		17.4

[1] Real Estate Composite is composed of 15% REITS, 30% Core, 25% Value-Added, 20% Opportunistic and 10% High Yield RE Debt.

[2] Infrastructure Composite is composed of 80% Core and 20% Non-Core.

Multi Asset Strategies

Asset Class	10-Year E(R) (%)	Historical Return (%)	Standard Deviation (%)
LACERA Hedge Fund Composite[1]	4.0	10.2	9.9
Long-Short	2.8	11.5	11.0
Event-Driven	4.6	10.5	10.0
Global Macro	3.3	10.5	8.0
CTA – Trend Following	3.0	9.6	10.0
Fixed Income/L-S Credit	4.0	7.4	10.0
Relative Value/Arbitrage	4.8	9.4	9.5

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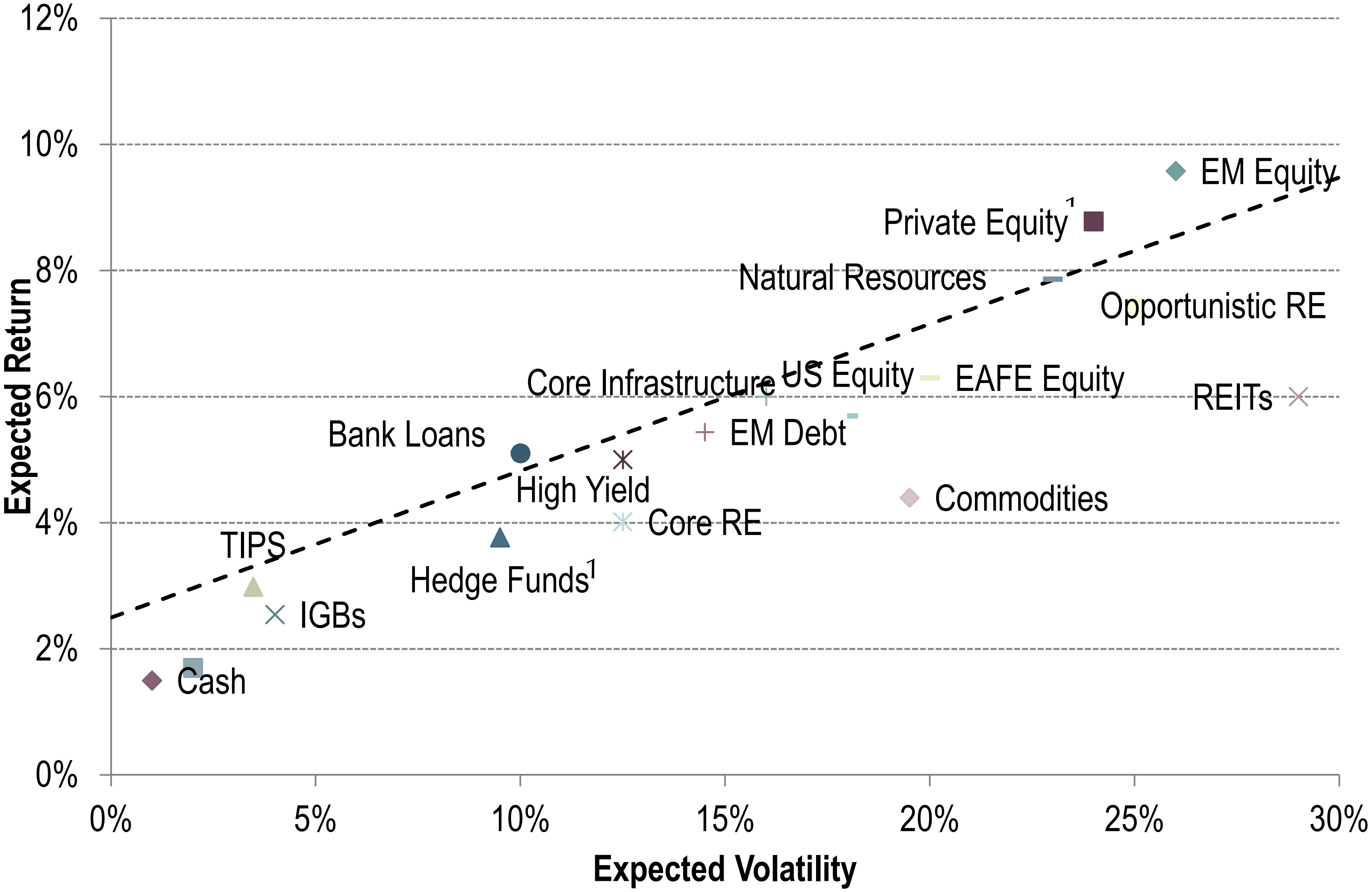
[1] LACERA Hedge Fund Composite is based on LACERA's target weights and is composed of 20% Long-Short, 33% Event-Driven, 9% Global Macro, 9% CTA, 5% Fixed Income/L-S Credit, and 24% Relative Value/Arbitrage.

Expected Return and Expected Volatility



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[1] The Hedge Fund and Private Equity Composites presented above use MIG's strategy weights and differ from the LACERA custom composites on pages 16 and 18.

Correlations

	Cash	IG Corp Bonds	TIPS	High Yield Bonds	EM Debt	US Large Cap	Developed Market Equity	50% Hedged DM Equity	Emerging Market Equity	Private Equity	Real Estate	Commodities	Core Infra	Hedge Funds
Cash	1.00													
IG Corp Bonds	0.00	1.00												
TIPS	0.05	0.70	1.00											
High Yield Bonds	0.00	0.65	0.30	1.00										
EM Debt	0.05	0.55	0.50	0.70	1.00									
US Large Cap	0.00	0.25	0.00	0.70	0.60	1.00								
DM Equity	0.00	0.40	0.15	0.70	0.60	0.90	1.00							
50% Hedged DM Equity	0.00	0.00	0.10	0.75	0.60	0.95	0.97	1.00						
EM Equity	0.00	0.40	0.15	0.70	0.65	0.80	0.90	0.95	1.00					
Private Equity	0.10	0.20	0.04	0.68	0.44	0.87	0.81	0.81	0.77	1.00				
Real Estate	0.15	0.35	0.10	0.50	0.30	0.50	0.45	0.45	0.40	0.43	1.00			
Commodities	0.00	0.25	0.35	0.40	0.40	0.35	0.55	0.55	0.60	0.28	0.15	1.00		
Core Infra	0.20	0.45	0.30	0.60	0.50	0.55	0.55	0.55	0.50	0.44	0.60	0.35	1.00	
Hedge Funds	0.10	0.35	0.20	0.70	0.55	0.80	0.85	0.85	0.85	0.61	0.45	0.65	0.60	1.00

This is just a sample of asset class correlations. Meketa will provide a correlation table with all asset classes utilized in LACERA's asset allocation.

LACERA

February 26, 2018

TO: Each Member
Board of Investments

FROM: Barry W. Lew
Legislative Affairs Officer

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: **Adoption of Revised Legislative Policy**

RECOMMENDATION

That the Board of Investments adopt the revised Legislative Policy.

LEGAL AUTHORITY

The Legislative Policy provides that “[it] shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.” The Insurance, Benefits and Legislative Committee of the Board of Retirement has reviewed the revised policy and recommended that the Board of Retirement adopt it. Staff is concurrently recommending that the Board of Investments also adopt the revised Legislative Policy.

DISCUSSION

An issue that arose with the introduction of H.R. 1 on November 2, 2017, the tax reform bill formerly known as the “Tax Cuts and Jobs Act”, prompted a review of the current Legislative Policy to ensure that LACERA can respond efficiently and effectively to time-sensitive matters before consideration at the next regularly scheduled board meeting.

H.R. 1 contained a provision that would adversely affect state and local public sector pension plans by requiring them to pay unrelated business income tax (UBIT) on certain investments. The Board of Investments’ legislative policy standard is to oppose proposals that create unreasonable costs or complexity in the administration of investments. H.R. 1 would have required LACERA to pay UBIT on certain of its investments that would thereby dilute the returns on those investments and impose compliance costs on LACERA to seek alternative ways of structuring its investments to mitigate or eliminate the effects of UBIT.

Although the subject matter of the bill was under the jurisdiction of the Board of Investments, the constraint of time-sensitivity in general can affect the ability of both the Board of Retirement and Board of Investments to respond efficiently and effectively to issues under their respective jurisdictions. The bill was introduced on November 2, 2017 and signed into law on December 22, 2017. Media reports on the bill indicated that the

President intended to sign the bill by Christmas. The Board of Investments was scheduled to meet on November 2, 2017 (the same day the bill was introduced), and its next regularly scheduled meeting was on December 13, 2017, a month-and-a-half later and less than two weeks before the bill was signed into law.

Shortly after the introduction of the bill, the National Conference of Public Employee Retirement Systems (NCPERS), the National Association of State Retirement Administrators (NASRA), and the National Council on Teacher Retirement (NCTR) issued a joint letter to the Chairman of the House Ways and Means Committee expressing serious concerns regarding the UBIT provision in H.R. 1. NCPERS also advised its member organizations to consider individually relaying their concerns to the Congressional committees and leadership by writing their own letters of opposition regarding the UBIT provision. However, the current Legislative Policy does not provide staff with the discretion to send letters of support or opposition until the Board of Retirement or Board of Investments has adopted a position on the legislation. Thus, staff had to wait until the Board of Investments adopted a position on H.R. 1 at its meeting of December 13, 2017 before having the authorization to send a letter of opposition.

The following proposed revisions to the Legislative Policy are intended to enhance the ability of the Boards to respond to time-sensitive matters. Related revisions are also proposed to enhance efficiency in the legislative engagement process. The proposed revisions to the Legislative Policy are modeled after certain provisions in the Board of Investments' approved Corporate Governance Policy that provide for joint written communications with formally affiliated organizations or approval of action on time-sensitive matters.

SUMMARY OF PROPOSED REVISIONS

Action Between Board Meetings

Page 13: The revision provides for staff action related to issues that have been addressed by organizations with which LACERA is formally affiliated before consideration in a board meeting. Given the fact that LACERA's membership in such organizations is intended to promote the interests of LACERA, if an issue has already been vetted by such an organization and the organization's position is consistent with LACERA's legislative policy standards, the revision authorizes staff to either participate in joint written communications with such an organization or engage in further individual outreach. The revision also provides a process of internal consultation before such actions can be taken.

Page 12: The revisions are to conform to proposed revisions of the conditional positions that the Boards may adopt.

Definitions of Board Positions

Page 8-9: The positions of “Support if amended” and “Oppose unless amended” are conditional rather than definite positions of support and opposition that the Boards may adopt. The revisions propose that if the pre-conditions in the positions are satisfied as a result of amendments, then the resulting position will either be support or removal of opposition. The revisions provide that a resubmission of the proposal to the Boards to adopt a post-conditional position will not be necessary after fulfillment of the conditions, unless the Boards direct otherwise. The revisions also provide that if there are other substantive amendments to the proposal not requested by LACERA that may cause the Boards not to support or remove their opposition to the proposal, staff will resubmit the proposal to the Boards for consideration.

Page 9: The revision updates the definition of “Watch,” which is currently too narrow. For example, in 2017, the Board of Retirement adopted a “Watch” position on SB 562, which would enact a universal single-payer health care system in California. The bill did not precisely align with the current definition of “Watch,” although it was of interest to the Board of Retirement to watch the bill.

CONCLUSION

The proposed revisions are intended to enhance the ability of the Boards to respond to time-sensitive matters and to facilitate efficient legislative engagement.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt the revised Legislative Policy.

Reviewed and Approved:

Steven P. Rice, Chief Counsel

Attachments

Attachment A—Legislative Policy (redlined)
Attachment B—Legislative Policy (clean)

cc:
Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven Rice
Jonathan Grabel
Allan Cochran
Ricki Contreras
Vanessa Gonzalez
Cassandra Smith

ATTACHMENT A

LACERA LEGISLATIVE POLICY

~~Restated~~ Revised: ~~and Approved:~~ Board of Retirement: ~~October 13, 2016~~[date]

Board of Investments: ~~October 12, 2016~~[date]

Table of Contents

Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits.*

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.

- *Protect* the promised benefits through prudent investment and conservation of plan assets.

- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State

Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.

- Define the range of positions that the Boards may take with respect to legislative proposals.

- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.

- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.

- Establish guidelines for staff and Board actions related to ballot measures.

- Provide for status reports of LACERA’s legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA’s mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.

- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.

- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.

- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.

- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.

- Oppose proposals that deprive members of vested benefits.

- Oppose proposals that mandate the release of confidential information of members and beneficiaries.

- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.

- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.

- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.

- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.

- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.

- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.

- Support proposals that promote transparent financial reporting.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.

- Oppose proposals that infringe on the Board of Investments' plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions.

- Oppose proposals that create unreasonable costs or complexity in the administration of investments.

- Oppose proposals that are contrary to or interfere with the Board of Investment's adopted policies or decisions.

Board of Retirement & Board of Investments

- Support proposals that harmonize the powers and functions of the Board of Retirement and Board of Investments but do not encroach on each Board's respective separate jurisdiction.

- Support proposals that enhance board member education and ethics.

- Address proposals related to the administrative budget.

- Address proposals related to the appointment of personnel.

Definitions of Board Positions

SPONSOR OR CO-SPONSOR

- Indicates that the proposal was initiated by the Board or that the proposal was initiated by one or more organizations with which LACERA shares sponsorship.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT

- Indicates that the Board believes the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT IF AMENDED

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

NEUTRAL

- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.
- Does not require engagement with LACERA's legislative advocate to achieve passage or defeat of the proposal.

OPPOSE

- Indicates that the Board does not believe the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to defeat the proposal.

OPPOSE UNLESS AMENDED

- Indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board's opposition.

- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to incorporate amendments into the proposal.

- If amendments requested by LACERA are adopted, the Board's position will be Neutral or Watch without a resubmission of the proposal to the Board, unless the Board directs otherwise.

- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to remove its opposition, staff will resubmit the proposal to the Board for consideration.

WATCH

- Indicates that the proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as CERL or PEPRA.

- Indicates that although the proposal is not based on a law that covers LACERA such as CERL or PEPRA, the proposal may be of interest or concern to the Board and its stakeholders and that the Board in the future may take a substantive position on the matter.

- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

Legislative Analysis Memorandum Format

The following is an outline of the format of the legislative analysis memorandum provided by staff. In general, the memorandum will follow this format but may be modified for specific cases.

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:
Sponsor:
Introduced:
Amended:
Status:

Board Position:
Committee Recommendation:
Staff Recommendation:

[If the memo addresses rulemaking, the Subject section will provide similar relevant information.]

RECOMMENDATION

[This section states staff's or the Committee's recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

[This section discusses the application of LACERA's legislative policy standards to the proposal and the justification for the recommendation to the Board.]

SUMMARY

[This section describes the provisions of the proposal and the key additions or updates the proposal makes to existing law.]

ANALYSIS

[This section provides an analysis of the effects and implications of the proposal on LACERA.]

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates staff's or the Committee's recommendation and summary or concluding comments.]

Attachments

Attachment 1—Board Positions Adopted On Related Legislation
[This attachment states the positions the Board has previously taken on the subject matter of the bill.]
Attachment 2—Support And Opposition
[This attachment identifies those entities that have already taken a position on the bill.]
Bill Text

Action between Board Meetings

The Board of Retirement generally meets twice a month, including a disability meeting on the first Wednesday and an administrative meeting on the Thursday following the second Wednesday; the Board of Investments meets once a month on the second Wednesday. ~~The~~ Since the meeting schedules of the Boards do not necessarily accord with the hearing schedules and deadlines of the state Legislature and Congress. In the event a time-sensitive matter arises, action by staff may be required before the matter is considered by the Board at the next regularly scheduled Board meeting.

I. Legislation on Which the Board Previously Adopted a Position

~~The policy will provide direction for staff to~~Staff may engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a ~~Support, Support If Amended, Oppose, or Oppose Unless Amended~~Support or Oppose position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the ~~Chief Counsel,~~ Chief Executive Officer, Chief Counsel, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

II. Formally Affiliated Organizations

1. Staff may participate in joint written communications that are organized or requested by formal organizations to which LACERA has formally affiliated and that are consistent with the Board's legislative policy standards.

2. In the event a matter has been addressed in written communications by a formal organization to which LACERA has formally affiliated, staff may, consistent with the Board's legislative policy standards, write letters of support or opposition or engage in advocacy on the matter.

Staff will take the following actions:

1. Prepare a legislative analysis of the matter for use in consultation.

2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate to determine whether staff should engage in the written communications described in II.1 and II.2.

3. If staff should engage in the written communications described in II.1 and II.2, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter and obtain approval to engage in such written communications.

4. At the next regularly scheduled Board meeting, present a report to the Board of actions taken and copies of the written communications.

Ballot Measures

California law provides for citizens to use ballot measures to initiate a state statute or a constitutional amendment or to repeal legislation through a veto referendum. The California State Legislature may also use ballot measures to offer legislatively referred state statutes or constitutional amendments.

In general, a government agency may not spend *public funds* for a partisan *campaign* advocating the passage or defeat of a ballot measure. It is, however, permissible for a government agency to engage in *informational* activities. What distinguishes *informational* activities from *campaign* activities depends on the style, tenor, and timing of the activity.

From time to time, ballot measures may be offered that are related to public retirement plans. The following guidelines are intended to provide guidance on actions that may be taken with respect to ballot measures on public retirement plans:

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.

- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)

- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.

- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

Status Reports

For bills on which the Boards have taken a position, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the Legislature. The status report will be included in the green folders provided to the Board of Retirement and Board of Investments before regularly scheduled board meetings.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

Legislative Process

The following pages include an outline[1] and a flowchart[2] of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

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[1] Overview of Legislative Process – Official California Legislative Information (http://www.leginfo.ca.gov/bil2lawx.html).

[2] The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.

Change Log

Restated and approved by the Board of Retirement on October 13, 2016 and the Board of Investments on October 12, 2016

ATTACHMENT B

LACERA LEGISLATIVE POLICY

Revised: Board of Retirement: [date]
Board of Investments: [date]

Table of Contents

Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits.*

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.
- *Protect* the promised benefits through prudent investment and conservation of plan assets.
- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State

Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.

- Define the range of positions that the Boards may take with respect to legislative proposals.

- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.

- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.

- Establish guidelines for staff and Board actions related to ballot measures.

- Provide for status reports of LACERA's legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA's mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.

- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.

- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.

- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.

- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.

- Oppose proposals that deprive members of vested benefits.

- Oppose proposals that mandate the release of confidential information of members and beneficiaries.

- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.

- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.

- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.

- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.

- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.

- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.

- Support proposals that promote transparent financial reporting.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.

- Oppose proposals that infringe on the Board of Investments' plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions.

- Oppose proposals that create unreasonable costs or complexity in the administration of investments.

- Oppose proposals that are contrary to or interfere with the Board of Investment's adopted policies or decisions.

Board of Retirement & Board of Investments

- Support proposals that harmonize the powers and functions of the Board of Retirement and Board of Investments but do not encroach on each Board's respective separate jurisdiction.

- Support proposals that enhance board member education and ethics.

- Address proposals related to the administrative budget.

- Address proposals related to the appointment of personnel.

Definitions of Board Positions

SPONSOR OR CO-SPONSOR

- Indicates that the proposal was initiated by the Board or that the proposal was initiated by one or more organizations with which LACERA shares sponsorship.

- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT

- Indicates that the Board believes the proposal should become law.

- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT IF AMENDED

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.

- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and incorporate amendments into the proposal.

- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.

- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

NEUTRAL

- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.

- Does not require engagement with LACERA's legislative advocate to achieve passage or defeat of the proposal.

OPPOSE

- Indicates that the Board does not believe the proposal should become law.

- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to defeat the proposal.

OPPOSE UNLESS AMENDED

- Indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board's opposition.

- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to incorporate amendments into the proposal.

- If amendments requested by LACERA are adopted, the Board's position will be Neutral or Watch without a resubmission of the proposal to the Board, unless the Board directs otherwise.

- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to remove its opposition, staff will resubmit the proposal to the Board for consideration.

WATCH

- Indicates that the proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as CERL or PEPRA.

- Indicates that although the proposal is not based on a law that covers LACERA such as CERL or PEPRA, the proposal may be of interest or concern to the Board and its stakeholders and that the Board in the future may take a substantive position on the matter.

- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

Legislative Analysis Memorandum Format

The following is an outline of the format of the legislative analysis memorandum provided by staff. In general, the memorandum will follow this format but may be modified for specific cases.

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:
Sponsor:
Introduced:
Amended:
Status:

Board Position:
Committee Recommendation:
Staff Recommendation:

[If the memo addresses rulemaking, the Subject section will provide similar relevant information.]

RECOMMENDATION

[This section states staff’s or the Committee’s recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

[This section discusses the application of LACERA’s legislative policy standards to the proposal and the justification for the recommendation to the Board.]

SUMMARY

[This section describes the provisions of the proposal and the key additions or updates the proposal makes to existing law.]

ANALYSIS

[This section provides an analysis of the effects and implications of the proposal on LACERA.]

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates staff’s or the Committee’s recommendation and summary or concluding comments.]

Attachments

Attachment 1—Board Positions Adopted On Related Legislation
[This attachment states the positions the Board has previously taken on the subject matter of the bill.]
Attachment 2—Support And Opposition
[This attachment identifies those entities that have already taken a position on the bill.]
Bill Text

Action between Board Meetings

The Board of Retirement generally meets twice a month, including a disability meeting on the first Wednesday and an administrative meeting on the Thursday following the second Wednesday; the Board of Investments meets once a month on the second Wednesday. Since the meeting schedules of the Boards do not necessarily accord with the hearing schedules and deadlines of the state Legislature and Congress. In the event a time-sensitive matter arises, action by staff may be required before the matter is considered by the Board at the next regularly scheduled Board meeting.

I. Legislation on Which the Board Previously Adopted a Position

Staff may engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a Support or Oppose position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

II. Formally Affiliated Organizations

1. Staff may participate in joint written communications that are organized or requested by formal organizations to which LACERA has formally affiliated and that are consistent with the Board's legislative policy standards.
2. In the event a matter has been addressed in written communications by a formal organization to which LACERA has formally affiliated, staff may, consistent with the Board's legislative policy standards, write letters of support or opposition or engage in advocacy on the matter.

Staff will take the following actions:

1. Prepare a legislative analysis of the matter for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate to determine whether staff should engage in the written communications described in II.1 and II.2.
3. If staff should engage in the written communications described in II.1 and II.2, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter and obtain approval to engage in such written communications.
4. At the next regularly scheduled Board meeting, present a report to the Board of actions taken and copies of the written communications.

Ballot Measures

California law provides for citizens to use ballot measures to initiate a state statute or a constitutional amendment or to repeal legislation through a veto referendum. The California State Legislature may also use ballot measures to offer legislatively referred state statutes or constitutional amendments.

In general, a government agency may not spend *public funds* for a partisan *campaign* advocating the passage or defeat of a ballot measure. It is, however, permissible for a government agency to engage in *informational* activities. What distinguishes *informational* activities from *campaign* activities depends on the style, tenor, and timing of the activity.

From time to time, ballot measures may be offered that are related to public retirement plans. The following guidelines are intended to provide guidance on actions that may be taken with respect to ballot measures on public retirement plans:

- Providing informational staff reports and analysis on the ballot measure’s effect in a meeting open to the public.

- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)

- Providing the Board’s position and views on the ballot measure’s merits and effects to interested stakeholders and organizations.

- Responding to inquiries from stakeholders and the public regarding the Board’s position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

Status Reports

For bills on which the Boards have taken a position, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the Legislature. The status report will be included in the green folders provided to the Board of Retirement and Board of Investments before regularly scheduled board meetings.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

Legislative Process

The following pages include an outline[1] and a flowchart[2] of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

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[1] Overview of Legislative Process – Official California Legislative Information (http://www.leginfo.ca.gov/bil2lawx.html).

[2] The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.

Change Log

Restated and approved by the Board of Retirement on October 13, 2016 and the Board of Investments on October 12, 2016

LACERA

February 26, 2018

TO: Each Member
Board of Investments

FROM: Barry W. Lew
Legislative Affairs Officer

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: **Assembly Bill 2571—Race and Gender Pay Equity Policy**

Author: Gonzalez Fletcher [D]
Sponsor: UNITE HERE
Introduced: February 15, 2018
Status: Introduced (02/15/18)

Staff Recommendation: Oppose

RECOMMENDATION

That the Board of Investments adopt an “Oppose” position on Assembly Bill 2571, which would restrict certain investments in alternative investment vehicles.

LEGISLATIVE POLICY STANDARD

The Board of Investments’ legislative policy standard is to oppose proposals that infringe on the Board of Investments’ plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions. Additionally, the Board of Investments opposes proposals that are contrary to or interfere with the Board of Investments’ adopted policies or decisions (Legislative Policy, page 7).

SUMMARY

AB 2571 would restrict a public investment fund from making new, additional, or renewed investments in alternative investment vehicles[1] unless the investment manager of the investment vehicle has adopted and committed to comply with a race and gender pay equity policy. The bill also would require the investment manager, beginning September 1, 2019, to submit a certified report of its efforts to comply with the policy to the public investment fund. The public investment fund would be required to disclose the pay equity information received from the investment manager at least annually in a public meeting and submit that information to the State Auditor. The bill provides that

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[1] Alternative investment vehicles, as defined in AB 2571, include a limited partnership, limited liability company, or similar legal structure through which a public investment fund invests in a private equity fund, venture fund, hedge fund, absolute return fund, real estate fund, joint venture, coinvestment vehicle, comingled investment, direct investment, or any other investment that is not a publicly traded security or debt fund.

nothing in its provisions shall require a public investment fund from taking action inconsistent with its constitutional fiduciary duties.

ANALYSIS

Existing Law

The County Employees Retirement Law of 1937 (CERL) provides that in any county in which the assets of the retirement system exceed $800,000,000, the board of supervisors may establish a board of investments, which shall be responsible for all the investments of a retirement system. LACERA is currently the only retirement system operating under CERL that has a board of investments separate from a board of retirement. As such, Section 31595 of CERL provides that the Board of Investments has "exclusive control of the investments" of the fund.

Section 17 of Article XVI of the California Constitution provides that the Board of Investments shall have plenary authority and "sole and exclusive fiduciary responsibility" for the investments of the retirement system. The investments are assets to be held for the exclusive purposes of providing benefits to members and beneficiaries. The Board of Investments must discharge its duties solely in the interest of, and for the exclusive purposes of, providing benefits to members and beneficiaries, minimizing employer contributions, and defraying reasonable expenses in the administration of investments. The Board's duties to members and beneficiaries take precedence over any other duty.

Under the Constitution, the Board in discharging its duties with respect to investments must act with the care, skill, prudence, and diligence of a prudent person acting under a similar capacity and engaged in a similar enterprise. The Board must diversify its investments to minimize the risk of loss and maximize the rate of return unless it is clearly not prudent to do so. The Legislature may by statute prohibit certain investments by the Board when it is in the public interest to do so, provided the prohibition satisfies the standards of fiduciary care and loyalty required of the Board.

This Bill

AB 2571 would provide that on and after January 1, 2019, a public investment fund shall make new, additional, or renewed investments in an alternative investment vehicle only where the investment manager of that vehicle has adopted and committed to comply with a race and gender pay equity policy.

The race and gender pay equity policy would be required to identify and eliminate racial or gender pay differentials that are not explained by bona fide nondiscriminatory factors. The policy would apply to the investment manager, any subsidiary entity in the alternative investment vehicle that is a hospitality employer (including other hospitality employers contracted by the subsidiary entity), and any labor contractors of the hospitality employers. Hospitality employers include operators of hotels, motels, and resorts as well as operators of restaurants and bars located on the premises of those properties.

Beginning September 1, 2019, the investment manager would be required to submit to the public investment fund a report at least annually of the steps that the investment manager and the subsidiary entities that are hospitality employers have taken to comply with the equity policy. The report would be required to provide pay equity reporting information in details as specified by the bill for the employees of the investment manager and the hospitality employers. Specifically, the alternative investment managers would be required to detail:

1) Annual mean compensation of employees by gender, ethnic and racial group,
2) The number of employees employed in each job category by gender, ethnic and racial group, and
3) The average annual compensation of employees in each job category by gender, ethnic and racial group.

On or after January 1, 2019, for new, additional, or renewed investments, the public investment fund would be required to include the adoption of a race and gender pay equity policy and its reporting requirements as material terms in its contract for those investments. The public investment fund would also be required to disclose the pay equity information received from the investment manager at least annually in a public meeting and submit that information to the State Auditor.

Traditionally, proposed legislation in California that seeks to mandate investment restrictions or divestments on public retirement systems have applied to the California Public Employees’ Retirement System and the California State Teachers’ Retirement System. This bill is notable in that it applies to all public retirement systems in California. One provision that this bill lacks, which generally appears in other investment-related bills mandating restrictions or divestments, is an indemnification clause for present, former, and future board members, officers, and employees of, and investment managers under contract with, the boards, in connection with actions related to the bill.

The bill provides that its terms are mandatory. However, the bill also provides that nothing in its terms shall require a public fund board to take any action that the board determines to be inconsistent with its fiduciary responsibilities under the Constitution. Under this provision, it appears a board could determine that compliance with the statute is inconsistent with its duties and therefore not comply.

Investment Policy

The Board of Investments’ Corporate Governance Policy provides for a strategic objective of LACERA as a responsible steward of its investments that promotes and safeguards the economic interests of LACERA and its members. Through its corporate governance program, LACERA prudently exercises its rights as an investor to support policies and practices at portfolio companies that are consistent with LACERA's economic interests in order to promote sustainable, long-term value on behalf of LACERA's members and enhance LACERA's ability to fulfill its mission. The Corporate Governance Policy provides a process for evaluating divestments related to environmental, social, and governance concerns. Under the policy, in order to promote diversification of its investments and minimize risk, LACERA's preference is to engage rather than divest investment holdings concerning risks to long-term value.

The bill creates a potential disincentive for alternative investment managers, in a highly competitive market, to accept investments from California retirement funds such as LACERA. The bill may also have adverse consequences by incenting investment managers to move offshore as a means to manage California retirement fund capital or motivating California public retirement funds to increase non-US capital allocations. The bill imposes an additional role and expense upon retirement boards, i.e., assessment of a manager's pay equity practices, which they are not well-suited to perform. Rather than imposing a new layer of government regulation, LACERA will be better served if the Board and investment staff are able to maintain their existing freedom to make such investments as it deems appropriate, in the exercise of their fiduciary duty under the Constitution.

Pay equity is generally regulated by governments as part of their employment laws. California has such laws with respect to employers in this state, and certain other states do the same. New York, Connecticut, and Illinois (which are among the largest home states of alternative investment managers) each have pay equity laws, which, while not as broad as California's pay equity laws, impose pay equity requirements and support the point that this issue is already, and will continue to be, the subject of regulation by the jurisdictions in which managers actually employ their personnel, without the need for California to indirectly regulate the area through measures like AB 2571. To the extent investment managers and hospitality employers employ personnel in California, they are already regulated by California's very strong gender and race pay equity laws under Section 1197.5 of the California Labor Code.
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IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt an “Oppose” position on Assembly Bill 2571, which would restrict certain investments in alternative investment vehicles.

Reviewed and Approved:

Steven P. Rice

Steven P. Rice, Chief Counsel

Attachments
Attachment 1—Board Positions Adopted on Related Legislation
Attachment 2—Support And Opposition
AB 2571 (Gonzalez Fletcher) as introduced on February 15, 2018

cc: Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven P. Rice
Christine Roseland
Jonathan Grabel
Christopher Wagner
Jim Rice
John McClelland
Jude Perez
Scott Zdrazil
Joe Ackler, Ackler & Associates

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

AB 1379 (2011, gutted and amended) would have required a state or local pension system with assets of over $4 billion to report annually to the State Controller on California investments and emerging domestic market investments. The Board of Investments adopted an “Oppose” position.

AB 2570 (2006, vetoed) would have required a state or local pension system with assets of over $4 billion to report annually to the State Controller on California investments and emerging domestic market investments. The Board of Investments adopted an “Oppose” position.

AB 2571
Attachment 2—Support And Opposition
Board of Investments
February 26, 2018
Page 1

SUPPORT
None

OPPOSITION
None

(Note: The bill has not yet been referred to a legislative policy committee, which normally releases a bill analysis listing officially registered support or opposition by interested parties.)

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL No. 2571

Introduced by Assembly Member Gonzalez Fletcher

February 15, 2018

An act to add Section 7513.76 to the Government Code, relating to retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 2571, as introduced, Gonzalez Fletcher. Public employee retirement systems: investments: race and gender pay equity.

The California Constitution grants the retirement board of a public employee retirement system plenary authority and fiduciary responsibility for investment of moneys and administration of the retirement fund and system. The California Constitution qualifies this grant of powers by reserving to the Legislature the authority to prohibit investments if it is in the public interest and the prohibition satisfies standards of fiduciary care and loyalty required of a retirement board.

Existing law requires every public investment fund, including any fund of any public pension or retirement system, to require each alternative investment vehicle in which it invests to make prescribed annual financial disclosures.

This bill, if consistent with fiduciary responsibilities of a public investment fund as determined by its board, would restrict new, additional, or renewed investments by a public investment fund to an alternative investment vehicle where, if the investment vehicle is managed by an investment manager, the investment manager has adopted and committed to comply with a race and gender pay equity policy consistent with requirements established in the bill. The bill would require an investment manager, beginning September 1, 2019, to submit at least once annually to the public investment fund a certified report regarding compliance. Because a certified report would be required to be verified under penalty of perjury, this bill would expand the crime of perjury, thereby imposing a state-mandated local program. The bill would require each contractually enforceable instrument for additional or new investments or renewal of existing investments with an investment manager to require that the investment manager take prescribed actions consistent with the bill as a material term of the instrument. The bill would require a public investment fund to disclose pay equity reporting information provided to it pursuant to the bill at least once annually to the State Auditor and in a report presented at a meeting open to the public. The bill would define terms for its purposes.

Because this bill would impose new requirements on local entities, relating to the implementation of the bill, including the collection of information and its presentation at a meeting open to the public, it would impose a state-mandated local program.

The California Constitution requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose.

This bill would make legislative findings to that effect.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) More than 50 years after passage of the Equal Pay Act of 1963 and the Civil Rights Act of 1964, pay inequities along race and gender lines remain pervasive.

(b) The purpose of this act is to ensure that, when it is consistent with and not in violation of their fiduciary responsibilities, California public retirement systems require that investment managers of alternative investment vehicles in which they invest adopt race and gender pay equity policies applicable to themselves and to the investment vehicles' subsidiary entities in the hospitality sector, a key area of public investment and of the California economy in which pay disparities are well documented.

(c) The data required to meet the reporting obligations in this act are readily available, consistent with existing federal reporting requirements, and do not impose an unreasonable burden on those required to prepare reports.

SEC. 2. Section 7513.76 is added to the Government Code, to read:

7513.76. (a) Nothing in this section shall require a public investment fund board to take any action that the board determines to be inconsistent with its fiduciary responsibilities, as described in Section 17 of Article XVI of the California Constitution.

(b) On and after January 1, 2019, a public investment fund shall make new, additional, or renewed investments in an alternative investment vehicle only where, if the investment vehicle is managed by an investment manager, the investment manager has adopted and committed to comply with a race and gender pay equity policy consistent with this section.

(c) The race and gender pay equity policy shall contain at minimum the following elements:

(1) The investment manager, with respect to its own employees, shall do both of the following:

(A) Identify and eliminate racial or gender pay differentials that are not explained by bona fide nondiscriminatory factors.

(B) Prepare a certified report containing the pay equity reporting information outlined in subdivision (g).

(2) The investment manager shall cause any subsidiary entity of the alternative investment vehicle that is a hospitality employer, and any hospitality employer with which any subsidiary entity contracts to operate a facility owned by the subsidiary entity, to do both of the following:

(A) Identify and eliminate racial or gender pay differentials that are not explained by bona fide nondiscriminatory factors.

(B) Submit a certified report to the investment manager containing the pay equity reporting information outlined in subdivision (g).

(d) The same obligations outlined in paragraph (2) of subdivision (c) shall apply to any labor contractor of such a hospitality employer.

(e) Beginning September 1, 2019, the investment manager shall submit at least once annually to the public investment fund a certified report demonstrating the steps the investment manager, and any hospitality employers that are subsidiary entities or with which subsidiary entities contract to operate a facility owned by a subsidiary entity, have taken to comply with subdivision (c), providing in full the pay equity reporting information for its own employees required pursuant to subparagraph (B) of paragraph (1) of subdivision (c) and for hospitality employers required pursuant to subparagraph (B) of paragraph (2) of subdivision (c). This report should indicate the name and address of each hospitality employer.

(f) Each contractually enforceable instrument for additional or new investments or renewal of existing investments with an investment manager shall require that the investment manager take the actions described in subdivisions (c), (d), (e), and (h) as a material term of the instrument.

(g) Every public investment fund shall disclose the pay equity reporting information provided to it pursuant to subdivisions (c), (d), (e), and (h) at least once annually in a report presented at a meeting open to the public. Additionally, every public investment fund shall submit the same information annually to the State Auditor.

(h) The pay equity reporting information described in subparagraph (B) of paragraph (1), and subparagraph (B) of paragraph (2), of subdivision (c) shall be as follows:

(1) The annual mean compensation of employees, by gender.

(2) The annual mean compensation of employees, by ethnic or racial group.

(3) The number of employees employed in each job category, by gender, for each ethnic or racial group.

(4) The average annual compensation of employees in each job category, by gender, for each ethnic or racial group.

(i) For the purposes of reporting pursuant to subdivision (h):

(1) Employers shall use the job categories and ethnic or racial groups included in the EEO-1 form used by the United States Equal Employment Opportunity Commission and the Office of Federal Contract Compliance. If the EEO-1 form is no longer in use or no

longer includes job categories or ethnic or racial groups, the Department of Fair Employment and Housing shall issue regulations determining the job categories and ethnic or racial groups to be used for reporting, which, to the extent possible, shall match those of any similar federal reporting requirements applicable to firms covered by this section.

(2) The Department of Fair Employment and Housing may issue regulations outlining the job categories in which data for hospitality-specific employee classifications shall be reported.

(j) An employer shall not be obligated to report compensation data otherwise required by subdivision (h) if that reporting would reflect the compensation of three or fewer employees.

(k) This section applies to all new contracts the public investment fund enters into on or after January 1, 2019, and to all existing contracts pursuant to which the public investment fund makes a new capital commitment on or after January 1, 2019.

(*l*) For the purposes of this section:

(1) "Alternative investment vehicle" means a limited partnership, limited liability company, or similar legal structure through which a public investment fund invests in a private equity fund, venture fund, hedge fund, absolute return fund, real estate fund, joint venture, coinvestment vehicle, comingled investment, direct investment, or any other investment that is not a publicly traded security or debt fund.

(2) "Certified report" means a report verified under penalty of perjury.

(3) "Compensation" means gross income as reported on a W-2 form, including wages, salaries, fees, commissions, tips, taxable fringe benefits, and elective deferrals, provided, however, that the Department of Fair Employment and Housing shall have authority to issue regulations providing an alternative definition of "compensation" to align to the extent possible with any rule adopted by the United States Equal Employment Opportunity Commission requiring reporting of employee compensation data applicable to employers covered by this section.

(4) "Gender" refers to a person's self-identified gender identity.

(5) "Hospitality employer" means any individual or entity that acts as an employer in the hospitality sector, including operators of hotels, motels, and resorts as well as operators of restaurants

and bars located on the premises of hotels, motels, and resorts and does not mean an investment firm.

(6) "Labor contractor" means an individual or entity that supplies, either with or without a contract, a hospitality employer with workers to perform labor within the hospitality employer's usual course of business.

(7) "Investment manager" means an advisor, general partner, real estate manager, private equity manager, or other entity that receives fees to manage a public investment fund investment in an alternative investment vehicle.

(8) "Public investment fund" means any fund of any public pension or retirement system, including that of the University of California to the extent consistent with Section 9 of Article IX of the California Constitution.

(9) "Public investment fund board" means the governing body of any public investment fund.

(10) "Racial or gender pay differentials that are not explained by bona fide nondiscriminatory factors" means pay differentials that would be prohibited under the standard set forth in subdivisions (a) and (b) of Section 1197.5 of the Labor Code.

(11) "Subsidiary entity" means any business organization, including, but not limited to, a corporation, partnership, or limited liability company, over which an alternative investment vehicle managed by an investment manager exercises, or has the right to exercise, control through ownership or control of shares of the business organization possessing more than 50 percent of voting power, whether directly or indirectly through one or more other subsidiary entities.

SEC. 3. The Legislature finds and declares that Section 2 of this act, which adds Section 7513.76 to the Government Code, furthers, within the meaning of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the purposes of that constitutional section as it relates to the right of public access to the meetings of local public bodies or the writings of local public officials and local agencies. Pursuant to paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the Legislature makes the following findings:

The information in the disclosures required under subdivisions (b) to (h), inclusive, of Section 7513.76 of the Government Code is necessary to ensure public confidence in the integrity of investments made by public investment fund boards in alternative investment vehicles.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district under this act would result either from a legislative mandate that is within the scope of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, or because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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LACERA

February 23, 2018

TO: Each Member
Board of Investments
Board of Retirement

FROM: Robert R. Hill RRH

Interim Chief Executive Officer

FOR: March 5, 2018 Board of Investments Meeting
March 15, 2018 Board of Retirement Meeting

SUBJECT: **Status and Plan for Joint Organizational Governance Committee Items**

Below is a list of items that were before the Joint Organizational Governance Committee when it was dissolved, and the plan for their resolution:

	Item	**Status and Plan**
1	Conduct CEO Search	The Board Chairs appointed an ad hoc committee of the Chairs and Vice Chairs of both Boards to manage the selection process; frequent updates will be provided to the Boards by the Interim CEO.
2	CIO Reporting Structure	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
3	Chief Counsel Reporting Structure	This item will be presented to both Boards for discussion and action at a future date.
4	Travel Policy Review	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
5	Broadcasting of Board Meetings	This item will be presented to both Boards for discussion and action at a joint Board meeting at a future date.
6	Revision of Boards' Sexual Harassment Policy	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
7	Boardroom Technology	Staff will engage both Boards as appropriate.

c: James Brekk Bernie Buenaflor Steven P. Rice
John Popowich Jon Grabel Johanna Fontenot

LACERA

FOR INFORMATION ONLY

February 15, 2018

TO: Each Member
Board of Investments

FROM: Ted Wright, CFA, CAIA, FRM, PRM TW
Principal Investment Officer, Global Equities

FOR: MARCH 5, 2018 BOARD OF INVESTMENTS MEETING

SUBJECT: **OPEB MASTER TRUST**

Attached is the quarterly report for the OPEB Master Trust, as of December 31, 2016.

Noted and Reviewed

Jonathan Grabel
Chief Investment Officer

Attachment

OPEB MASTER TRUST

for the quarter ended December 31, 2017

COMMENTARY

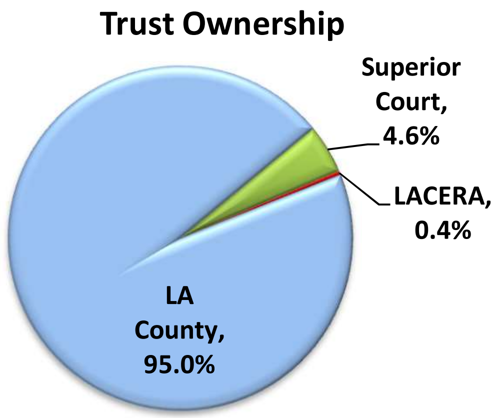
The OPEB Master Trust is comprised of three separate trusts; 1) Los Angeles County 2) LACERA and 3) Superior Court. Currently, the OPEB trusts are invested in two managers; BlackRock Institutional Trust Company manages the global equity index while J.P. Morgan Asset Management manages the cash allocation.

The equity investment is benchmarked to the MSCI All Country World Investable Market Index (ACWI IMI), which reflects equity market performance in the U.S., as well as unhedged non-U.S. market returns in developed and emerging countries. The equity portfolio returned 5.78% for the quarter and exceeded the index return of 5.72% by 0.06%. For the year, the portfolio rose 24.3%. The index performance reflected a return of 6.18% in the U.S., 4.14% in Canada, 2.48% in Europe, 8.11% in the Pacific region, and 7.67% in emerging markets for the quarter.

The cash component is benchmarked to the Citigroup 6 month T-Bill Index and is invested in high quality, short-term debt instruments. For the quarter, this portion of the account performed in line with the benchmark return of 0.30%. For the year, the portfolio generated 40 bps of excess return. This outperformance came from the strategy's allocation to short-dated corporates, certificates of deposit, commercial paper, and asset-backed securities as spreads tightened. The portfolio’s exposure to interest rate risk continues to be low, as signified by a duration of 0.33 years.

Fund Name	Inception Date	Market Value	Trust Ownership	Qtr	FYTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Los Angeles County:	Feb-2013	$831,736,528	95.0%						
Gross				4.68	9.39	19.80	8.37	----	----
Net				4.67	9.36	19.76	8.33	----	----
Net All[1]				4.66	9.34	19.71	8.27	----	----
LACERA:	Feb-2013	$3,178,087	0.4%						
Gross				4.72	9.46	19.98	8.43	----	----
Net				4.71	9.44	19.94	8.39	----	----
Net All[1]				4.38	9.00	18.68	7.73	----	----
Superior Court:	Jul-2016	$40,147,190	4.6%						
Gross				4.74	8.96	18.34	----	----	----
Net				4.73	8.94	18.30	----	----	----
Net All[1]				4.65	8.83	17.92	----	----	----
TRUST OWNERSHIP TOTAL:		**$875,061,805**	**100.0%**						

[1] Includes Custody & LACERA's Administrative Fees.



OPEB MASTER TRUST

for the quarter ended December 31, 2017

MANAGER PROFILE

Firm:	BlackRock Institutional Trust Co.
Location:	San Franciso, CA
Year Founded:	1985
Portfolio Manager:	Lilian Wan, Managing Director
Account Assets:	$683,466,325
Account Inception:	Mar-14
Benchmark:	MSCI ACWI IMI (Net)
Investment Style:	Global Equity

PERFORMANCE (NET)

	Qtr	FYTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
OPEB Global Equity	5.78	11.48	24.31	9.87	----	----
MSCI ACWI IMI (Net)	5.72	11.34	23.95	9.52	----	----

MANAGER PROFILE

Firm:	J.P. Morgan Asset Management
Location:	New York, NY
Year Founded:	1871
Portfolio Manager:	Kyongsoo Noh, Exec. Director
Account Assets:	$161,246,851
Account Inception:	Feb-13
Benchmark:	Citigroup 6-month T-Bill
Investment Style:	Enhanced Cash

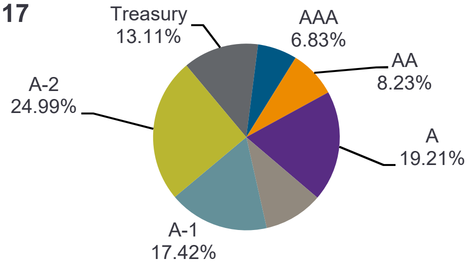
PERFORMANCE (NET)

	Qtr	FYTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
OPEB Enhanced Cash	0.29	0.65	1.26	0.84	----	----
CG 6-Month T-Bill	0.30	0.55	0.88	0.46	----	----

Portfolio characteristics – LACERA OPEB

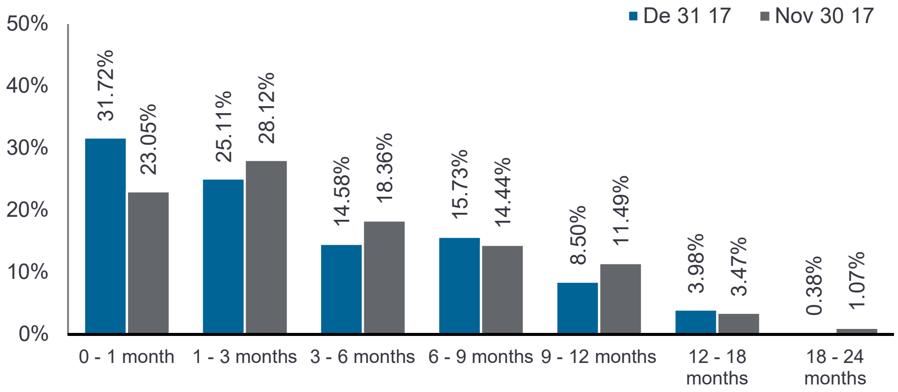
Portfolio Statistics	Dec 31 17	Nov 30 17	Change
Duration (yrs)	0.33	0.36	-0.03
Spread Duration (yrs)	0.31	0.34	-0.03
Average Yield (%)	1.75	1.59	0.16
Average Life (yrs)	0.38	0.43	-0.05
Average Credit Quality	A+	A+	-

Credit quality* (%)
as of Dec 31, 2017

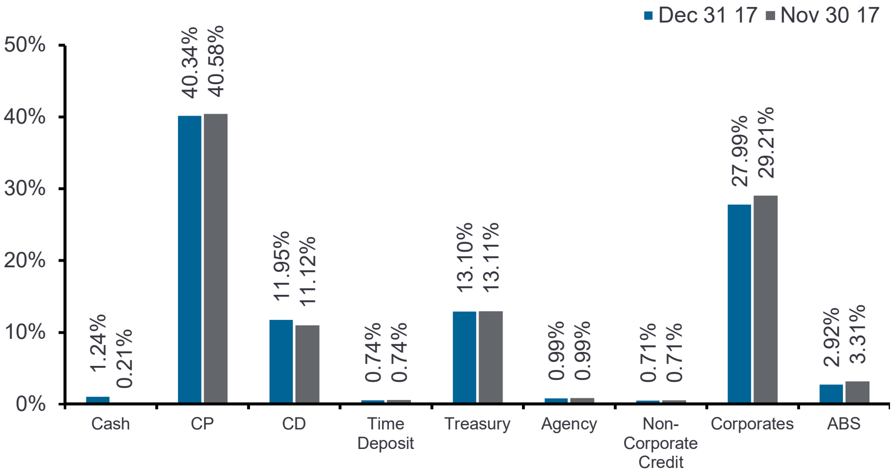


	Dec 31 17	Nov 30 17
Treasuries	13.10%	13.11%
AAA	6.83%	6.20%
AA	8.23%	8.00%
A	19.21%	20.66%
A-1+	10.23%	9.68%
A-1	17.42%	15.93%
A-2	24.99%	26.43%
Total	100.00%	100.00%

Duration Distribution



Sector Allocation



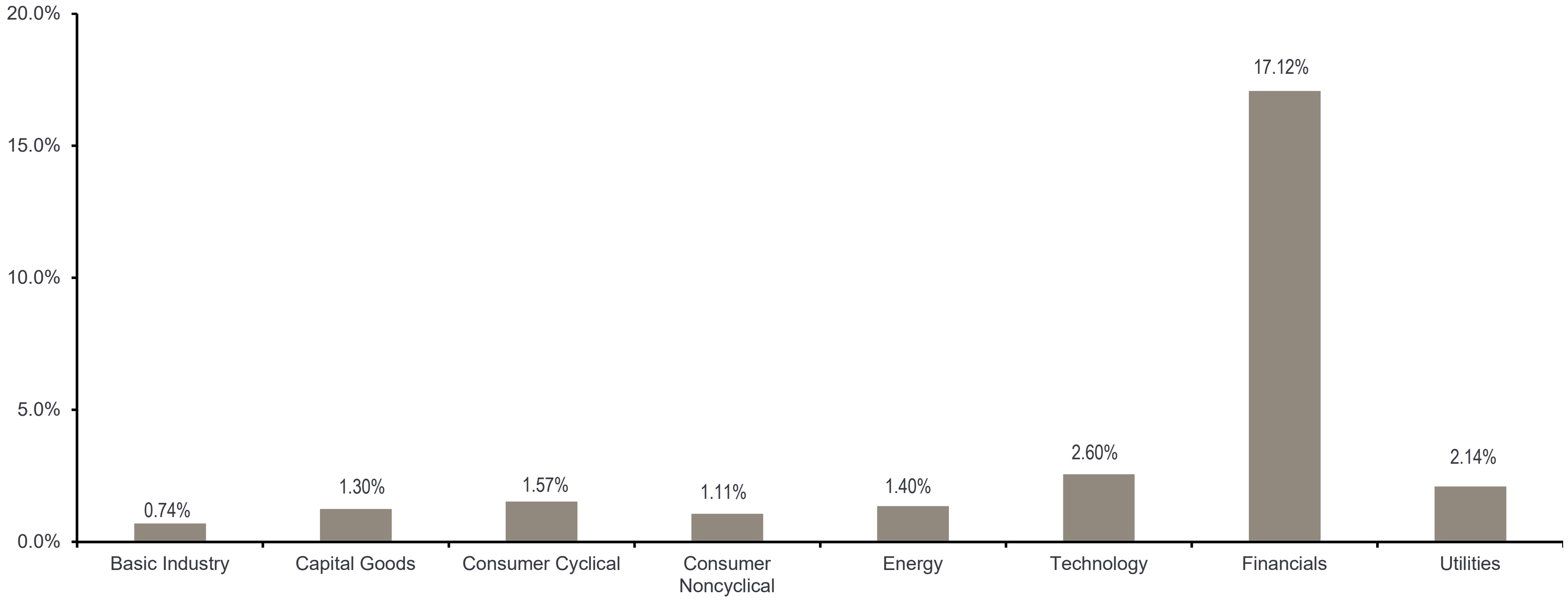
The above information is shown for illustrative purposes only.
*Quality distribution uses the middle of the split ratings.

J.P.Morgan
Asset Management

Portfolio corporate sector allocation – LACERA OPEB

As of December 31, 2017

Corporate Sector Allocation (% Market Value)



The above information is shown for illustrative purposes only.

MSCI ACWI IMI Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. (“BTC”)
for investment of fiduciary client assets held by BTC in its capacity as trustee

Investment objective and strategy

The MSCI ACWI IMI Index Fund B (the “Fund”) is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests primarily in U.S. and non-U.S. equity securities with the objective of approximating as closely as practicable the capitalization weighted rates of return of the markets in certain countries for publicly traded equity securities. The primary criterion for selection of investments in the Fund shall be the Benchmark listed herein.

Performance

Total return % as of 12/31/2017 (return percentages are annualized as of period end)

	Q4*	YTD*	1 Year*	3 Year	5 Year	Since Inception
Fund return %	5.79	24.36	24.36	9.91	11.41	9.70
Benchmark return %	5.72	23.95	23.95	9.52	11.00	9.32
Difference	**0.07**	**0.41**	**0.41**	**0.39**	**0.41**	**0.38**

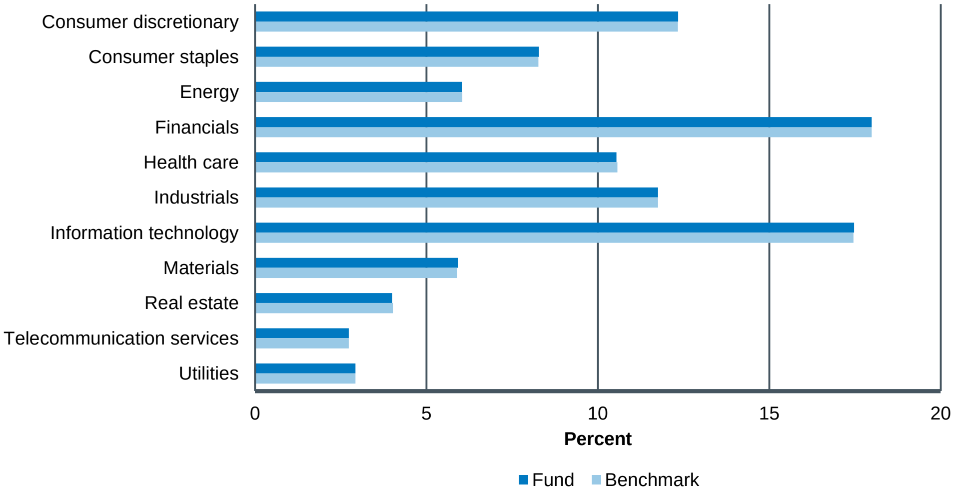
Performance disclosure:

The Fund’s net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund’s net asset value did include an accrual for the investment management fee, the Fund’s returns would be lower. **Past performance is not necessarily an indicator of future performance.**

* Period returns for less than a year are cumulative

Sector allocation

% of Fund or Benchmark as of 12/31/2017



Sources: BlackRock, MSCI Inc.
Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.

Investment details (as of 12/31/2017)

Benchmark	MSCI ACWI IMI Net Dividend Return Index
Total fund assets	$2.94 billion
Fund inception date	03/23/2010

Characteristics (as of 12/31/2017)

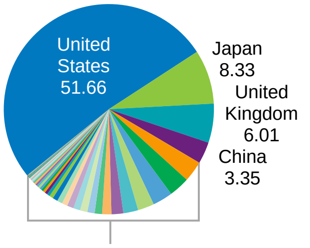
	Fund	Benchmark
Number of securities	8,676	8,651
Dividend yield	2.22	2.22

Top 10 holdings (as of 12/31/2017)

	Country	Fund (% assets)
Apple Inc.	United States	1.65
Microsoft Corporation	United States	1.18
Amazon.com, Inc.	United States	0.90
Facebook, Inc. Class A	United States	0.79
Johnson & Johnson	United States	0.71
JPMorgan Chase & Co.	United States	0.71
Exxon Mobil Corporation	United States	0.67
Alphabet Inc. Class C	United States	0.62
Alphabet Inc. Class A	United States	0.59
Bank of America Corporation	United States	0.56

Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.

Country allocation (% as of 12/31/2017)



France	3.21	Denmark	0.60	Turkey	0.13
Canada	3.19	Singapore	0.46	Austria	0.12
Germany	3.08	Belgium	0.41	New Zealand	0.10
Switzerland	2.52	Russia	0.35	Qatar	0.07
Australia	2.29	Finland	0.34	United Arab Emirates	0.07
Korea	1.82	Mexico	0.34	Colombia	0.05
Taiwan	1.42	Malaysia	0.29	Greece	0.05
Netherlands	1.14	Thailand	0.29	Portugal	0.05
India	1.13	Norway	0.28	Peru	0.04
Hong Kong	1.12	Indonesia	0.27	Hungary	0.03
Spain	1.05	Israel	0.21	Czech Republic	0.02
Sweden	1.02	Ireland	0.18	Egypt	0.02
Italy	0.86	Chile	0.15	Pakistan	0.02
South Africa	0.82	Poland	0.15		
Brazil	0.78	Philippines	0.13		

LACERA

FOR YOUR INFORMATION

February 19, 2018

TO: Each Member
Board of Investments

FROM: Jonathan Grabel
Chief Investment Officer

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: **UPDATE ON OPEB MASTER TRUST NEW STRATEGIC ASSET ALLOCATION IMPLEMENTATION PLAN**

At the December 13, 2017 Board of Investments meeting, the Board approved a revised asset allocation for the OPEB Master Trust (cover memo attached).

At the time, staff expressed that the transition will follow a number of steps over several months. **Table 1** below is a tentative timeline which culminates in the completion of transition in the second quarter of 2018:

Table 1
OPEB Master Trust Transition to the Revised Asset Allocation

Present updated Investment Policy Statement to the BOI for review	April 11, 2018
Finalize Investment Management Agreement with BlackRock Trust Company	April 2018
Complete Operational Updates at State Street	April 2018
Transition of Assets at BlackRock	May 2018
Transition Complete – New Asset Allocation Live	June 2018

This timeline allows for a thorough review and revision to the OPEB Master Trust Investment Policy Statement and Investment Management Agreement, as well as ample time to revise the composite structure, open accounts, and transition the assets to the new target allocation.

Barring any unforeseen circumstances, staff plans to complete the transition by June, 2018. Updates will be provided to the Board throughout the transition.

As a reminder, over the next 18 months, staff will work with internal stakeholders, as well as State Street, to unitize LACERA's Total Plan. Unitization will allow the OPEB Trust to invest in the same asset classes and managers as the LACERA Pension Trust. Status updates will be provided to the Board as that effort progresses.

Attachment

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ATTACHMENT

November 15, 2017

TO: Each Member
Board of Investments

FROM: Jonathan Grabel
Chief Investment Officer

FOR: December 13, 2017 Board of Investments Meeting

SUBJECT: **OPEB MASTER TRUST ASSET ALLOCATION RECOMMENDATION**

RECOMMENDATION

Staff recommends the Board approve Allocation option "C" for the OPEB Master Trust ("OPEB Trust") Asset Allocation for the following reasons:

- Allocation C is a diversified portfolio with 50% allocation to global equity, 20% allocation to credit, 10% to risk reduction and mitigation assets, and 20% to inflation hedges;

- Delivers the highest risk-adjusted expected return among the allocation options, given model constraints; and

- Provides comparatively greater expected downside risk protection for the OPEB Trust.

Staff also recommends the Board approve implementing the new asset allocation in an efficient manner by utilizing LACERA's and OPEB Trust's current index provider, BlackRock, in the short term. In the long term, staff will review the new allocation, evaluate long-term implementation solutions, and report to the Board with recommendations.

STAFF COMMENTS

In third quarter of 2017, Meketa and staff started the OPEB Trust's Asset Allocation Study to review the existing structure and determine an appropriate allocation consistent with the economic environment, subject to model assumptions and constraints. In September, the Board approved Meketa's capital market assumptions in the asset allocation model. In October, Meketa presented a range of constraints and potential asset classes to be used in the portfolio optimization model. In November, Meketa returned to the Board with refined analysis in the form of several asset allocation options for consideration, as well as stress tests of each option's returns under various market scenarios. Attached is Meketa's updated presentation on the OPEB Trust Asset Allocation Study.

Note that for implementation purposes, the attached presentation replaces private real estate asset class with Real Estate Investment Trusts (REITs) to gain real estate exposure in the allocation. The three finalized asset allocation options on page 7 of Meketa's presentation were updated to reflect this change.

Staff has reviewed Meketa's report and considers portfolio C to be the optimal allocation. The current OPEB Trust allocation consists of an 84% investment in indexed global equities, based on the MSCI All Country World Index Investable Market Index (MSCI ACWI-IMI), and a $100 million reserve or 16% investment in the J.P. Morgan Enhanced Cash Portfolio. The proposed Allocations A, B, and C all have more attractive return/risk quotients than the current portfolio and reflect greater asset diversification, potentially resulting in better performance throughout a full market cycle. As shown on page 7 of Meketa's presentation, given the same forecasted 10-year expected return of 6.3%, the standard deviation (a measure of portfolio risk) for the current OPEB Trust's allocation is 16.0%, compared to Allocation C's standard deviation of 13.8%, which is the lowest of the three allocation options.

Staff also observes that the allocation to global equity, TIPS, and investment grade bonds largely mitigates liquidity concerns arising from the significant reduction in cash, from 16% to 2%, in all three portfolios: these assets are highly liquid and can be converted to cash within a reasonably short time. During severe equity market downturn environments, TIPS and investment grade bonds can also provide greater downside protection to the portfolio. Additionally, TIPS may help mitigate some of the inflation built into the healthcare cost liability.

Although portfolio A has the best expected returns in positive scenarios due to its high allocation to equity, shown on page 10 of Meketa's report, portfolios B and C offer better downside protection in negative scenarios. Staff observes that portfolio C in general provides the best downside protection, as shown in negative scenarios, stress-tests, and Mean Variance Optimization analysis on pages 10 to 12 of Meketa's presentation. Additionally, the Sharpe ratio (a measure of risk-adjusted return) for portfolio C is 0.34, which is the highest among the allocations. Therefore, staff recommends the Board approve Allocation C to be OPEB Trust's allocation.

IMPLEMENTATION

After the Board approves the OPEB Trust Asset Allocation, staff will begin the implementation process which consists of two phases. The first phase pertains to short term implementation in the next six to nine months. The immediate step is to adjust the Investment Policy Statement and reflect the changes in allocation policy, while at the same time, working with LACERA's Legal division to negotiate legal documentation with BlackRock. As mentioned in November, BlackRock offers competitively priced index funds for the majority of the asset classes identified by Meketa. This allows the OPEB Trust to get immediate exposure to the approved asset allocation targets in a cost-effective way.

The second implementation phase is longer term and will be addressed after the allocation targets are achieved in the first phase. Staff will work closely with LACERA's Legal and Accounting divisions, as well as State Street, to unitize LACERA's existing asset class composites, so that the OPEB Trust can invest in the same investment managers as the LACERA Pension Trust. This would result in considerable operational benefits, including an economically feasible method to invest in asset classes that are currently excluded, such as private equity, hedge funds, real estate, and other real assets. Unitization is a significant undertaking that takes time. Staff will provide the Board with periodic status updates as well as more comprehensive review on the unitization of the Total Fund.

Attachments

FOR INFORMATION ONLY

February 22, 2018

TO: Each Member
Board of Investments

FROM: James Rice, CFA
Senior Investment Officer–Hedge Funds

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: **2017 FOURTH QUARTER**
HEDGE FUND PERFORMANCE REPORT

Attached for your review is the Hedge Fund Performance Report for the fourth quarter of 2017. This memorandum provides staff's observations regarding the overall hedge fund program and its objectives. Additionally, it summarizes the performance of the hedge fund program and its underlying portfolios, the returns of which are shown net of all fees throughout this report.

The report provides information on the performance of the entire hedge fund program, including sections prepared by LACERA’s two hedge fund of funds managers, Grosvenor Capital Management ("Grosvenor") and Goldman Sachs Asset Management ("GSAM").

BACKGROUND

As of December 31, 2017, LACERA’s hedge fund program consisted of four fund of funds portfolios, three managed by Grosvenor and one by GSAM. Grosvenor and GSAM each run a diversified portfolio that invests across major hedge fund strategies. Grosvenor also runs two opportunistic credit portfolios that are focused on credit strategies. The total investment in hedge funds was $1.4 billion as of December 31, 2017, and represented 2.5% of LACERA’s Total Fund.

Since program inception in October 2011, LACERA has made investments in four hedge fund portfolios:

- $250 million was invested in Grosvenor’s Diversified portfolio at the start of the program. An additional $150 million was funded in the fourth quarter of 2015 and the first quarter of 2016. As of December 31, 2017, this Diversified portfolio, made up of 31 funds, was valued at $471.1 million.

- LACERA has invested $200 million in the Grosvenor Opportunistic Credit 2013 portfolio, since its inception in January 2013. As of December 31, 2017, this portfolio, comprised of 12 funds, was valued at $93.8 million. This portfolio is now in a scheduled wind down phase. In the quarter ended December 31, 2017, $52.3 million was distributed to LACERA. Through quarter-end, a total of $169.9 million has been distributed.

- In May 2015, LACERA began investing in the GSAM Diversified portfolio. As of December 31, 2017, the GSAM Diversified portfolio was invested in 24 funds valued at $478.0 million. To date, $450 million has been invested in the portfolio.

- A $300 million commitment was made to the Grosvenor Opportunistic Credit 2016 portfolio in the fourth quarter of 2015. The $300 million commitment was invested over the period from 1Q 2016 through 3Q 2017. As of December 31, 2017, this portfolio was valued at $354.2 million and was invested in 14 funds.

Aggregated performance for the four funded portfolios ("Total Portfolio") is summarized in **Table 1** below.

Table 1
Total Portfolio
Net Performance through December 31, 2017

Net of All Fees and Expenses	Quarter	One Year	Three Years	Five Years	Inception to Date[1]
Total of Four Portfolios	1.5%	5.5%	2.9%	5.1%	5.0%
T-Bills + 5% (Primary Benchmark)	1.5%	5.9%	5.4%	5.3%	5.2%
HFRX Global Hedge Fund Index (Secondary Benchmark)	1.5%	6.0%	1.5%	2.1%	2.2%
Excess Return, Primary Benchmark	0 bps	-30 bps	-250 bps	-10 bps	-20 bps
Excess Return, Secondary Benchmark	0 bps	-50 bps	130 bps	300 bps	280 bps

[1] Annualized returns of Total Portfolio and its benchmarks since October 2011.

STAFF DISCUSSION

4Q 2017 Overview

During the fourth quarter of 2017, the Total Portfolio returned 1.5%. The Total Portfolio matched the 1.5% return of LACERA's primary hedge fund benchmark ("primary benchmark"), the 90-Day U.S. T-Bills Index plus 500 basis points ("bps"). LACERA's secondary benchmark is the HFRX Global Hedge Fund Index ("secondary benchmark"), which is comprised of open hedge funds that are representative of the overall composition of the industry[1]. LACERA's Total Portfolio also matched the 1.5% return of the secondary benchmark in the recent quarter.

LACERA's primary benchmark represents the long-term performance objective of the program to deliver strong absolute returns over cash. The secondary benchmark is representative of broad market performance of actual hedge funds and is considered in assessing relative performance of LACERA's program or determining if hedge funds as a group have met their performance objectives over time.

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[1] The HFRX Global Hedge Fund Index is constructed to include funds in its four main strategy categories of equity hedge, event driven, macro/CTA, and relative value. Underlying constituent funds and strategies in the index are weighted based on assets in the hedge fund industry, which results in relatively even weights among the four categories. LACERA's hedge fund program uses somewhat different asset categories and will hold underlying strategies at weights that differ from this index.

The investible hedge fund industry, as measured by the HFRX Global Hedge Fund Index, was flat relative to LACERA's absolute return primary benchmark. For the quarter, the HFRX strategy indices were positive in three of four categories. The best performance was in the equity hedge category (+2.7%), followed by macro/CTA (+2.6%), relative value (+0.93%), and event driven(-0.1%).

Program Objective Overview

Since inception, LACERA's hedge fund program has returned 5.0% annualized, net of all fees and expenses, which slightly underperformed the primary benchmark by 20 bps but outperformed the secondary benchmark by 280 bps.

A key objective for the hedge fund program is to reduce volatility of the Total Fund without materially decreasing returns. The Total Portfolio experienced low levels of realized volatility since inception. Volatility, as measured by standard deviation of returns and shown in **Table 2**, was 2.7% since inception, well below the 5-8% target range. Low to moderate volatility results in more consistent returns for the hedge fund program. Thus, since inception, the hedge fund program has modestly underperformed its return objectives by returning less than its absolute return benchmark, but has been below its volatility objective with lower than expected realized volatility. Though the allocation is currently small, the hedge fund program's risk and return objectives are expected to be less than the Total Fund as a whole. The overall hedge fund program's Sharpe ratio, or risk-adjusted return, is 1.8 since inception and exceeds the 1.3 Sharpe ratio of LACERA's public market asset classes.

Since inception, the Total Portfolio has also met its objectives for Total Fund diversification. The realized equity beta of LACERA's hedge fund program since inception has been 0.13, which is below the 0.25 maximum beta policy guideline. Low equity beta is an objective of the hedge fund program designed to diversify and to have lower downside risk than LACERA's Total Fund, since lower equity beta portfolios will be less susceptible to equity market declines.

Table 2
Portfolio Risk and Return Statistics
Net Performance: Inception through December 31, 2017

Net of All Fees and Expenses	Net Return[1]	Standard Deviation	Sharpe Ratio	Beta to MSCI ACWI[2]
LACERA Hedge Fund Program	5.00%	2.66%	1.80	0.13
LACERA Total Public Assets: Equities, Fixed Income, Commodities and Cash	9.89%	7.31%	1.32	0.64

[1] Annualized Return net of all fees and expenses since October 2011 Program inception.
[2] Morgan Stanley Capital International All Country World Index.

Performance Detail

Grosvenor's Diversified, Opportunistic Credit 2013, and Opportunistic Credit 2016 portfolio returns were 1.2%, 1.6%, and 2.7%, respectively, in the fourth quarter as shown in **Table 3**. The two credit portfolios outperformed their primary benchmark return of 1.5%, while the diversified portfolio underperformed by 30 basis points. Both credit portfolios outperformed their secondary benchmark return of 0.6% while the Grosvenor Diversified portfolio underperformed its secondary benchmark return of 1.5%. Quarterly performance for the GSAM Diversified portfolio was 0.8%, underperforming both its primary and secondary benchmarks. While performance was broadly positive across categories, large contributors to performance included credit, event driven, and equity long/short categories.

Table 3
Diversified and Opportunistic Credit Portfolios
Net Performance through December 31, 2017

Net of All Fees and Expenses	Quarter	One Year	Three Years	Five Years	Inception to Date[1]
Grosvenor Diversified Portfolio (San Gabriel)	1.2%	4.3%	1.5%	3.5%	3.7%
T-Bills + 5% (Primary Benchmark)	1.5%	5.9%	5.4%	5.3%	5.2%
HFRX Global Hedge Fund Index (Secondary Benchmark)	1.5%	6.0%	1.5%	2.1%	2.2%
Excess Return, Primary Benchmark	-30 bps	-160 bps	-390 bps	-180 bps	-160 bps
Excess Return, Secondary Benchmark	-30 bps	-170 bps	-10 bps	130 bps	150 bps
Grosvenor Opportunistic Credit 2013 Portfolio (San Gabriel 2)	1.6%	7.6%	3.2%	6.5%	6.5%
T-Bills + 5% (Primary Benchmark)	1.5%	5.9%	5.4%	5.3%	5.3%
HFRX Fixed Income Credit Fund Index (Secondary Benchmark)	0.6%	3.9%	1.4%	1.8%	1.8%
Excess Return, Primary Benchmark	10 bps	170 bps	-220 bps	120 bps	120 bps
Excess Return, Secondary Benchmark	100 bps	370 bps	180 bps	460 bps	460 bps
Grosvenor Opportunistic Credit 2016 Portfolio (San Gabriel 3)	2.7%	8.6%	N/A	N/A	11.4%
T-Bills + 5% (Primary Benchmark)	1.5%	5.9%	N/A	N/A	5.6%
HFRX Fixed Income Credit Fund Index (Secondary Benchmark)	0.6%	3.9%	N/A	N/A	5.7%
Excess Return, Primary Benchmark	120 bps	270 bps	N/A	N/A	580 bps
Excess Return, Secondary Benchmark	220 bps	470 bps	N/A	N/A	570 bps
GSAM Diversified Portfolio	0.8%	3.8%	N/A	N/A	2.3%
T-Bills + 5% (Primary Benchmark)	1.5%	5.9%	N/A	N/A	5.4%
HFRX Global Hedge Fund Index (Secondary Benchmark)	1.5%	6.0%	N/A	N/A	0.9%
Excess Return, Primary Benchmark	-70 bps	-210 bps	N/A	N/A	-310 bps
Excess Return, Secondary Benchmark	-70 bps	-220 bps	N/A	N/A	140 bps

[1] Annualized returns of Grosvenor Diversified portfolio and its benchmarks since October 2011.
Annualized returns of Grosvenor Opportunistic Credit 2013 portfolio and its benchmarks since January 2013.
Returns of Grosvenor Opportunistic Credit 2016 portfolio and its benchmarks since February 2016.
Annualized Returns of GSAM Diversified Portfolio and its benchmarks since May 2015.

For the Grosvenor Diversified portfolio, which returned 1.2% in the fourth quarter, three strategy categories had returns above the 1.5% absolute return of the primary benchmark. Quantitative, multi-strategy, and credit had positive relative performance, returning 3.6%, 3.5%, and 2.4%, respectively. Equities, relative value, and macro had positive but poorer relative performance, returning 1.1%, 0.7%, and 0.5%, respectively. Commodities had poor negative performance of -5.4%,

The Opportunistic Credit 2013 portfolio returned 1.6% in the fourth quarter. This gain was primarily driven by a 2.3% return from credit, the strategy category that accounts for almost all of the portfolio value. Within credit, the sub-strategies of fundamental credit and structured credit had the largest positive contribution to returns.

The Opportunistic Credit 2016 portfolio has had nearly two years of performance to date. During the quarter, the portfolio returned 2.7% with its entire allocation in credit strategies. In this portfolio, the largest contributions to return came from the sub-strategy categories of emerging market credit, structured credit, and specialist credit.

In the fourth quarter, the GSAM Diversified portfolio had performance of 0.8%. GSAM's portfolio benefitted from positive performance from equity long/short (+1.8%) and event driven (+1.7%) strategies. Underperformance relative to benchmark occurred in the relative value (+0.3%) and tactical trading (-0.1%) categories.

Investment Guidelines

The investment guidelines for each portfolio include targets, ranges, and limits relating to volatility, diversification, manager allocation, strategy allocation, leverage, downside risk, and liquidity. Those are summarized within both the Grosvenor and GSAM sections of the quarterly report. The portfolio measures for all three Grosvenor portfolios were within their guidelines as of December 31, 2017.

The Grosvenor Diversified portfolio has 84% of invested capital with annual or more frequent liquidity as of the quarter end, below the 85% minimum guideline. This was the result of Grosvenor reclassifying two investments from monthly or quarterly liquidity to "other" based on both funds beginning liquidation or fund wind-down events.

For the GSAM portfolio, the cash level as of December 31, 2017 was at 6.9%, above the 5% limit for the portfolio. GSAM had raised additional cash prior to quarter-end to fund desired manager rebalancing in the portfolio. This cash level was brought back within its compliance limit as the result of fund investments that took effect February 1, 2018.

Summary

Over longer-term measured time periods of three years or greater, LACERA’s hedge fund program, has underperformed its cash + 5% benchmark with only slight underperformance over the five-year and since inception periods. Since inception, performance over the same time periods of three years or longer exceeded the secondary benchmark, largely due to material allocations to, and good performance of, the credit segments of the portfolios. Positive results in the relative value, multi-strategy, and equity-long short categories also contributed positively to performance since program inception. LACERA’s hedge fund program has achieved its risk objectives as its realized volatility was well below its target range and its beta to equities has been well below its policy maximum. Overall, the program has contributed positively to the risk-adjusted return of the Total Fund since inception.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

JR:ct:mm

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

2017 Fourth Quarter Hedge Fund Performance

March 5, 2018

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Plan Allocation Status
December 31, 2017

LACERA Assets	$55,607.5 mm
Hedge Fund Program Target Allocation at 3.4% of Total Fund	$1,890.7 mm
Grosvenor Diversified (San Gabriel) Portfolio Market Value	$471.1 mm
Grosvenor Opportunistic Credit (San Gabriel 2) Portfolio Market Value	$93.8 mm
Grosvenor Opportunistic Credit 2 (San Gabriel 3) Portfolio Market Value	$354.2 mm
Total GCM Grosvenor Hedge Fund Program Market Value	**$919.1 mm**
Goldman Diversified Hedge Fund Portfolio Market Value	$478.0 mm
Total GSAM Goldman Sachs Hedge Fund Program Market Value	**$478.0 mm**
Total Hedge Fund Program Market Value	**$1,397.1 mm**

Portfolio Returns
December 31, 2017

Total Hedge Fund Composite				---- Annualized ----		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[3]
Hedge Fund Program Aggregate Portfolio [1,2]	1.46%	5.53%	5.53%	2.87%	5.13%	5.00%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	5.40%	5.26%	5.22%
HFRX Global Hedge Fund Index	1.50%	5.99%	5.99%	1.54%	2.12%	2.18%

Goldman Sachs Diversified Portfolio				---- Annualized ----		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[4]
Goldman Sachs Hedge Fund of Fund[1]	0.81%	3.80%	3.80%	n/a	n/a	2.30%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	n/a	n/a	5.44%
HFRX Global Hedge Fund Index	1.50%	5.99%	5.99%	n/a	n/a	0.88%

Total Grosvenor Composite				---- Annualized ----		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[3]
Total Grosvenor Composite[1,2]	1.81%	6.38%	6.38%	2.96%	5.19%	5.04%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	5.40%	5.26%	5.22%
HFRX Global Hedge Fund Index	1.50%	5.99%	5.99%	1.54%	2.12%	2.18%

Grosvenor Diversified Portfolio				---- Annualized ----		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[5]
San Gabriel Fund, L.P.[1] (Diversified)	1.20%	4.28%	4.28%	1.49%	3.46%	3.66%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	5.40%	5.26%	5.22%
HFRX Global Hedge Fund Index	1.50%	5.99%	5.99%	1.54%	2.12%	2.18%

Grosvenor Opportunistic Credit Portfolio 2013				---- Annualized ----		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[6]
San Gabriel Fund 2, L.P.[1] (Opportunistic Credit)	1.59%	7.58%	7.58%	3.21%	6.45%	6.45%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	5.40%	5.26%	5.26%
HFRX Fixed Income Credit Index	0.57%	3.87%	3.87%	1.40%	1.82%	1.82%

Grosvenor Opportunistic Credit Portfolio 2016				---- Annualized ----		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[7]
San Gabriel Fund 3, L.P.[1] (Opportunistic Credit)	2.72%	8.58%	8.58%	n/a	n/a	11.39%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	n/a	n/a	5.58%
HFRX Fixed Income Credit Index	0.57%	3.87%	3.87%	n/a	n/a	5.68%

[1] Portfolio returns are net of all fees and expenses.
[2] Returns prior to 1/1/2013 are that of San Gabriel Fund, L.P. (Grosvenor Diversified Portfolio) only.
[3] ITD returns for the HF Composite and benchmarks commence on 10/1/2011 (the inception date of the Composite).
[4] ITD returns for Goldman Sachs and benchmarks commence on 5/1/2015 (the inception date of the Fund).
[5] ITD returns for San Gabriel Fund, L.P. and benchmarks commence on 10/1/2011 (the inception date of the Fund).
[6] ITD returns for San Gabriel Fund 2, L.P. and benchmarks commence on 1/1/2013 (the inception date of the Fund).
[7] ITD returns for San Gabriel Fund 3, L.P. and benchmarks commence on 2/1/2016 (the inception date of the Fund).

Past performance is not necessarily indicative of future results, and the performance of the portfolio could be volatile.

Portfolio Risk and Return Statistics Measured Since Inception Through December 31, 2017

LACERA Hedge Fund Portfolios

	Return [1]	Standard Deviation	Sharpe Ratio	Beta to MSCI ACWI	Inception
Total Hedge Fund Program	5.00%	2.66%	1.80	0.13	10/1/2011
Goldman Sachs Diversified	2.30%	3.06%	0.62	0.10	5/1/2015
Grosvenor Diversified (San Gabriel)	3.66%	2.55%	1.35	0.13	10/1/2011
Grosvenor Opportunistic Credit (San Gabriel 2)	6.45%	3.54%	1.75	0.20	1/1/2013
Grosvenor Opportunistic Credit (San Gabriel 3)	11.39%	3.02%	3.60	0.07	2/1/2016

LACERA Custom Composites With and Without Hedge Funds [2]

	Return [1]	Standard Deviation	Sharpe Ratio	Inception
Total Public Equities, Fixed Income, Commodities and Cash	9.89%	7.31%	1.324	10/1/2011
Total Public Equities, Fixed Income, Commodities, Cash, and Hedge Funds	9.83%	7.24%	1.328	10/1/2011
Impact of Hedge Funds:	-0.06%	-0.07%	0.004	

[1] Returns are net of all fees and expenses and annualized for periods greater than one year.

[2] State Street, LACERA's custodian, began compiling these custom composites in June of 2013. Compositie information prior to June 2013 was prepared by LACERA.

Grosvenor Capital Management

Portfolio Fund Summary

Portfolio Returns

Los Angeles County Employees Retirement Association (December 31, 2017)

				Annualized		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[3]
Grosvenor Aggregate Portfolio[1,2]	1.81%	6.38%	6.38%	2.96%	5.19%	5.04%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	5.40%	5.26%	5.22%
HFRX Global Hedge Fund Index	1.50%	5.99%	5.99%	1.54%	2.12%	2.18%

				Annualized		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[4]
San Gabriel Fund, L.P.[1] (Diversified)	1.20%	4.28%	4.28%	1.49%	3.46%	3.66%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	5.40%	5.26%	5.22%
HFRX Global Hedge Fund Index	1.50%	5.99%	5.99%	1.54%	2.12%	2.18%

				Annualized		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[5]
San Gabriel Fund 2, L.P.[1] (Opportunistic Credit)	1.59%	7.58%	7.58%	3.21%	6.45%	6.45%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	5.40%	5.26%	5.26%
HFRX Fixed Income Credit Index	0.57%	3.87%	3.87%	1.40%	1.82%	1.82%

				Annualized		
	4Q17	YTD	1 Year	3 Year	5 Year	ITD[6]
San Gabriel Fund 3, L.P.[1] (Opportunistic Credit)	2.72%	8.58%	8.58%	-	-	11.39%
90-Day U.S. T-Bills plus 500 basis points	1.51%	5.88%	5.88%	-	-	5.58%
HFRX Fixed Income Credit Index	0.57%	3.87%	3.87%	-	-	5.68%

1 Portfolio returns are net of fees and expenses.

2 Returns prior to 1/1/2013 are that of San Gabriel Fund, L.P. only.

3 ITD returns for the aggregate portfolio and benchmarks commence on 10/1/2011 (the inception date of San Gabriel Fund, L.P.).

4 ITD returns for San Gabriel Fund, L.P. and benchmarks commence on 10/1/2011 (the inception date of the Fund).

5 ITD returns for San Gabriel Fund 2, L.P. and benchmarks commence on 1/1/2013 (the inception date of the Fund).

6 ITD returns for San Gabriel Fund 3, L.P. and benchmarks commence on 2/1/2016 (the inception date of the Fund).

Data sources: ©2018 Citigroup Index LLC. All rights reserved. Hedge Fund Research (HFR).

Past performance is not necessarily indicative of future results.

Hedge Fund Categories

Los Angeles County Employees Retirement Association (December 31, 2017)

San Gabriel Fund, L.P.

						Cumulative returns			Annualized returns		
Hedge fund category	QTD opening balance	QTD subscriptions/ (redemptions)	QTD gain (loss)	QTD ending balance	% of NAV (As of 12/31/17)	4Q17	YTD	1 Year	3 Year	5 Year	ITD[1]
Credit	$116,897,117	$18,439,659	$3,015,325	$138,352,100	29.37%	2.35%	7.93%	7.93%	3.84%	6.56%	7.77%
Equities	$107,725,196	($18,809,314)	$993,937	$89,909,819	19.09%	1.13%	7.96%	7.96%	0.67%	3.91%	2.82%
Quantitative	$20,342,429	($1,585,018)	$699,504	$19,456,915	4.13%	3.62%	-3.16%	-3.16%	-	-	-7.24%
Macro	$69,799,428	($4,025,517)	$263,792	$66,037,703	14.02%	0.45%	-0.44%	-0.44%	5.02%	4.91%	4.33%
Relative Value	$74,598,831	($16,588,297)	$405,280	$58,415,814	12.40%	0.67%	3.51%	3.51%	3.16%	6.00%	7.30%
Multi-Strategy	$52,833,502	$5,200,000	$2,000,322	$60,033,824	12.74%	3.45%	8.59%	8.59%	6.25%	7.04%	8.05%
Commodities	$15,854,680	$3,764,062	($1,013,371)	$18,605,372	3.95%	-5.41%	-9.79%	-9.80%	-7.77%	-8.33%	-7.98%
Portfolio Hedges	-	-	-	-	-	-	-	-	-	-	-13.68%
APPA[4]	($53,744)	-	$53,744	-	-	-	-	-	-	-	-
Other[5]	$544,300	$467,371	$23,053	$1,034,725	0.22%	2.31%	1.35%	-	-	-	-
Uninvested[6]	$6,936,573	$13,137,054	($836,872)	$19,236,755	4.08%	-	-	-	-	-	-
Net asset value	**$465,478,313**	**-**	**$5,604,714**	**$471,083,027**	**100.00%**	**1.20%**	**4.28%**	**4.28%**	**1.49%**	**3.46%**	**3.66%**

San Gabriel Fund 2, L.P.

						Cumulative returns			Annualized returns		
Hedge fund category	QTD opening balance	QTD subscriptions/ (redemptions)	QTD gain (loss)	QTD ending balance	% of NAV (As of 12/31/17)	4Q17	YTD	1 Year	3 Year	5 Year	ITD[2]
Credit	$140,163,634	($51,726,425)	$2,062,901	$90,500,110	96.48%	2.33%	10.16%	10.16%	5.06%	8.00%	8.00%
Relative Value	$2,709,957	-	($310,842)	$2,399,115	2.56%	-11.47%	-33.08%	-33.08%	-15.60%	-8.09%	-8.09%
APPA[4]	$55,822	-	($55,822)	-	-	-	-	-	-	-	-
Uninvested[6]	$1,659,627	($573,575)	($180,106)	$905,946	0.97%	-	-	-	-	-	-
Net asset value	**$144,589,040**	**($52,300,000)**	**$1,516,131**	**$93,805,171**	**100.00%**	**1.59%**	**7.58%**	**7.58%**	**3.21%**	**6.45%**	**6.45%**

San Gabriel Fund 3, L.P.

						Cumulative returns			Annualized returns		
Hedge fund category	QTD opening balance	QTD subscriptions/ (redemptions)	QTD gain (loss)	QTD ending balance	% of NAV (As of 12/31/17)	4Q17	YTD	1 Year	3 Year	5 Year	ITD[3]
Credit	$335,617,723	$559,085	$9,812,238	$345,989,046	97.66%	2.92%	9.65%	9.65%	-	-	12.75%
APPA[4]	($210,897)	-	$210,897	-	-	-	-	-	-	-	-
Uninvested[6]	$9,460,742	($559,085)	($627,823)	$8,273,835	2.34%	-	-	-	-	-	-
Net asset value	**$344,867,568**	**-**	**$9,395,312**	**$354,262,880**	**100.00%**	**2.72%**	**8.58%**	**8.58%**	**-**	**-**	**11.39%**

1 ITD returns for San Gabriel Fund, L.P. commence on 10/1/2011 (the inception date of the Fund).

2 ITD returns for San Gabriel Fund 2, L.P. commence on 1/1/2013 (the inception date of the Fund).

3 ITD returns for San Gabriel Fund 3, L.P. commence on 2/1/2016 (the inception date of the Fund).

4 Aggregated Prior Period Adjustment.

5 “Other” may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.

6 “Uninvested” may include: cash, expenses, management fees, and net receivables/payables.

Past performance is not necessarily indicative of future results.

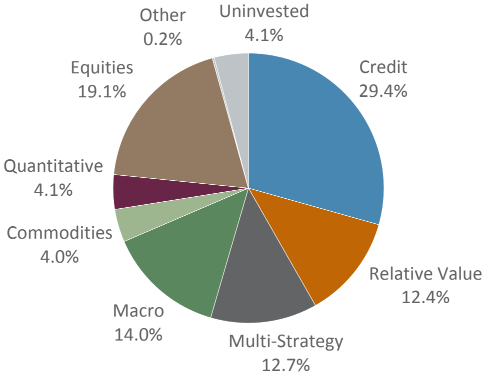
Hedge Fund Categories

Los Angeles County Employees Retirement Association (December 31, 2017)

San Gabriel Fund, L.P.

Asset allocation by strategy[1,2]

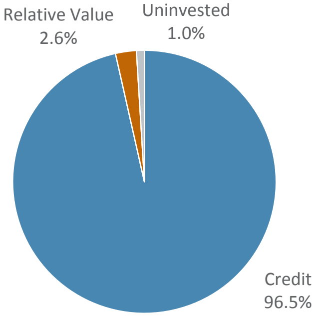
Percent of fund's net asset value



San Gabriel Fund 2, L.P.

Asset allocation by strategy[1,2]

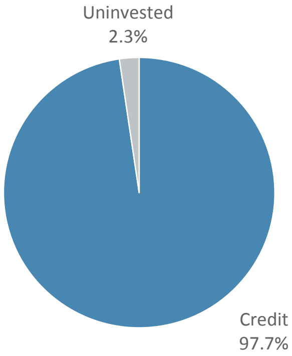
Percent of fund's net asset value



San Gabriel Fund 3, L.P.

Asset allocation by strategy[1,2]

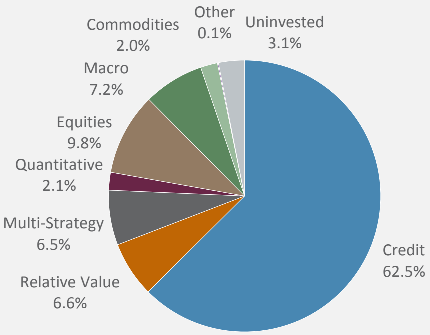
Percent of fund's net asset value



Total Hedge Fund Program

Asset allocation by strategy[1,2]

Percent of fund's net asset value



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1 "Other" (if present) may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.

2 "Uninvested" may include: cash, expenses, management fees, and net receivables/payables.

Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (December 31, 2017)

San Gabriel Fund, L.P.

						Cumulative returns			Annualized returns		
Fund Name	Fund Category	QTD ending balance	% of NAV (as of 12/31/17)	Start date of investment	End date of investment	4Q17	YTD	1 Year	3 Year	5 Year	ITD[1]
Fund 1	Credit	$17,643,720	3.75%	04/01/2013	Present	2.94%	13.34%	13.34%	5.58%	-	6.90%
Fund 2	Credit	$24,952,403	5.30%	02/01/2014	Present	2.95%	9.77%	9.77%	7.43%	-	7.02%
Fund 3	Credit	$19,944,209	4.23%	05/01/2013	Present	1.45%	6.30%	6.30%	3.68%	-	6.67%
Fund 4	Credit	$24,048,015	5.10%	10/01/2011	Present	2.72%	5.75%	5.75%	5.02%	8.09%	8.86%
Fund 5	Credit	$4,977,094	1.06%	10/01/2012	Present	1.89%	17.11%	17.11%	0.93%	5.21%	5.41%
Fund 6	Credit	$26,485,187	5.62%	10/01/2011	Present	3.02%	7.08%	7.08%	3.22%	7.56%	8.15%
Fund 7	Credit	$4,081,698	0.87%	10/01/2011	Present	0.15%	1.81%	1.81%	3.12%	4.32%	6.14%
Fund 8	Credit	$16,219,775	3.44%	11/01/2017	Present	0.12%	0.12%	-	-	-	0.12%
Fund 9	Equities	$15,948,910	3.39%	11/01/2015	Present	2.76%	19.03%	19.03%	-	-	4.75%
Fund 10	Equities	$8,964,803	1.90%	08/01/2016	Present	2.91%	7.21%	7.21%	-	-	6.93%
Fund 11	Equities	$12,599,818	2.67%	05/01/2017	Present	1.52%	2.88%	-	-	-	2.88%
Fund 12	Equities	$3,328,806	0.71%	10/01/2012	Present	4.77%	12.31%	12.31%	9.12%	12.32%	12.66%
Fund 13	Equities	$12,270,929	2.60%	07/01/2014	Present	1.31%	-0.96%	-0.96%	-1.14%	-	-3.33%
Fund 14	Equities	$6,489,220	1.38%	11/01/2017	Present	-1.20%	-1.20%	-	-	-	-1.20%
Fund 15	Equities	$6,013,285	1.28%	11/01/2012	Present	2.85%	-4.00%	-4.00%	-6.52%	1.80%	2.52%
Fund 16	Equities	$24,294,048	5.16%	11/01/2015	Present	1.62%	33.82%	33.82%	-	-	14.59%
Fund 17	Quantitative	$19,456,915	4.13%	08/01/2017	Present	5.20%	4.31%	-	-	-	4.31%
Fund 18	Macro	$24,855,151	5.28%	04/01/2012	Present	8.88%	5.06%	5.06%	15.24%	13.44%	11.90%
Fund 19	Macro	$14,071,778	2.99%	05/01/2017	Present	-9.33%	-6.19%	-	-	-	-6.19%
Fund 20	Macro	$9,797,128	2.08%	01/01/2016	Present	-5.55%	-10.15%	-10.15%	-	-	-6.59%
Fund 21	Macro	$17,313,647	3.68%	10/01/2013	Present	1.66%	7.95%	7.95%	5.48%	-	4.63%
Fund 22	Relative Value	$25,788,521	5.47%	03/01/2013	Present	3.53%	13.25%	13.25%	11.10%	-	13.99%
Fund 23	Relative Value	$3,994,126	0.85%	10/01/2011	Present	-0.04%	1.86%	1.86%	0.40%	3.61%	6.10%
Fund 24	Relative Value	$18,343,792	3.89%	05/01/2015	Present	2.07%	7.45%	7.45%	-	-	4.03%
Fund 25	Relative Value	$3,661,209	0.78%	08/01/2015	Present	0.85%	-3.83%	-3.83%	-	-	-4.46%
Fund 26	Relative Value	$6,628,165	1.41%	11/01/2015	Present	-11.47%	-33.08%	-33.08%	-	-	-16.84%
Fund 27	Multi-Strategy	$23,223,959	4.93%	11/01/2011	Present	1.88%	8.39%	8.39%	7.72%	8.48%	8.61%
Fund 28	Multi-Strategy	$17,043,905	3.62%	04/01/2017	Present	3.98%	7.92%	-	-	-	7.92%
Fund 29	Multi-Strategy	$19,765,959	4.20%	02/01/2017	Present	5.42%	4.94%	-	-	-	4.94%
Fund 30	Commodities	$14,149,657	3.00%	10/01/2012	Present	-6.99%	-8.26%	-8.26%	-0.40%	2.85%	2.26%
Fund 31	Commodities	$4,455,715	0.95%	01/01/2015	Present	-0.80%	-13.10%	-13.10%	-13.55%	-	-13.55%
Terminated Fund 41	Equities	-	-	07/01/2015	12/01/2017	-10.98%	-20.16%	-20.16%	-	-	-14.38%
Terminated Fund 42	Quantitative	-	-	11/01/2015	12/01/2017	-2.85%	-10.91%	-10.91%	-	-	-10.20%
APPA	APPA[2]	-	-	-	-	-	-	-	-	-	-
Other	Other[3]	$1,034,725	0.22%	-	-	2.31%	1.35%	-	-	-	-
Total Uninvested	Uninvested[4]	$19,236,755	4.08%	-	-	-	-	-	-	-	-
Net asset value	**Total**	**$471,083,027**	**100.00%**			**1.20%**	**4.28%**	**4.28%**	**1.49%**	**3.46%**	**3.66%**

1 ITD return for the portfolio commenced 10/1/2011. Individual fund returns are over the period indicated by the Start date of investment and End date of investment columns in the table. Returns for funds for a period of 12 months or less are not annualized.

2 Aggregated Prior Period Adjustment.

3 "Other" may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.

4 "Uninvested" may include: cash, expenses, management fees, and net receivables/payables.

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Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (December 31, 2017)

San Gabriel Fund 2, L.P.

						Cumulative returns			Annualized returns		
Fund name	Fund category	QTD ending balance	% of NAV (As of 12/31/17)	Start date of investment	End date of investment	4Q17	YTD	1 Year	3 Year	5 Year	ITD[1]
Fund 1	Credit	$3,225,637	3.44%	01/01/2013	Present	-0.09%	1.19%	1.19%	-0.02%	2.33%	2.33%
Fund 2	Credit	$13,789,604	14.70%	04/01/2013	Present	1.45%	6.30%	6.30%	3.68%	-	6.67%
Fund 3	Credit	$6,751,792	7.20%	04/01/2013	Present	2.96%	2.35%	2.35%	7.80%	-	8.27%
Fund 4	Credit	$11,001,736	11.73%	06/01/2014	Present	1.89%	17.11%	17.11%	0.93%	-	1.52%
Fund 5	Credit	$5,999,058	6.40%	03/01/2014	Present	1.07%	8.71%	8.71%	9.73%	-	5.53%
Terminated Fund 6	Credit	$10,490,170	11.18%	01/01/2013	01/01/2018	2.95%	13.89%	13.89%	5.55%	7.90%	7.90%
Terminated Fund 7	Credit	$6,080,350	6.48%	01/01/2013	01/01/2018	2.95%	9.75%	9.75%	7.41%	11.01%	11.01%
Terminated Fund 8	Credit	$10,977,720	11.70%	01/01/2013	01/01/2018	4.40%	14.64%	14.64%	8.09%	9.12%	9.12%
Terminated Fund 9	Credit	$5,957,455	6.35%	06/01/2015	01/01/2018	2.72%	5.74%	5.74%	-	-	3.26%
Terminated Fund 10	Credit	$14,190,917	15.13%	01/01/2013	01/01/2018	2.11%	9.74%	9.74%	4.23%	7.43%	7.43%
Terminated Fund 11	Credit	$2,035,672	2.17%	01/01/2015	01/01/2018	0.96%	10.53%	10.53%	1.36%	-	1.36%
Terminated Fund 12	Relative Value	$2,399,115	2.56%	02/01/2016	01/01/2018	-11.47%	-33.08%	-33.08%	-	-	-23.41%
APPA	APPA[2]	-	-	-	-	-	-	-	-	-	-
Total Uninvested	Uninvested[3]	$905,946	0.97%	-	-	-	-	-	-	-	-
Net asset value	**Total**	**$93,805,171**	**100.00%**			**1.59%**	**7.58%**	**7.58%**	**3.21%**	**6.45%**	**6.45%**

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[1] ITD return for the portfolio commenced 1/1/2013. Individual fund returns are over the period indicated by the Start date of Investment and End date of Investment columns in the table. Returns for funds for a period of 12 months or less are not annualized.

[2] Aggregated Prior Period Adjustment.

[3] "Uninvested" may include: cash, expenses, management fees, and net receivables/payables.

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Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (December 31, 2017)

San Gabriel Fund 3, L.P.

						Cumulative returns			Annualized returns		
Fund name	Fund category	QTD ending balance	% of NAV (As of 12/31/17)	Start date of investment	End date of investment	4Q17	YTD	1 Year	3 Year	5 year	ITD[1]
Fund 1	Credit	$40,939,402	11.56%	02/01/2016	Present	2.95%	9.76%	9.76%	-	-	11.35%
Fund 2	Credit	$29,181,058	8.24%	02/01/2016	Present	1.08%	6.35%	6.35%	-	-	5.35%
Fund 3	Credit	$16,410,358	4.63%	02/01/2016	Present	1.45%	6.23%	6.23%	-	-	5.37%
Fund 4	Credit	$40,419,416	11.41%	02/01/2016	Present	2.72%	5.75%	5.75%	-	-	8.70%
Fund 5	Credit	$17,199,667	4.86%	06/01/2017	Present	0.95%	3.35%	-	-	-	3.35%
Fund 6	Credit	$19,254,573	5.44%	02/01/2016	Present	2.10%	15.93%	15.93%	-	-	17.57%
Fund 7	Credit	$24,692,585	6.97%	08/01/2016	Present	0.08%	-3.98%	-3.98%	-	-	19.14%
Fund 8	Credit	$10,549,734	2.98%	02/01/2016	Present	10.78%	22.17%	22.17%	-	-	21.91%
Fund 9	Credit	$22,439,144	6.33%	06/01/2017	Present	4.81%	9.06%	-	-	-	9.06%
Fund 10	Credit	$21,070,881	5.95%	02/01/2016	Present	7.59%	25.31%	25.31%	-	-	32.26%
Fund 11	Credit	$34,248,620	9.67%	04/01/2016	Present	2.89%	10.08%	10.08%	-	-	8.79%
Fund 12	Credit	$15,866,008	4.48%	02/01/2016	Present	2.68%	8.25%	8.25%	-	-	7.66%
Fund 13	Credit	$17,929,823	5.06%	04/01/2017	Present	4.36%	6.73%	-	-	-	6.73%
Fund 14	Credit	$35,787,777	10.10%	03/01/2016	Present	2.27%	8.27%	8.27%	-	-	9.44%
APPA	APPA[2]	-	-	-	-	-	-	-	-	-	-
Total Uninvested	Uninvested[3]	$8,273,835	2.34%	-	-	-	-	-	-	-	-
Net asset value	**Total**	**$354,262,880**	**100.00%**			**2.72%**	**8.58%**	**8.58%**	**-**	**-**	**11.39%**

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[1] ITD return for the portfolio commenced 2/1/2016. Individual fund returns are over the period indicated by the Start date of investment and End date of investment columns in the table. Returns for funds for a period of 12 months or less are not annualized.

[2] Aggregated Prior Period Adjustment.

[3] "Uninvested" may include: cash, expenses, management fees, and net receivables/payables.

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Portfolio Characteristics

Los Angeles County Employees Retirement Association (Allocation Period: January 1, 2018)

	San Gabriel Fund, L.P.[1,2,6]			San Gabriel Fund 2, L.P.[1,3,7,8]			San Gabriel Fund 3, L.P.[1,3,7]			Total Hedge Fund Program[1,4]		
Volatility	Guideline	Forward looking estimate	Realized since inception	Guideline	Forward looking estimate	Realized since inception	Guideline	Forward looking estimate	Realized since inception	Guideline	Forward looking estimate	Realized since inception
Standard deviation of returns	5-7%	4.8%	2.5%	≤10%	1.3%	3.5%	≤8%	4.1%	2.9%	5-8%	4.2%	2.8%
Sharpe Ratio	≥1.0	1.22	1.36	>1.0	0.6	1.76	>1.0	1.5	3.65			1.72

Diversification	Guideline	10-year historical simulation	Forward looking estimate[5]	Realized since inception	Guideline	10-year historical simulation	Forward looking estimate[5]	Realized since inception	Guideline	10-year historical simulation	Forward looking estimate[5]	Realized since inception	Guideline	10-year historical simulation	Forward looking estimate[5]	Realized since inception
Portfolio beta to MSCI World	≤0.20	0.18	0.16	0.14	≤0.30	0.04	0.02	0.21	≤0.25	0.18	0.15	0.07	≤0.25	0.17	0.14	0.15

Manager Allocation	Guideline	Actual	Guideline	Actual	Guideline	Actual	Guideline	Actual
Number of investment managers	20-40	23	7-15	1	7-15	10		32

Portfolio category	Compliance range	Target allocation	Capital allocation	Target range	Maximum	Capital allocation	Target range	Maximum	Capital allocation	Target range	Maximum	Capital allocation
Credit	10-40%	30%	28.7%			31.4%			96.8%			55.2%
Relative Value	0-30%	15%	12.0%			0.0%			0.0%			6.2%
Multi-Strategy	0-30%	15%	12.9%			0.0%			0.0%			6.6%
Event Driven	0-25%	2%	2.6%			0.0%			0.0%			1.3%
Equities	5-40%	20%	22.0%			0.0%			0.0%			11.3%
Macro	0-20%	13%	14.1%			0.0%			0.0%			7.2%
Commodities	0-15%	4%	4.0%			0.0%			0.0%			2.0%
Portfolio Hedges	0-10%	1%	0.0%			0.0%			0.0%			0.0%

Look-through exposure category	Target range	Maximum	Capital allocation	Target range	Maximum	Capital allocation
Corporate Credit	15-40%		4.6%	<50%		30.2%
Mortgage Credit	30-60%		15.3%	<50%		32.9%
Structured Credit	10-25%		7.9%	<50%		23.0%
Relative Value	0-15%		0.0%			
Other (Event Driven, Macro, Equities)	0-10%		1.3%			

1 Forward looking estimates, historical simulation returns and related statistics are net of underlying manager fees/expenses but gross of GCM Grosvenor fees/expenses.

2 Assumes historical strategy correlation average of 0.3.

3 Assumes historical strategy correlation average of 0.5.

4 Assumes historical strategy correlation average of 0.4.

5 Forward Looking Estimate Beta statistic is presented for informational purposes only.

6 Forward Looking Estimate Sharpe Ratio is calculated using the Risk-based Allocation Report as follows: Portfolio ROR less Risk-free Rate (assumed to be 1.0% for this purpose) divided by Portfolio Standard Deviation at the 0.3 correlation level.

7 Forward Looking Estimate Sharpe Ratio is calculated using the Risk-based Allocation Report as follows: Portfolio ROR less Risk-free Rate (assumed to be 1.0% for this purpose) divided by Portfolio Standard Deviation at the 0.5 correlation level.

8 San Gabriel Fund 2, L.P. is in its harvest period with an anticipated termination date of December 31, 2018.

The statistics on this slide are for illustrative purposes only, and are summarized from data contained in the attached portfolio reports. The Notes and Disclosures following this presentation and accompanying the attached portfolio reports are integral to your review of the statistics, and must be read with your review of the statistics.

Risk Summary

Los Angeles County Employees Retirement Association (Allocation Period: January 1, 2018)

	San Gabriel Fund, L.P.		San Gabriel Fund 2, L.P.		San Gabriel Fund 3, L.P.		Total hedge fund program	
Leverage within hedge funds	Guideline maximum	Leverage	Guideline maximum	Leverage	Guideline maximum	Leverage	Guideline maximum	Leverage
Hedge fund category								
Credit	3.0x	1.8x	3.0x	1.0x	3.0x	1.1x		1.3x
Relative Value	7.0x	6.8x						6.7x
Event Driven	3.0x	1.4x						1.5x
Equities	4.0x	2.9x						2.9x
Macro	20.0x	9.3x						7.7x
Other	5.0x	-	3.0x	1.0x	3.0x	1.9x		--
Downside loss	Guideline	Current portfolio	Guideline	Current portfolio	Guideline	Current portfolio	Guideline	Current portfolio
Actual allocation to single fund, % of capital (at market)	7% maximum	6.1%						7.6%
% ROR impact of Severe Case Loss in a single fund (at market)	≥ -3%	-2.1%						-1.1%
Impact of Severe Case Loss in a single sub-strategy (at market)	≥ -6%	-3.9%						-2.0%
Fund-Level ROR Impact of Severe Case Loss (at market)	≥ -10%	-8.9%[1]	≥ -15%	-2.6%[1]	≥ -15%	-5.5%[1]		-6.4%[1]
Actual allocation to single investment manager, % of capital (at cost)			20% maximum	10.7%	25% maximum	16.5%		9.1%
Actual allocation to Self Liquidating Funds, % of capital (at cost)	5% maximum	3.4%						
Actual allocation to Self Liquidating Funds, % of capital (at market)	5% maximum	3.6%						
% ROR impact of Severe Case Loss in a single investment manager (at market)			≥ -5%	-1.9%	≥ -7%	-2.2%		-1.1%
Liquidity excluding fund level and discretionary gates, notice periods, and side pocket investments[2]	Guideline	Actual	Guideline	Actual	Guideline	Actual	Guideline	Actual
Fund capital with lockups greater than 1 year but less than 2 years	<20%	6.8%						22.9%
Fund capital with lockups greater than 2 years	0.0%	0.0%						0.0%
Fund capital available within one quarter, after lockups expire, including the effect of mandatory investor-level gates	>50%	51.3%						
Fund capital available within one year, after lockups expire, including the effect of mandatory investor-level gates	>85%	83.8%					>50%	65.2%
Fund capital with quarterly or more frequent liquidity after lockups expire, excluding the effects of mandatory investor-level gates							>50%	53.3%
Initial Anticipated End Date			60 months from San Gabriel 2 inception		At least 90% of the Fund's capital (at cost) 60 months from San Gabriel 3 inception			

1 Assumes historical strategy correlation of 0.4.

2 Self-liquidating Funds are considered to have lockups of greater than 1 year, but less than 2 years for purposes of measuring the above constraints.

The statistics on this slide are for illustrative purposes only, and are summarized from data contained in the attached portfolio reports. The Notes and Disclosures following this presentation and accompanying the attached portfolio reports are integral to your review of the statistics, and must be read with your review of the statistics.

Compliance Summary

Los Angeles County Employees Retirement Association (Allocation Period: January 1, 2018)

San Gabriel Fund, L.P.

Category	In compliance	Discussion
Forward looking return, volatility, and correlation objectives	YES	-
Downside risk case	YES	-
Number of investment managers	YES	-
Allocation to single hedge fund	YES	-
Maximum leverage	YES	-
Lockups	YES	-
Fund liquidity after lockups	NO	This exception arose due to our recent reclassification of Oceanic Opp Mstr LP's ("Oceanic") and Pine River LP's ("Pine River") liquidity from Monthly and Quarterly, respectively, to "Other" in connection with (i) Grosvenor's request that Oceanic, a fund established exclusively for Grosvenor-managed portfolios, commence an orderly liquidation and (ii) Pine River's decision to wind down the fund. San Gabriel's current position size with Oceanic is 1.3% and we expect approximately 80% of the balance to be remitted by March 31, 2018. San Gabriel's current position size with Pine River is 0.7% and we expect a portion of this to be remitted by March 31, 2018.
Strategy categories	YES	-

San Gabriel Fund 2, L.P.

Category	In compliance	Discussion
Forward looking return, volatility, and correlation objectives	YES	-
Downside risk case	YES	-
Number of investment managers	YES	-
Allocation to single investment manager	YES	-
Downside risk to a single investment manager	YES	-
Maximum leverage	YES	-
Look-through exposure categories	YES	-

San Gabriel Fund 3, L.P.

Category	In compliance	Discussion
Forward looking return, volatility, and correlation objectives	YES	-
Downside risk case	YES	-
Number of investment managers	YES	-
Allocation to single investment manager	YES	-
Downside risk to a single investment manager	YES	-
Maximum leverage	YES	-
Look-through exposure categories	YES	-

GCM GROSVENOR

Allocation Report – San Gabriel Fund, L.P.

GABRIEL - San Gabriel Fund, L.P. (the "Fund")

	Ending Balance as of 31 December 2017 Before EOM Activity					Allocation as of 01 January 2018					
Portfolio Fund Name	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Credit											
Fundamental Credit											
Fund 1	17,643,720	41.42%	12.75%	3.90%	3.75%	-	17,643,720	38.19%	13.10%	3.89%	3.75%
Fund 2	24,952,403	58.58%	18.04%	5.52%	5.30%	3,600,000	28,552,403	61.81%	21.20%	6.29%	6.06%
Total - Fundamental Credit	42,596,123	100.00%	30.79%	9.43%	9.04%	3,600,000	46,196,123	100.00%	34.29%	10.18%	9.81%
Structured Credit											
Fund 3	19,944,209	40.73%	14.42%	4.41%	4.23%	(4,986,052)	14,958,156	34.18%	11.10%	3.30%	3.18%
Fund 4	24,048,015	49.11%	17.38%	5.32%	5.10%	-	24,048,015	54.95%	17.85%	5.30%	5.10%
Fund 5	4,977,094	10.16%	3.60%	1.10%	1.06%	(216,734)	4,760,359	10.88%	3.53%	1.05%	1.01%
Total - Structured Credit	48,969,317	100.00%	35.39%	10.84%	10.40%	(5,202,786)	43,766,531	100.00%	32.49%	9.64%	9.29%
Long/Short Credit											
Fund 6	26,485,187	56.61%	19.14%	5.86%	5.62%	-	26,485,187	59.19%	19.66%	5.84%	5.62%
Fund 7	4,081,698	8.72%	2.95%	0.90%	0.87%	(2,040,849)	2,040,849	4.56%	1.52%	0.45%	0.43%
Fund 8	16,219,775	34.67%	11.72%	3.59%	3.44%	-	16,219,775	36.25%	12.04%	3.57%	3.44%
Total - Long/Short Credit	46,786,660	100.00%	33.82%	10.35%	9.93%	(2,040,849)	44,745,811	100.00%	33.22%	9.86%	9.50%
Total Credit	138,352,100		100.00%	30.62%	29.37%	(3,643,636)	134,708,465		100.00%	29.69%	28.60%
Equities											
Directional Equity / U.S./Canada											
Fund 9	15,948,910	100.00%	17.74%	3.53%	3.39%	-	15,948,910	100.00%	16.52%	3.51%	3.39%
Total - Directional Equity / U.S./Canada	15,948,910	100.00%	17.74%	3.53%	3.39%	-	15,948,910	100.00%	16.52%	3.51%	3.39%
Fundamental Market Neutral Equity / Global											
Fund 10	8,964,803	36.01%	9.97%	1.98%	1.90%	-	8,964,803	36.53%	9.28%	1.98%	1.90%
Fund 11	12,599,818	50.62%	14.01%	2.79%	2.67%	-	12,599,818	51.34%	13.05%	2.78%	2.67%
Fund 12	3,328,806	13.37%	3.70%	0.74%	0.71%	(349,989)	2,978,817	12.14%	3.08%	0.66%	0.63%
Total - Fundamental Market Neutral Equity / Global	24,893,427	100.00%	27.69%	5.51%	5.28%	(349,989)	24,543,438	100.00%	25.42%	5.41%	5.21%
Event Driven											
Fund 13	12,270,929	100.00%	13.65%	2.72%	2.60%	-	12,270,929	100.00%	12.71%	2.70%	2.60%
Total - Event Driven	12,270,929	100.00%	13.65%	2.72%	2.60%	-	12,270,929	100.00%	12.71%	2.70%	2.60%

	Ending Balance as of 31 December 2017 Before EOM Activity					Allocation as of 01 January 2018					
Portfolio Fund Name	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Specialist Equity / Asia											
Fund 14	6,489,220	100.00%	7.22%	1.44%	1.38%	7,000,000	13,489,220	100.00%	13.97%	2.97%	2.86%
Total - Specialist Equity / Asia	6,489,220	100.00%	7.22%	1.44%	1.38%	7,000,000	13,489,220	100.00%	13.97%	2.97%	2.86%
Specialist Equity / Global											
Fund 15	6,013,285	19.84%	6.69%	1.33%	1.28%	-	6,013,285	19.84%	6.23%	1.33%	1.28%
Fund 16	24,294,048	80.16%	27.02%	5.38%	5.16%	-	24,294,048	80.16%	25.16%	5.35%	5.16%
Total - Specialist Equity / Global	30,307,333	100.00%	33.71%	6.71%	6.43%	-	30,307,333	100.00%	31.39%	6.68%	6.43%
Total Equities	89,909,819		100.00%	19.90%	19.09%	6,650,011	96,559,830		100.00%	21.28%	20.50%
Quantitative											
Non-Directional Quantitative											
Fund 17	19,456,915	100.00%	100.00%	4.31%	4.13%	-	19,456,915	100.00%	100.00%	4.29%	4.13%
Total - Non-Directional Quantitative	19,456,915	100.00%	100.00%	4.31%	4.13%	-	19,456,915	100.00%	100.00%	4.29%	4.13%
Total Quantitative	19,456,915		100.00%	4.31%	4.13%	-	19,456,915		100.00%	4.29%	4.13%
Macro											
Diversified Macro											
Fund 18	24,855,151	63.85%	37.64%	5.50%	5.28%	250,000	25,105,151	64.08%	37.87%	5.53%	5.33%
Fund 19	14,071,778	36.15%	21.31%	3.11%	2.99%	-	14,071,778	35.92%	21.23%	3.10%	2.99%
Total - Diversified Macro	38,926,929	100.00%	58.95%	8.62%	8.26%	250,000	39,176,929	100.00%	59.10%	8.63%	8.32%
Specialist Macro											
Fund 20	9,797,128	36.14%	14.84%	2.17%	2.08%	-	9,797,128	36.14%	14.78%	2.16%	2.08%
Fund 21	17,313,647	63.86%	26.22%	3.83%	3.68%	-	17,313,647	63.86%	26.12%	3.82%	3.68%
Total - Specialist Macro	27,110,775	100.00%	41.05%	6.00%	5.76%	-	27,110,775	100.00%	40.90%	5.97%	5.76%
Total Macro	66,037,703		100.00%	14.62%	14.02%	250,000	66,287,703		100.00%	14.61%	14.07%
Relative Value											
Diversified Relative Value											
Fund 22	25,788,521	53.58%	44.15%	5.71%	5.47%	(1,273,564)	24,514,957	53.29%	43.55%	5.40%	5.20%
Fund 23	3,994,126	8.30%	6.84%	0.88%	0.85%	(848,179)	3,145,947	6.84%	5.59%	0.69%	0.67%
Fund 24	18,343,792	38.12%	31.40%	4.06%	3.89%	-	18,343,792	39.87%	32.59%	4.04%	3.89%
Total - Diversified Relative Value	48,126,440	100.00%	82.39%	10.65%	10.22%	(2,121,743)	46,004,697	100.00%	81.72%	10.14%	9.77%
Option Volatility Arbitrage											
Fund 25	3,661,209	35.58%	6.27%	0.81%	0.78%	-	3,661,209	35.58%	6.50%	0.81%	0.78%
Fund 26	6,628,165	64.42%	11.35%	1.47%	1.41%	-	6,628,165	64.42%	11.77%	1.46%	1.41%
Total - Option Volatility Arbitrage	10,289,374	100.00%	17.61%	2.28%	2.18%	-	10,289,374	100.00%	18.28%	2.27%	2.18%
Total Relative Value	58,415,814		100.00%	12.93%	12.40%	(2,121,743)	56,294,071		100.00%	12.41%	11.95%

Ending Balance as of 31 December 2017 Before EOM Activity						Allocation as of 01 January 2018					
Portfolio Fund Name	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Multi-Strategy											
Diversified Multi-Strategy											
Fund 27	23,223,959	38.68%	38.68%	5.14%	4.93%	835,814	24,059,773	39.53%	39.53%	5.30%	5.11%
Fund 28	17,043,905	28.39%	28.39%	3.77%	3.62%	-	17,043,905	28.00%	28.00%	3.76%	3.62%
Fund 29	19,765,959	32.92%	32.92%	4.37%	4.20%	-	19,765,959	32.47%	32.47%	4.36%	4.20%
Total - Diversified Multi-Strategy	60,033,824	100.00%	100.00%	13.29%	12.74%	835,814	60,869,637	100.00%	100.00%	13.41%	12.92%
Total Multi-Strategy	60,033,824		100.00%	13.29%	12.74%	835,814	60,869,637		100.00%	13.41%	12.92%
Commodities											
Diversified Commodities											
Fund 30	14,149,657	100.00%	76.05%	3.13%	3.00%	-	14,149,657	100.00%	76.05%	3.12%	3.00%
Total - Diversified Commodities	14,149,657	100.00%	76.05%	3.13%	3.00%	-	14,149,657	100.00%	76.05%	3.12%	3.00%
Specialist Commodities											
Fund 31	4,455,715	100.00%	23.95%	0.99%	0.95%	-	4,455,715	100.00%	23.95%	0.98%	0.95%
Total - Specialist Commodities	4,455,715	100.00%	23.95%	0.99%	0.95%	-	4,455,715	100.00%	23.95%	0.98%	0.95%
Total Commodities	18,605,372		100.00%	4.12%	3.95%	-	18,605,372		100.00%	4.10%	3.95%
Other											
Other Investments											
Terminated Fund 38	579,383	55.99%	55.99%	0.13%	0.12%	-	579,383	58.16%	58.16%	0.13%	0.12%
Terminated Fund 25	14,890	1.44%	1.44%	0.00%	0.00%	-	14,890	1.49%	1.49%	0.00%	0.00%
Terminated Fund 32	355,703	34.38%	34.38%	0.08%	0.08%	(38,495)	317,208	31.84%	31.84%	0.07%	0.07%
Terminated Fund 4	84,748	8.19%	8.19%	0.02%	0.02%	-	84,748	8.51%	8.51%	0.02%	0.02%
Total - Other Investments	1,034,725	100.00%	100.00%	0.23%	0.22%	(38,495)	996,230	100.00%	100.00%	0.22%	0.21%
Total Other	1,034,725		100.00%	0.23%	0.22%	(38,495)	996,230		100.00%	0.22%	0.21%
Total ALLOCATED	**451,846,271**			**100.00%**	**95.92%**	**1,931,951**	**453,778,223**			**100.00%**	**96.33%**
Cash	5,501,860				1.17%	3,735,722	9,237,582				1.96%
Expenses	(149,000)				-0.03%	-	(149,000)				-0.03%
Management Fees	(449)				0.00%	824,535	824,086				0.17%
Net Rec/(Pay)	13,884,345				2.95%	(6,492,208)	7,392,136				1.57%
Total UNALLOCATED	**19,236,755**				**4.08%**	**(1,931,951)**	**17,304,804**				**3.67%**
NET ASSET VALUE	**471,083,027**				**100.00%**	**0**	**471,083,027**				**100.00%**

Notes and Disclosures

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GCM GROSVENOR

Allocation Report – San Gabriel Fund 2, L.P.

GROSVENOR® Best Practices in Alternative Investments℠

Allocation Report
Expressed in US Dollars
Period is 01 January 2018

GABRIEL2 - San Gabriel Fund 2, L.P. (the "Fund")

Ending Balance as of 31 December 2017 Before EOM Activity						Allocation as of 01 January 2018					
Portfolio Fund Name	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Credit											
Fundamental Credit											
Terminated Fund 6	10,490,170	38.08%	11.59%	11.29%	11.18%	(10,490,170)	-	-	-	-	-
Terminated Fund 7	6,080,350	22.07%	6.72%	6.55%	6.48%	(6,080,350)	-	-	-	-	-
Terminated Fund 8	10,977,720	39.85%	12.13%	11.82%	11.70%	(10,977,720)	-	-	-	-	-
Total - Fundamental Credit	27,548,239	100.00%	30.44%	29.65%	29.37%	(27,548,239)	-	-	-	-	-
Structured Credit											
Fund 1	3,225,637	5.87%	3.56%	3.47%	3.44%	-	3,225,637	10.90%	10.39%	10.16%	3.44%
Fund 2	13,789,604	25.11%	15.24%	14.84%	14.70%	(4,596,075)	9,193,529	31.07%	29.62%	28.96%	9.80%
Fund 3	6,751,792	12.29%	7.46%	7.27%	7.20%	(100,197)	6,651,595	22.48%	21.43%	20.95%	7.09%
Terminated Fund 9	5,957,455	10.85%	6.58%	6.41%	6.35%	(5,957,455)	-	-	-	-	-
Terminated Fund 10	14,190,917	25.84%	15.68%	15.28%	15.13%	(14,190,917)	-	-	-	-	-
Fund 4	11,001,736	20.03%	12.16%	11.84%	11.73%	(479,086)	10,522,651	35.56%	33.90%	33.15%	11.22%
Total - Structured Credit	54,917,141	100.00%	60.68%	59.11%	58.54%	(25,323,729)	29,593,411	100.00%	95.35%	93.22%	31.55%
Emerging Market Credit											
Fund 5	5,999,058	100.00%	6.63%	6.46%	6.40%	(4,556,675)	1,442,383	100.00%	4.65%	4.54%	1.54%
Total - Emerging Market Credit	5,999,058	100.00%	6.63%	6.46%	6.40%	(4,556,675)	1,442,383	100.00%	4.65%	4.54%	1.54%
Specialist Credit											
Terminated Fund 11	2,035,672	100.00%	2.25%	2.19%	2.17%	(2,035,672)	-	-	-	-	-
Total - Specialist Credit	2,035,672	100.00%	2.25%	2.19%	2.17%	(2,035,672)	-	-	-	-	-
Total Credit	90,500,110		100.00%	97.42%	96.48%	(59,464,316)	31,035,794		100.00%	97.76%	33.09%
Relative Value											
Option Volatility Arbitrage											
Terminated Fund 12	2,399,115	100.00%	100.00%	2.58%	2.56%	(2,399,115)	-	-	-	-	-
Total - Option Volatility Arbitrage	2,399,115	100.00%	100.00%	2.58%	2.56%	(2,399,115)	-	-	-	-	-
Total Relative Value	2,399,115		100.00%	2.58%	2.56%	(2,399,115)	-		-	-	-

Portfolio Fund Name	Ending Balance as of 31 December 2017 Before EOM Activity					Allocation as of 01 January 2018					
	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Other											
Other Investments											
Terminated Fund 11	-	-	-	-	-	710,352	710,352	100.00%	100.00%	2.24%	0.76%
Total - Other Investments	-	-	-	-	-	710,352	710,352	100.00%	100.00%	2.24%	0.76%
Total Other	-		-	-	-	710,352	710,352		100.00%	2.24%	0.76%
Total ALLOCATED	**92,899,226**			**100.00%**	**99.03%**	**(61,153,079)**	**31,746,146**			**100.00%**	**33.84%**
Cash	2,291,260				2.44%	44,742,391	47,033,651				50.14%
Expenses	(59,976)				-0.06%	1	(59,975)				-0.06%
Management Fees	(18)				-	118,869	118,851				0.13%
Net Rec/(Pay)	(1,325,320)				-1.41%	16,291,818	14,966,498				15.95%
Total UNALLOCATED	**905,946**				**0.97%**	**61,153,079**	**62,059,025**				**66.16%**
NET ASSET VALUE	**93,805,171**				**100.00%**	**0**	**93,805,171**				**100.00%**

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Allocation Report – San Gabriel Fund 3, L.P.

Allocation Report

Expressed in US Dollars

Period is 01 January 2018

GABRIEL3 - San Gabriel Fund 3, L.P. (the "Fund")

Ending Balance as of 31 December 2017 Before EOM Activity						Allocation as of 01 January 2018					
Portfolio Fund Name	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Credit											
Fundamental Credit											
Fund 1	40,939,402	100.00%	11.83%	11.83%	11.56%	-	40,939,402	100.00%	11.94%	11.94%	11.56%
Total - Fundamental Credit	40,939,402	100.00%	11.83%	11.83%	11.56%	-	40,939,402	100.00%	11.94%	11.94%	11.56%
Structured Credit											
Fund 2	29,181,058	23.83%	8.43%	8.43%	8.24%	-	29,181,058	24.65%	8.51%	8.51%	8.24%
Fund 3	16,410,358	13.40%	4.74%	4.74%	4.63%	(4,102,589)	12,307,768	10.40%	3.59%	3.59%	3.47%
Fund 4	40,419,416	33.00%	11.68%	11.68%	11.41%	-	40,419,416	34.15%	11.79%	11.79%	11.41%
Fund 5	17,199,667	14.04%	4.97%	4.97%	4.86%	-	17,199,667	14.53%	5.02%	5.02%	4.86%
Fund 6	19,254,573	15.72%	5.57%	5.57%	5.44%	-	19,254,573	16.27%	5.62%	5.62%	5.44%
Total - Structured Credit	122,465,071	100.00%	35.40%	35.40%	34.57%	(4,102,589)	118,362,481	100.00%	34.53%	34.53%	33.41%
Distressed											
Fund 7	24,692,585	100.00%	7.14%	7.14%	6.97%	-	24,692,585	100.00%	7.20%	7.20%	6.97%
Total - Distressed	24,692,585	100.00%	7.14%	7.14%	6.97%	-	24,692,585	100.00%	7.20%	7.20%	6.97%
Emerging Market Credit											
Fund 8	10,549,734	19.51%	3.05%	3.05%	2.98%	(616,985)	9,932,748	18.59%	2.90%	2.90%	2.80%
Fund 9	22,439,144	41.51%	6.49%	6.49%	6.33%	-	22,439,144	41.99%	6.55%	6.55%	6.33%
Fund 10	21,070,881	38.98%	6.09%	6.09%	5.95%	-	21,070,881	39.43%	6.15%	6.15%	5.95%
Total - Emerging Market Credit	54,059,759	100.00%	15.62%	15.62%	15.26%	(616,985)	53,442,774	100.00%	15.59%	15.59%	15.09%
Specialist Credit											
Fund 11	34,248,620	32.98%	9.90%	9.90%	9.67%	(284,031)	33,964,589	32.24%	9.91%	9.91%	9.59%
Fund 12	15,866,008	15.28%	4.59%	4.59%	4.48%	1,800,000	17,666,008	16.77%	5.15%	5.15%	4.99%
Fund 13	17,929,823	17.27%	5.18%	5.18%	5.06%	-	17,929,823	17.02%	5.23%	5.23%	5.06%
Fund 14	35,787,777	34.47%	10.34%	10.34%	10.10%	-	35,787,777	33.97%	10.44%	10.44%	10.10%
Total - Specialist Credit	103,832,229	100.00%	30.01%	30.01%	29.31%	1,515,969	105,348,197	100.00%	30.73%	30.73%	29.74%
Total Credit	345,989,046		100.00%	100.00%	97.66%	(3,203,606)	342,785,440		100.00%	100.00%	96.76%
Total ALLOCATED	**345,989,046**			**100.00%**	**97.66%**	**(3,203,606)**	**342,785,440**			**100.00%**	**96.76%**
Cash	7,182,131				2.03%	(335,261)	6,846,871				1.93%

Ending Balance as of 31 December 2017 Before EOM Activity						Allocation as of 01 January 2018					
Portfolio Fund Name	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Expenses	(90,788)				-0.03%	217	(90,572)				-0.03%
Management Fees	(523)				0.00%	619,075	618,552				0.17%
Net Rec/(Pay)	1,183,015				0.33%	2,919,575	4,102,589				1.16%
Total UNALLOCATED	**8,273,835**				**2.34%**	**3,203,606**	**11,477,440**				**3.24%**
NET ASSET VALUE	**354,262,880**				**100.00%**	**-**	**354,262,880**				**100.00%**

Notes and Disclosures

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Goldman Sachs Asset Management

Portfolio Fund Summary

Hedge Fund Categories

Los Angeles County Employees Retirement Association (December 31, 2017)

						Cumulative Returns			Annualized Returns	
Hedge Fund Category	**QTD Opening Balance**	**QTD Subscriptions/ (Redemptions)**	**QTD Gain/(Loss)**	**QTD Ending Balance**	**% of Nav (as of 12/31/2017)[2]**	**4Q2017[1]**	**YTD**	**1 Year**	**3 Year**	**ITD[1]**
Equity Long/Short	127,553,736.94	9,000,000.00	2,333,488.00	138,887,224.94	29.05%	1.80%	12.22%	12.22%	N/A	5.88%
Event Driven	77,186,986.27	25,000,000.00	1,724,668.91	103,911,655.18	21.73%	1.69%	6.78%	6.78%	N/A	2.41%
Relative Value	96,300,501.86	-	258,394.01	96,558,895.87	20.20%	0.27%	9.17%	9.17%	N/A	2.85%
Tactical Trading	126,149,658.67	(20,362,945.62)	(107,145.42)	105,679,567.63	22.10%	-0.05%	-4.51%	-4.51%	N/A	-0.47%
Net Asset Value				478,098,210.21						

[1] The LACERA Portfolio incepted on May 1, 2015. Returns less than 12 months are cumulative, not annualized. **Past performance does not guarantee future results, which may vary.**

[2] Based on the end equity value of the Fund.

Goldman Sachs Asset Management

Los Angeles County Employees Retirement Association

PERFORMANCE HIGHLIGHT DECEMBER 2017 **ALTERNATIVE INVESTMENTS & MANAGER SELECTION (AIMS)**

GOLDMAN SACHS HEDGE FUND STRATEGIES (HFS)

Overview

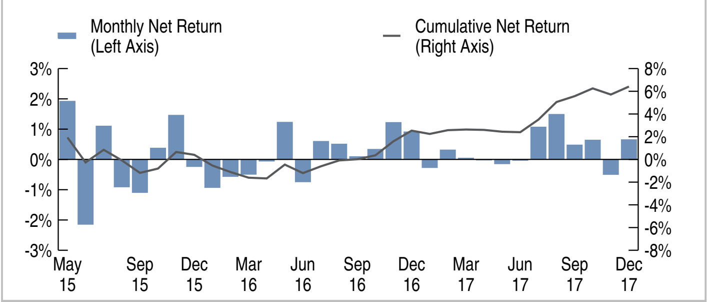
During December, the global economy continued to improve. In the US, Senate Republicans' passed the most sweeping overhaul of the US tax code in three decades, bestowing potential large benefits on US corporations and the wealthiest Americans. In the UK, Brexit progress provided some relief and partially removed sources of uncertainty for the market. Equity performance was mostly positive with the exception of Europe where the ECB was seen as moving closer to accommodation removal and the official start of MiFID II loomed.

Equity Long/Short managers generated gains and outperformed global equity markets on an exposure-adjusted basis in the final week of 2017. However, MTD performance continues to be challenged relative to global equities, driven by the underperformance of short positioning. Ahead of year-end and with the passing of the US tax reform bill, investors continued to rotate into sectors seen to benefit from a cut in the corporate tax rate while rotating out of year-to-date winners. Underperformance has been driven by information technology with both long and short names generating losses. These losses were offset by solid performance across long positioning within the consumer, materials, financials, and energy sectors.

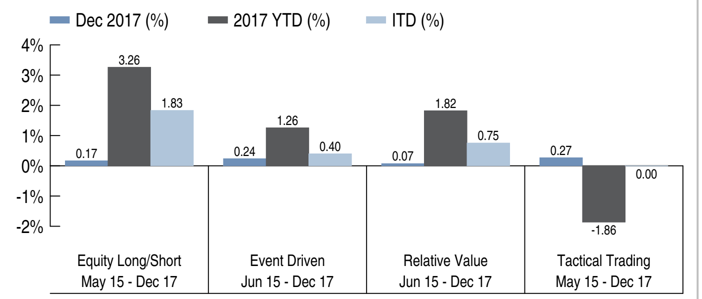
Event driven managers generated positive performance as distressed managers outperformed in December. Equity sub-strategies generated positive performance, amid a relatively supportive market backdrop across most equity sectors and positive contribution from stock selection. Consumer discretionary and financials sectors were the most notable contributors to performance. However, energy and materials sectors underperformed on a relative basis resulting from negative contribution from stock selection. Merger spreads were broadly flat during the month. Notably, the two largest deals of 2017, CVS Health / Aetna and 21st Century Fox / Walt Disney Company, were announced in December.

Discretionary macro managers realized negative performance, although managers focused on emerging markets outperformed those focused on the G3 economies. Losses were driven by trading in currencies, including short positions in the euro and Australian dollar as well as long positions in the British pound. Equities and fixed income trading was mixed. In equities, trading in Europe detracted, but was offset by long positions in Japanese and Asian equities. In fixed income, losses in short UK rates and US steepeners were offset by short positions across the US, Europe, and Australia. CTAs were positive in December. The largest gains were commodities – driven by long bias to energies (mainly oil), and a long bias to base metals. Currencies trading was more mixed across strategies but contributed overall as most managers benefited from US dollar weakness. Fixed income was a notable detractor where fixed income trading proved difficult with the majority of the losses driven by long bias to European rates.

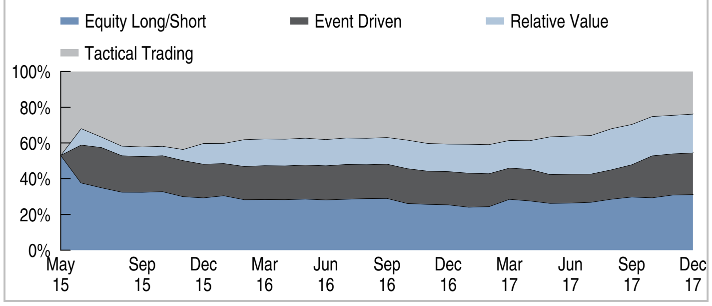
Monthly & Cumulative Net Returns[1]



Contribution to Return by Sector[2]



Historical Sector Allocations[3]



Performance & Characteristics[1]

	Cumulative (%)			Annualized (%)					Max.	MSCI World USD		Barclays Agg		Sharpe	Inception
	MTD	QTD	YTD	1Y	3Y	5Y	ITD[4]	Vol ITD	Drawdown (%)	Correlation	Beta	Correlation	Beta	Ratio[5]	Date
LACERA (A1)	**0.66**	**0.80**	**3.79**	3.79	N/A	N/A	2.36	3.08	-3.54	0.52	0.16	-0.17	-0.20	0.51	May 15
HFRX Global Hedge Fund Index	0.73	1.50	5.99	5.99	N/A	N/A	0.88	3.58	-8.92	0.90	0.32	-0.02	-0.03	0.03	May 15
MSCI World Index Hedged USD	1.07	5.09	16.90	16.90	N/A	N/A	6.81	9.94	-12.43	1.00	1.00	-0.06	-0.23	0.61	May 15
Bloomberg Barclays Aggregate Bond Index	0.46	0.39	3.55	3.55	N/A	N/A	2.06	2.63	-3.28	-0.06	-0.02	1.00	1.00	0.49	May 15
3 Month Libor	0.11	0.33	1.19	1.19	N/A	N/A	0.78	0.11	N/A	N/A	N/A	N/A	N/A	N/A	May 15

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[1] This is the performance for Los Angeles County Employees Retirement Association (Class A, Series 1). Returns are net of underlying manager fees, Goldman Sachs incentive fees and Goldman Sachs management fees. Not all investors may be holders of this Class and this Class currently may not be available for purchase. Please refer to the offering documents of the Fund for a discussion of the differences among Classes that might impact performance. Returns are presented in USD. The figures published here are final and unaudited.

[2] Contribution data is geometrically calculated based on a monthly time series. Data will not arithmetically sum to fund total due to fund level assets and liabilities not allocated to underlying managers. Cumulative geometric returns for less than 12 months are calculated as follows: $(1+r_1)*(1+r_2)*...*(1+r_n)-1$. Annualized geometric returns for returns greater than 12 months are calculated as follows: $[(1+r_1)*(1+r_2)*...*(1+r_n)]^{12/m}-1$.

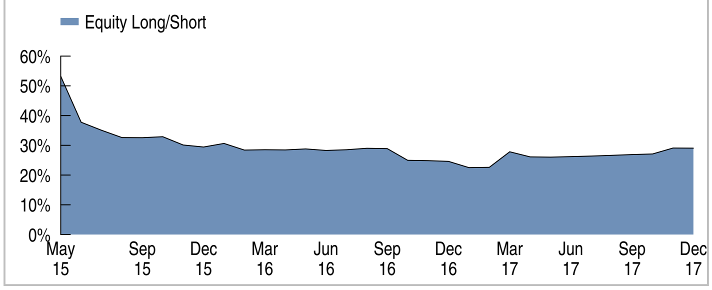
[3] Based on invested assets. The investment manager may change the allocations over time. The allocations noted should not be deemed representative of allocations in the future. All the allocations were done using the portfolio's valuations at month-end.

[4] Returns less than 12 months are cumulative, not annualized.

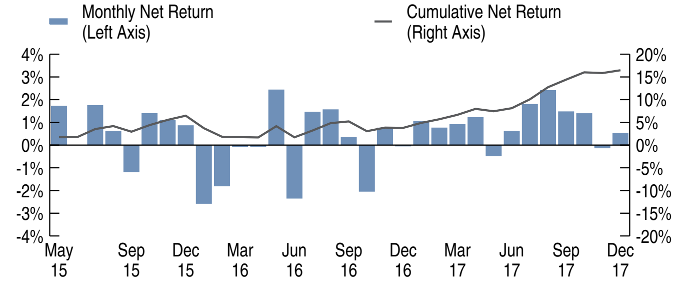
[5] The 3 Month Libor (USD) rate is used for this calculation.

Sector Level Returns — Equity Long/Short

Historical Sector Allocations[1]



Monthly & Cumulative Net Returns[2]

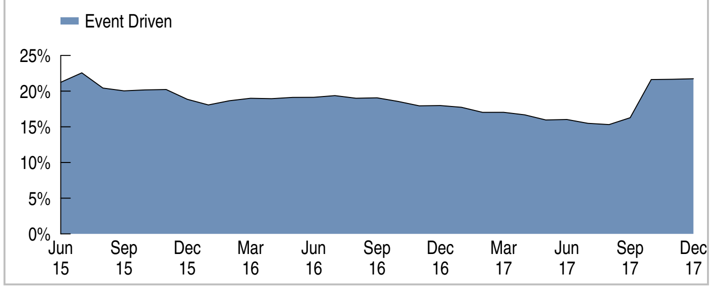


Performance & Characteristics[2,3]

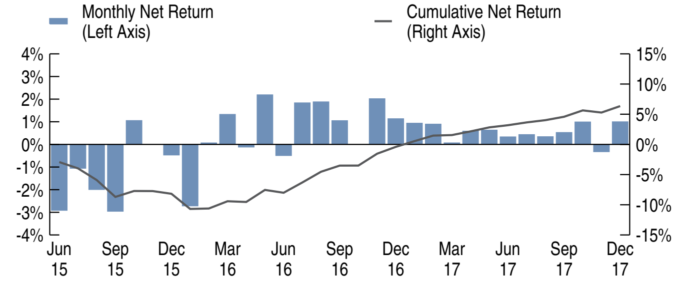
		Cumulative (%)			Annualized (%)					Max.	MSCI World USD		Barclays Agg		Sharpe	Inception	End
	Weight[1] (%)	MTD	QTD	YTD	1Y	3Y	5Y	ITD[4]	Vol ITD	Drawdown (%)	Correlation	Beta	Correlation	Beta	Ratio[5]	Date	Date
Performance	29.05	0.54	1.80	12.22	12.22	N/A	N/A	5.88	4.56	-4.50	0.46	0.21	-0.27	-0.46	1.12	May 15	Dec 17
Contribution	N/A	0.17	0.53	3.26	3.26	N/A	N/A	1.83	1.40	N/A	N/A	N/A	N/A	N/A	N/A	May 15	Dec 17

Sector Level Returns — Event Driven

Historical Sector Allocations[1]



Monthly & Cumulative Net Returns[2]



Performance & Characteristics[2,3]

		Cumulative (%)			Annualized (%)					Max.	MSCI World USD		Barclays Agg		Sharpe	Inception	End
	Weight[1] (%)	MTD	QTD	YTD	1Y	3Y	5Y	ITD[4]	Vol ITD	Drawdown (%)	Correlation	Beta	Correlation	Beta	Ratio[5]	Date	Date
Performance	21.73	1.02	1.69	6.78	6.78	N/A	N/A	2.41	4.74	-10.69	0.74	0.35	-0.16	-0.28	0.34	Jun 15	Dec 17
Contribution	N/A	0.24	0.39	1.26	1.26	N/A	N/A	0.40	0.94	N/A	N/A	N/A	N/A	N/A	N/A	Jun 15	Dec 17

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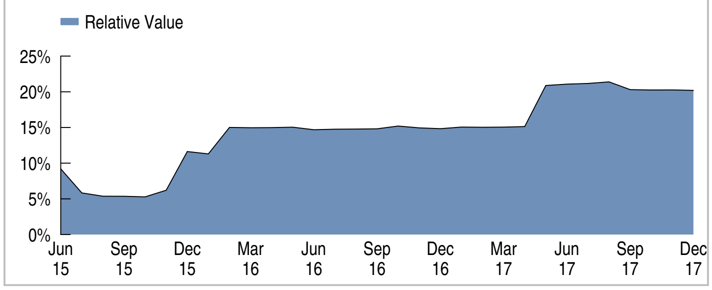
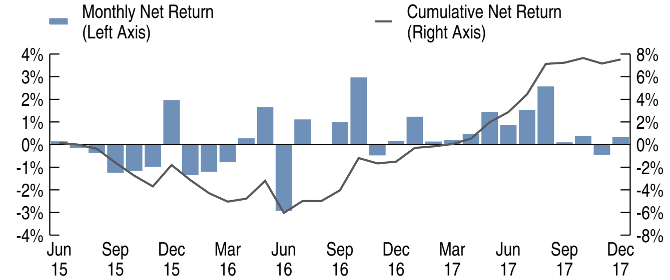
Sector Level Returns — Relative Value

Historical Sector Allocations[1]



Monthly & Cumulative Net Returns[2]

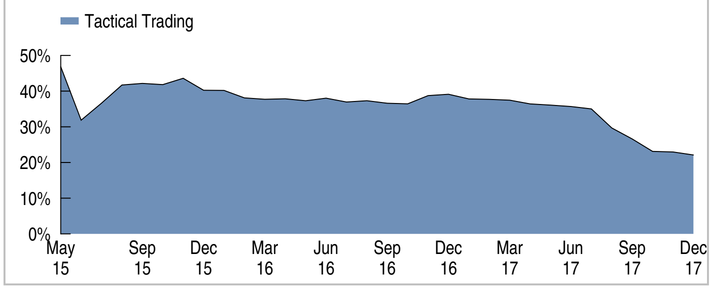


Performance & Characteristics[2,3]

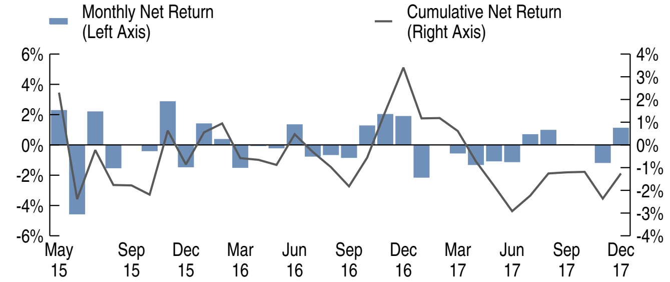
		Cumulative (%)			Annualized (%)					Max. Drawdown (%)	MSCI World USD		Barclays Agg		Sharpe Ratio[5]	Inception Date	End Date
	Weight[1] (%)	MTD	QTD	YTD	1Y	3Y	5Y	ITD[4]	Vol ITD		Correlation	Beta	Correlation	Beta			
Performance	20.20	0.34	0.27	9.17	9.17	N/A	N/A	2.85	4.32	-6.17	0.09	0.04	-0.24	-0.39	0.47	Jun 15	Dec 17
Contribution	N/A	0.07	0.06	1.82	1.82	N/A	N/A	0.75	0.69	N/A	N/A	N/A	N/A	N/A	N/A	Jun 15	Dec 17

Sector Level Returns — Tactical Trading

Historical Sector Allocations[1]



Monthly & Cumulative Net Returns[2]



Performance & Characteristics[2,3]

		Cumulative (%)			Annualized (%)					Max. Drawdown (%)	MSCI World USD		Barclays Agg		Sharpe Ratio[5]	Inception Date	End Date
	Weight[1] (%)	MTD	QTD	YTD	1Y	3Y	5Y	ITD[4]	Vol ITD		Correlation	Beta	Correlation	Beta			
Performance	22.10	1.13	-0.05	-4.51	-4.51	N/A	N/A	-0.47	5.40	-6.11	0.12	0.07	0.09	0.18	-0.23	May 15	Dec 17
Contribution	N/A	0.27	-0.02	-1.86	-1.86	N/A	N/A	-0.00	2.05	N/A	N/A	N/A	N/A	N/A	N/A	May 15	Dec 17

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[4] Returns less than 12 months are cumulative, not annualized.

[5] The 3 Month Libor (USD) rate is used for this calculation.

Manager Level — Cumulative Manager Performance[1,2] (%)

			MTD		QTD		YTD		Inception	End
Manager	**Classification**	**Weight[3]**	**Return**	**Contrib.**	**Return**	**Contrib.**	**Return**	**Contrib.**	**Date**	**Date**
Equity Long/Short										
Rubric Capital	Global	5.74	1.36	0.27	5.02	1.00	19.37	3.59	Mar 17	Dec 17
Palestra Capital	United States	5.72	-0.88	-0.18	1.46	0.33	15.14	3.12	Jun 15	Dec 17
Kintbury	Europe	4.59	2.63	0.41	2.41	0.39	5.57	0.92	May 15	Dec 17
Lakewood	Global	4.57	0.02	0.00	0.10	0.02	8.32	1.48	May 15	Dec 17
Bridger (Swiftcurrent)	United States	4.13	0.75	0.11	0.79	0.10	5.77	0.90	Jul 16	Dec 17
PFM Oncology Opportunities Fund II	Global	2.36	-2.67	-0.22	-2.91	-0.24	23.19	1.20	Jun 15	Dec 17
Deep Basin Long-Short Fund	United States	1.94	2.32	0.15	3.04	0.20	3.04	0.20	Nov 17	Dec 17
PFM Oncology Opportunities Fund (Class B)	Global	N/A	N/A	N/A	N/A	N/A	19.05	0.64	Dec 15	Jun 17
Pennant (Windward)	United States	N/A	N/A	N/A	N/A	N/A	-3.65	-0.32	Jul 15	Mar 17
Overall		**29.05**	**0.54**	**0.17**	**1.80**	**0.53**	**12.22**	**3.26**	**May 15**	**Dec 17**
Event Driven										
Manikay	Multi-Strategy	5.57	1.97	0.50	3.59	0.90	9.45	2.75	Jun 15	Dec 17
Empyrean Capital Partners	Multi-Strategy	5.40	0.29	0.07	-0.21	-0.05	10.10	2.70	Jul 15	Dec 17
HG Vora	Multi-Strategy	5.39	1.30	0.32	3.12	0.76	3.12	0.76	Oct 17	Dec 17
Farallon Capital Partners	Multi-Strategy	4.13	1.25	0.24	1.59	0.30	8.34	1.91	Jul 15	Dec 17
Warlander	Credit Opps - Dist	1.24	-2.01	-0.12	-3.73	-0.22	-19.25	-1.80	Feb 16	Dec 17
Venor	Credit Opps - Dist	N/A	N/A	N/A	N/A	N/A	-4.70	-0.14	Jun 15	Jun 17
Pentwater Event Fund	Multi-Strategy	N/A	N/A	N/A	N/A	N/A	7.89	0.50	Jun 15	Apr 17
Overall		**21.73**	**1.02**	**0.24**	**1.69**	**0.39**	**6.78**	**1.26**	**Jun 15**	**Dec 17**
Relative Value										
Holocene	Equity Market Neutral	5.71	-0.83	-0.24	0.76	0.21	9.17	2.40	May 17	Dec 17
D.E. Shaw Valence Fund	Equity Market Neutral	5.32	-0.10	-0.03	-2.62	-0.71	14.25	3.78	Feb 16	Dec 17
Alyeska Fund 2	Equity Market Neutral	5.20	2.48	0.62	3.02	0.76	7.31	1.63	Jun 15	Dec 17
Macquarie Global Alpha Fund (Class L)	Equity Market Neutral	3.97	-0.12	-0.02	0.04	0.01	2.04	0.51	Jun 17	Dec 17
Macquarie Global Alpha Fund (Class A)	Equity Market Neutral	N/A	N/A	N/A	N/A	N/A	1.45	0.60	Jun 16	May 17
Overall		**20.20**	**0.34**	**0.07**	**0.27**	**0.06**	**9.17**	**1.82**	**Jun 15**	**Dec 17**
Tactical Trading										
Bridgewater Pure Alpha Major Markets II	Macro	4.13	0.61	0.12	2.71	0.48	-4.80	-0.45	May 15	Dec 17
Stone Milliner Macro	Macro	3.68	-0.65	-0.11	-2.07	-0.34	-5.47	-0.70	Aug 15	Dec 17
Dymon Asia Macro Fund	Macro	3.04	-0.28	-0.04	-3.88	-0.53	-7.77	-0.93	Jun 15	Dec 17
Glen Point Global Macro	Macro	2.81	7.09	0.85	-0.57	-0.03	-0.57	-0.03	Oct 17	Dec 17
Atreaus (Class F)	Macro	2.35	-0.71	-0.08	-5.55	-0.60	-3.73	-0.34	Jun 17	Dec 17
Winton Diversified Futures Fund (US) L.P	Managed Futures	2.10	3.01	0.28	8.21	0.71	8.50	0.71	Sep 16	Dec 17
Edgestream (Sumatra/Nias)	Managed Futures	2.03	0.69	0.06	3.25	0.28	7.63	0.64	Jul 15	Dec 17
Crabel	Managed Futures	1.97	0.57	0.05	0.69	0.06	-2.23	-0.13	Jul 15	Dec 17
Dicken (Coolmore)	Managed Futures	N/A	N/A	N/A	-1.41	-0.06	0.24	0.01	May 15	Nov 17
Caxton Global	Macro	N/A	N/A	N/A	N/A	N/A	-10.75	-1.70	Jul 15	Sep 17
Transtrend	Managed Futures	N/A	N/A	N/A	N/A	N/A	-9.08	-0.80	Jun 15	Jul 17
Brevan Howard Fund	Macro	N/A	N/A	N/A	N/A	N/A	-5.21	-0.12	Aug 15	Jun 17
Atreaus	Macro	N/A	N/A	N/A	N/A	N/A	-6.60	-0.71	Jun 15	May 17
Overall		**22.10**	**1.13**	**0.27**	**-0.05**	**-0.02**	**-4.51**	**-1.86**	**May 15**	**Dec 17**

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[3] Based on the end equity value of the Fund. Allocations as of December 2017. The investment manager may change the allocations over time. The allocations noted should not be deemed representative of allocations in the future. Historical sector performance and contributions reflect both active and terminated managers. Managers terminated prior to the current year are excluded. For ease of presentation, active and terminated managers are shown for the current year only.

Manager Level — Annualized Manager Performance[1,2] (%)

			1 Year		3 Year		5 Year		ITD[4]		Vol ITD	Inception Date	End Date
Manager	Classification	Weight[3]	Return	Contrib.	Return	Contrib.	Return	Contrib.	Return	Contrib.			
Equity Long/Short													
Rubric Capital	Global	5.74	N/A	N/A	N/A	N/A	N/A	N/A	19.37	3.59	N/A	Mar 17	Dec 17
Palestra Capital	United States	5.72	15.14	3.12	N/A	N/A	N/A	N/A	11.95	2.23	7.58	Jun 15	Dec 17
Kintbury	Europe	4.59	5.57	0.92	N/A	N/A	N/A	N/A	0.40	0.11	11.43	May 15	Dec 17
Lakewood	Global	4.57	8.32	1.48	N/A	N/A	N/A	N/A	7.94	1.45	7.55	May 15	Dec 17
Bridger (Swiftcurrent)	United States	4.13	5.77	0.90	N/A	N/A	N/A	N/A	5.46	0.82	5.11	Jul 16	Dec 17
PFM Oncology Opportunities Fund II	Global	2.36	23.19	1.20	N/A	N/A	N/A	N/A	10.24	0.67	9.35	Jun 15	Dec 17
Deep Basin Long-Short Fund	United States	1.94	N/A	N/A	N/A	N/A	N/A	N/A	3.04	0.20	N/A	Nov 17	Dec 17
PFM Oncology Opportunities Fund (Class B)	Global	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10.21	0.36	11.58	Dec 15	Jun 17
Pennant (Windward)	United States	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-8.35	-1.17	6.19	Jul 15	Mar 17
Overall		**29.05**	**12.22**	**3.26**	**N/A**	**N/A**	**N/A**	**N/A**	**5.88**	**1.83**	**4.56**	**May 15**	**Dec 17**
Event Driven													
Manikay	Multi-Strategy	5.57	9.45	2.75	N/A	N/A	N/A	N/A	7.88	2.23	5.75	Jun 15	Dec 17
Empyrean Capital Partners	Multi-Strategy	5.40	10.10	2.70	N/A	N/A	N/A	N/A	5.86	1.50	4.43	Jul 15	Dec 17
HG Vora	Multi-Strategy	5.39	N/A	N/A	N/A	N/A	N/A	N/A	3.12	0.76	N/A	Oct 17	Dec 17
Farallon Capital Partners	Multi-Strategy	4.13	8.34	1.91	N/A	N/A	N/A	N/A	3.73	0.87	3.76	Jul 15	Dec 17
Warlander	Credit Opps - Dist	1.24	-19.25	-1.80	N/A	N/A	N/A	N/A	-8.30	-0.73	7.54	Feb 16	Dec 17
Venor	Credit Opps - Dist	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-3.69	-0.76	6.98	Jun 15	Jun 17
Pentwater Event Fund	Multi-Strategy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-2.13	-1.58	14.08	Jun 15	Apr 17
Overall		**21.73**	**6.78**	**1.26**	**N/A**	**N/A**	**N/A**	**N/A**	**2.41**	**0.40**	**4.74**	**Jun 15**	**Dec 17**
Relative Value													
Holocene	Equity Market Neutral	5.71	N/A	N/A	N/A	N/A	N/A	N/A	9.17	2.40	N/A	May 17	Dec 17
D.E. Shaw Valence Fund	Equity Market Neutral	5.32	14.25	3.78	N/A	N/A	N/A	N/A	13.33	3.77	5.21	Feb 16	Dec 17
Alyeska Fund 2	Equity Market Neutral	5.20	7.31	1.63	N/A	N/A	N/A	N/A	0.03	-1.33	7.60	Jun 15	Dec 17
Macquarie Global Alpha Fund (Class L)	Equity Market Neutral	3.97	N/A	N/A	N/A	N/A	N/A	N/A	2.04	0.51	N/A	Jun 17	Dec 17
Macquarie Global Alpha Fund (Class A)	Equity Market Neutral	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.96	0.45	4.69	Jun 16	May 17
Overall		**20.20**	**9.17**	**1.82**	**N/A**	**N/A**	**N/A**	**N/A**	**2.85**	**0.75**	**4.32**	**Jun 15**	**Dec 17**
Tactical Trading													
Bridgewater Pure Alpha Major Markets II	Macro	4.13	-4.80	-0.45	N/A	N/A	N/A	N/A	0.23	0.26	14.61	May 15	Dec 17
Stone Milliner Macro	Macro	3.68	-5.47	-0.70	N/A	N/A	N/A	N/A	0.08	-0.07	4.14	Aug 15	Dec 17
Dymon Asia Macro Fund	Macro	3.04	-7.77	-0.93	N/A	N/A	N/A	N/A	-0.61	-0.22	7.95	Jun 15	Dec 17
Glen Point Global Macro	Macro	2.81	N/A	N/A	N/A	N/A	N/A	N/A	-0.57	-0.03	N/A	Oct 17	Dec 17
Atreaus (Class F)	Macro	2.35	N/A	N/A	N/A	N/A	N/A	N/A	-3.73	-0.34	N/A	Jun 17	Dec 17
Winton Diversified Futures Fund (US) L.P	Managed Futures	2.10	8.50	0.71	N/A	N/A	N/A	N/A	4.14	0.35	8.41	Sep 16	Dec 17
Edgestream (Sumatra/Nias)	Managed Futures	2.03	7.63	0.64	N/A	N/A	N/A	N/A	7.47	0.47	6.54	Jul 15	Dec 17
Crabel	Managed Futures	1.97	-2.23	-0.13	N/A	N/A	N/A	N/A	1.61	0.23	7.56	Jul 15	Dec 17
Dicken (Coolmore)	Managed Futures	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-4.63	-0.13	9.98	May 15	Nov 17
Caxton Global	Macro	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-2.46	-0.33	8.20	Jul 15	Sep 17
Transtrend	Managed Futures	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0.80	-0.26	16.79	Jun 15	Jul 17
Brevan Howard Fund	Macro	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-3.25	-0.21	6.58	Aug 15	Jun 17
Atreaus	Macro	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-4.88	-0.63	6.09	Jun 15	May 17
Overall		**22.10**	**-4.51**	**-1.86**	**N/A**	**N/A**	**N/A**	**N/A**	**-0.47**	**-0.00**	**5.40**	**May 15**	**Dec 17**

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[4] Returns less than 12 months are cumulative, not annualized.

LACERA

Investment Guidelines Summary

Performance Objectives	Investment Guidelines	LACERA Portfolio	Measurement Period	In Compliance?	Date of Certification
•Target annualized return					
–Absolute: 3-month T-Bills + 500 bps	5.48%	2.4%	3 year rolling	N/A [4]	12/31/2017
–Relative: HFRX Global Hedge Fund Index	0.88%	2.4%	3 year rolling	N/A [4]	12/31/2017
•Target range of annualized volatility	3.0% – 8.0%	3.1%	3 year rolling	N/A [4]	12/31/2017
•Sharpe ratio	0.6 - 1.0	0.6	3 year rolling	N/A [4]	12/31/2017
•Beta to equity markets	0.2	0.2 [1,2]	3 year rolling	N/A [4]	12/31/2017
•Beta to fixed income markets	0.2	-0.2 [3]	3 year rolling	N/A [4]	12/31/2017
Capital Allocation Constraints					
•Number of investment managers	15-35	24	Monthly	Yes	12/31/2017
•Target/compliance range of allocation to strategies (at market)	Equity Hedge: 10-50%	29.0%	Monthly	Yes	12/31/2017
	Event Driven: 10-50%	21.7%	Monthly	Yes	12/31/2017
	Directional/Tactical: 10-50%	22.1%	Monthly	Yes	12/31/2017
	Relative Value: 0-40%	20.2%	Monthly	Yes	12/31/2017
	Other Assets / Liabilities (cash): <5%	6.9%	Monthly	No	12/31/2017
•Maximum allocation to a single fund (at market)	10%	5.7%	Monthly	Yes	12/31/2017
•Maximum allocation to a single advisor (at market)	15%	5.7%	Monthly	Yes	12/31/2017
•Maximum percentage ownership of a single fund	30%	6.3%	Quarterly	Yes	12/31/2017
Downside Risk Case (See risk report)					
•Portfolio-level RoR Impact of Severe Case Loss (at market)	25%	19.7%	Monthly	Yes	12/31/2017
•Severe Case Loss in a single fund (at market)	<3% Capital at Risk	1.4%	Monthly	Yes	12/31/2017
•Severe Case Loss in a single advisor (at market)	<6% Capital at Risk	1.4%	Monthly	Yes	12/31/2017
Liquidity					
•Hard lockup period of 1 year or greater	<20%	5.4%	Monthly	Yes	12/31/2017
•Quarterly liquidity or better (excluding locks)	>75%	80.9%	Monthly	Yes	12/31/2017
•Percent of portfolio available within 1 year (excluding locks)	>80%	85.1%	Monthly	Yes	12/31/2017
•Hard lockup more than 2 years	0%	0.0%	Monthly	Yes	12/31/2017
Leverage					
•Strategy level leverage	Tactical Trading: 20x	7.3	Quarterly	Yes	12/31/2017
	Event Driven: 4x	1.9	Quarterly	Yes	12/31/2017
	Equity Long / Short: 4x	1.8	Quarterly	Yes	12/31/2017
	Relative Value: 8x	5.9	Quarterly	Yes	12/31/2017

As of December 2017. Investment guideline targets are subject to change and are current as of the date of this presentation. Investment guideline targets are objectives and do not provide any assurance as to future results.

Past performance does not guarantee future results, which may vary. Source: HFR Database © HFR, Inc. 2018, www.hedgefundresearch.com. Pertrac Indicies Database, www.msci.com, www.barcap.com.

1. Beta to equity markets represents target. 2. Beta to equity markets represents the LACERA portfolio's beta to the MSCI World Index Hedged USD. 3. Beta to fixed income markets represents the LACERA portfolio's beta to the Barclays Aggregate Bond Index. 4. Metrics intended to be measured over a 3-year rolling period.

Additional Information

The information contained herein is non-public and proprietary in nature and may constitute trade secrets under California law, the disclosure of which could have adverse effects on Goldman Sachs or the Fund described herein and its investments. This information includes a detailed account of investment strategy based on proprietary methods and techniques of an financial analysis and valuation, which is used in Goldman Sachs' businesses. Goldman Sachs has taken reasonable efforts to preserve the confidential nature of this information and derives independent economic value from the fact that such methods and techniques are not widely known. The following confidential information was prepared by Goldman Sachs solely in connection with a proposed investment in the Fund described herein by LACERA and may not be disclosed, reproduced or used for any other purposes. The following confidential information may be excepted from public disclosure pursuant to Section 6254.15 of the California Government Code, or alternatively pursuant to Section 6254.26 of the California Government Code. Any information provided by or on behalf of the Fund must be returned upon request of Goldman Sachs. Please advise Goldman Sachs if LACERA is subject to any additional entity-specific (including, but not limited to, pursuant to internal policies) Freedom of Information Act or similar open records disclosure requirements before any disclosure pursuant to such requirements is made.

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Alternative Investments often engage in leverage and other investment practices that are extremely speculative and involve a high degree of risk. Such practices may increase the volatility of performance and the risk of investment loss, **including the loss of the entire amount that is invested.** There may be conflicts of interest relating to the Alternative Investment and its service providers, including Goldman Sachs and its affiliates. Similarly, interests in an Alternative Investment are highly illiquid and generally are not transferable without the consent of the sponsor, and applicable securities and tax laws will limit transfers.

Index Benchmarks

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein. The exclusion of "failed" or closed hedge funds may mean that each index overstates the performance of hedge funds generally.

MSCI World Index
he MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The index is calculated without dividends, with net or with gross dividends reinvested, in both US dollars and local currencies. Source: PerTrac Indices Database, www.mscidata.com.

Barclays Aggregate Bond Index
The Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. Source: PerTrac Indices Database, www.barcap.com

HFRX Global Hedge Fund Index
The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. Source: HFR Database © HFR, Inc. 2015, www.hedgefundresearch.com. Please note that HFRX performance indications are based on preliminary estimates.

General Disclosures
Past performance does not guarantee future results, which may vary. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

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References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. The index composition may not reflect the manner in which a portfolio is constructed. While an adviser seeks to design a portfolio which reflects appropriate risk and return features, portfolio characteristics may deviate from those of the benchmark.

The strategy may include the use of derivatives. Derivatives often involve a high degree of financial risk because a relatively small movement in the price of the underlying security or benchmark may result in a disproportionately large movement in the price of the derivative and are not suitable for all investors. No representation regarding the suitability of these instruments and strategies for a particular investor is made.

Administrator Reports

San Gabriel Fund, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL -Los Angeles County Employees
Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
31 Oct 11	-	227,000,000	714,679	227,714,679	0.31%	0.31%	0.31%	0.31%
30 Nov 11	227,714,679	11,275,000	(527,962)	238,461,717	-0.22%	0.09%	0.09%	0.09%
31 Dec 11	238,461,717	-	(820,955)	237,640,761	-0.34%	-0.25%	-0.25%	-0.25%
31 Jan 12	237,640,761	9,250,000	2,338,367	249,229,128	0.95%	0.95%	0.95%	0.69%
29 Feb 12	249,229,128	-	2,204,353	251,433,481	0.88%	1.84%	1.84%	1.58%
31 Mar 12	251,433,481	-	901,940	252,335,421	0.36%	2.21%	2.21%	1.95%
30 Apr 12	252,335,421	2,475,000	(248,709)	254,561,712	-0.10%	-0.10%	2.11%	1.85%
31 May 12	254,561,712	-	(2,607,166)	251,954,546	-1.02%	-1.12%	1.06%	0.81%
30 Jun 12	251,954,546	-	551,746	252,506,292	0.22%	-0.90%	1.28%	1.03%
31 Jul 12	252,506,292	-	1,764,400	254,270,692	0.70%	0.70%	1.99%	1.73%
31 Aug 12	254,270,692	-	2,609,458	256,880,150	1.03%	1.73%	3.04%	2.78%
30 Sep 12	256,880,150	-	1,358,766	258,238,916	0.53%	2.27%	3.58%	3.32%
31 Oct 12	258,238,916	-	1,207,320	259,446,236	0.47%	0.47%	4.06%	3.80%
30 Nov 12	259,446,236	-	1,417,836	260,864,072	0.55%	1.02%	4.63%	4.37%

* Returns are net of all underlying manager and performance fees as well as Grosvenor fund of fund management fees.

* The Fund's net asset value is calculated on the basis of pricing information obtained from various sources, including pricing vendors used by The Bank of New York Mellon or its Affiliates (collectively, "BNYM"), the Fund (or its investment manager), one or more broker/dealers as directed by the Fund (or its investment manager), and administrators of funds in which the Fund may have invested ("Pricing Information"). Certain Pricing Information may not be updated by BNYM's Pricing sources on a regular basis. Although BNYM may, from time to time, assess variances in Pricing Information or subject such Pricing Information to other tolerance testing established by BNYM, in no event does BNYM independently verify or make any representations or warranties, or give any other assurances, with respect to any Pricing Information utilized by BNYM in calculating the Fund's NAV or for any other purpose related to the Fund.

* The Pricing Information used by BNYM to calculate the Fund's net asset value may differ from the pricing information provided to, or used by, other divisions of The Bank of New York Mellon or its subsidiaries or affiliates; such differences may or may not be material.

* For investor related questions, please contact us at: aisonline_ny@bnymellon.com

San Gabriel Fund, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL -Los Angeles County Employees
Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
31 Dec 12	260,864,072	-	3,163,257	264,027,329	1.21%	2.24%	5.90%	5.64%
31 Jan 13	264,027,329	-	5,578,384	269,605,713	2.11%	2.11%	2.11%	7.87%
28 Feb 13	269,605,713	-	1,246,278	270,851,991	0.46%	2.58%	2.58%	8.37%
31 Mar 13	270,851,991	-	3,365,962	274,217,952	1.24%	3.86%	3.86%	9.71%
30 Apr 13	274,217,952	-	2,456,700	276,674,652	0.90%	0.90%	4.79%	10.70%
31 May 13	276,674,652	-	3,908,114	280,582,766	1.41%	2.32%	6.27%	12.26%
30 Jun 13	280,582,766	-	(2,043,612)	278,539,154	-0.73%	1.58%	5.50%	11.44%
31 Jul 13	278,539,154	-	2,336,424	280,875,579	0.84%	0.84%	6.38%	12.38%
31 Aug 13	280,875,579	-	547,632	281,423,211	0.19%	1.04%	6.59%	12.60%
30 Sep 13	281,423,211	-	2,874,785	284,297,996	1.02%	2.07%	7.68%	13.75%
31 Oct 13	284,297,996	-	2,656,976	286,954,972	0.93%	0.93%	8.68%	14.81%
30 Nov 13	286,954,972	-	3,481,604	290,436,576	1.21%	2.16%	10.00%	16.20%
31 Dec 13	290,436,576	-	3,359,708	293,796,284	1.16%	3.34%	11.27%	17.55%
31 Jan 14	293,796,284	-	1,541,595	295,337,878	0.52%	0.52%	0.52%	18.16%

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Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
28 Feb 14	295,337,878	-	2,964,579	298,302,458	1.00%	1.53%	1.53%	19.35%
31 Mar 14	298,302,458	-	(259,881)	298,042,577	-0.09%	1.45%	1.45%	19.25%
30 Apr 14	298,042,577	-	(944,859)	297,097,719	-0.32%	-0.32%	1.12%	18.87%
31 May 14	297,097,719	-	2,224,935	299,322,653	0.75%	0.43%	1.88%	19.76%
30 Jun 14	299,322,653	-	1,524,720	300,847,373	0.51%	0.94%	2.40%	20.37%
31 Jul 14	300,847,373	-	95,753	300,943,126	0.03%	0.03%	2.43%	20.41%
31 Aug 14	300,943,126	-	2,369,775	303,312,901	0.79%	0.82%	3.24%	21.35%
30 Sep 14	303,312,901	-	(695,249)	302,617,652	-0.23%	0.59%	3.00%	21.08%
31 Oct 14	302,617,652	-	(2,829,910)	299,787,743	-0.94%	-0.94%	2.04%	19.94%
30 Nov 14	299,787,743	-	539,276	300,327,018	0.18%	-0.76%	2.22%	20.16%
31 Dec 14	300,327,018	-	(977,229)	299,349,789	-0.33%	-1.08%	1.89%	19.77%
31 Jan 15	299,349,789	-	(1,011,166)	298,338,623	-0.34%	-0.34%	-0.34%	19.36%
28 Feb 15	298,338,623	-	3,143,559	301,482,182	1.05%	0.71%	0.71%	20.62%
31 Mar 15	301,482,182	-	2,051,735	303,533,917	0.68%	1.40%	1.40%	21.44%

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San Gabriel Fund, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL -Los Angeles County Employees Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
30 Apr 15	303,533,917	-	1,596,009	305,129,926	0.53%	0.53%	1.93%	22.08%
31 May 15	305,129,926	-	2,707,340	307,837,266	0.89%	1.42%	2.84%	23.16%
30 Jun 15	307,837,266	-	(1,359,415)	306,477,851	-0.44%	0.97%	2.38%	22.62%
31 Jul 15	306,477,851	-	638,458	307,116,309	0.21%	0.21%	2.59%	22.88%
31 Aug 15	307,116,309	-	(3,085,405)	304,030,904	-1.00%	-0.80%	1.56%	21.64%
30 Sep 15	304,030,904	-	(5,053,180)	298,977,724	-1.66%	-2.45%	-0.12%	19.62%
31 Oct 15	298,977,724	-	(1,275,143)	297,702,581	-0.43%	-0.43%	-0.55%	19.11%
30 Nov 15	297,702,581	50,000,000	(62,768)	347,639,813	-0.02%	-0.44%	-0.57%	19.09%
31 Dec 15	347,639,813	50,000,000	(2,976,929)	394,662,884	-0.75%	-1.19%	-1.31%	18.20%
31 Jan 16	394,662,884	50,000,000	(9,040,499)	435,622,385	-2.03%	-2.03%	-2.03%	15.79%
29 Feb 16	435,622,385	-	(5,684,022)	429,938,363	-1.30%	-3.31%	-3.31%	14.28%
31 Mar 16	429,938,363	-	279,950	430,218,313	0.07%	-3.25%	-3.25%	14.36%
30 Apr 16	430,218,313	-	4,712,669	434,930,982	1.10%	1.10%	-2.19%	15.61%
31 May 16	434,930,982	-	1,257,362	436,188,343	0.29%	1.39%	-1.91%	15.94%

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San Gabriel Fund, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL -Los Angeles County Employees
Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
30 Jun 16	436,188,343	-	(2,528,889)	433,659,454	-0.58%	0.80%	-2.47%	15.27%
31 Jul 16	433,659,454	-	3,756,408	437,415,862	0.87%	0.87%	-1.63%	16.27%
31 Aug 16	437,415,862	-	5,625,760	443,041,622	1.29%	2.16%	-0.36%	17.77%
30 Sep 16	443,041,622	-	2,917,276	445,958,898	0.66%	2.84%	0.29%	18.54%
31 Oct 16	445,958,898	-	176,081	446,134,979	0.04%	0.04%	0.33%	18.59%
30 Nov 16	446,134,979	-	3,295,542	449,430,521	0.74%	0.78%	1.07%	19.46%
31 Dec 16	449,430,521	-	2,281,757	451,712,277	0.51%	1.29%	1.59%	20.07%
31 Jan 17	451,712,277	-	4,026,236	455,738,513	0.89%	0.89%	0.89%	21.14%
28 Feb 17	455,738,513	-	1,920,585	457,659,098	0.42%	1.32%	1.32%	21.65%
31 Mar 17	457,659,098	-	1,264,226	458,923,325	0.28%	1.60%	1.60%	21.99%
30 Apr 17	458,923,325	-	47,955	458,971,280	0.01%	0.01%	1.61%	22.00%
31 May 17	458,971,280	-	28,467	458,999,747	0.01%	0.02%	1.61%	22.01%
30 Jun 17	458,999,747	-	(439,119)	458,560,628	-0.10%	-0.08%	1.52%	21.89%
31 Jul 17	458,560,628	-	2,874,669	461,435,297	0.63%	0.63%	2.15%	22.65%

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BNY MELLON
ALTERNATIVE INVESTMENT SERVICES

San Gabriel Fund, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL -Los Angeles County Employees
Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
31 Aug 17	461,435,297	-	877,920	462,313,218	0.19%	0.82%	2.35%	22.89%
30 Sep 17	462,313,218	-	3,132,776	465,445,994	0.68%	1.50%	3.04%	23.72%
31 Oct 17	465,445,994	-	1,783,552	467,229,545	0.38%	0.38%	3.44%	24.19%
30 Nov 17	467,229,545	-	1,711,398	468,940,943	0.37%	0.75%	3.81%	24.65%
31 Dec 17	468,940,943	-	2,109,318	471,050,261	0.45%	1.20%	4.28%	25.21%
Total		**400,000,000**	**71,050,261**					

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San Gabriel Fund 2, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL2 -Los Angeles County Employees Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
31 Jan 13	-	152,500,000	5,918,693	158,418,693	3.88%	3.88%	3.88%	3.88%
28 Feb 13	158,418,693	12,000,000	1,673,033	172,091,725	0.98%	4.90%	4.90%	4.90%
31 Mar 13	172,091,725	-	2,839,852	174,931,578	1.65%	6.63%	6.63%	6.63%
30 Apr 13	174,931,578	35,500,000	5,159,051	215,590,629	2.45%	2.45%	9.25%	9.25%
31 May 13	215,590,629	-	4,173,941	219,764,570	1.94%	4.44%	11.36%	11.36%
30 Jun 13	219,764,570	-	(4,553,943)	215,210,627	-2.07%	2.27%	9.05%	9.05%
31 Jul 13	215,210,627	-	2,860,835	218,071,462	1.33%	1.33%	10.50%	10.50%
31 Aug 13	218,071,462	-	312,845	218,384,308	0.14%	1.47%	10.66%	10.66%
30 Sep 13	218,384,308	-	2,560,581	220,944,889	1.17%	2.66%	11.96%	11.96%
31 Oct 13	220,944,889	-	4,150,031	225,094,920	1.88%	1.88%	14.06%	14.06%
30 Nov 13	225,094,920	-	2,958,436	228,053,356	1.31%	3.22%	15.56%	15.56%
31 Dec 13	228,053,356	-	2,531,308	230,584,664	1.11%	4.36%	16.84%	16.84%
31 Jan 14	230,584,664	-	3,394,628	233,979,292	1.47%	1.47%	1.47%	18.56%
28 Feb 14	233,979,292	-	3,361,059	237,340,351	1.44%	2.93%	2.93%	20.27%

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BNY MELLON
ALTERNATIVE INVESTMENT SERVICES

San Gabriel Fund 2, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL2 -Los Angeles County Employees Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
31 Mar 14	237,340,351	-	1,344,384	238,684,735	0.57%	3.51%	3.51%	20.95%
30 Apr 14	238,684,735	-	1,746,657	240,431,392	0.73%	0.73%	4.27%	21.83%
31 May 14	240,431,392	-	2,324,114	242,755,507	0.97%	1.71%	5.28%	23.01%
30 Jun 14	242,755,507	-	2,663,952	245,419,459	1.10%	2.82%	6.43%	24.36%
31 Jul 14	245,419,459	-	572,065	245,991,524	0.23%	0.23%	6.68%	24.65%
31 Aug 14	245,991,524	-	947,291	246,938,814	0.39%	0.62%	7.09%	25.13%
30 Sep 14	246,938,814	-	(439,677)	246,499,137	-0.18%	0.44%	6.90%	24.91%
31 Oct 14	246,499,137	-	(708,244)	245,790,893	-0.29%	-0.29%	6.59%	24.55%
30 Nov 14	245,790,893	-	516,496	246,307,389	0.21%	-0.08%	6.82%	24.81%
31 Dec 14	246,307,389	-	(994,947)	245,312,443	-0.40%	-0.48%	6.39%	24.31%
31 Jan 15	245,312,443	-	(1,893,969)	243,418,473	-0.77%	-0.77%	-0.77%	23.35%
28 Feb 15	243,418,473	-	2,519,793	245,938,267	1.04%	0.26%	0.26%	24.62%
31 Mar 15	245,938,267	-	1,226,024	247,164,291	0.50%	0.75%	0.75%	25.25%
30 Apr 15	247,164,291	-	2,454,635	249,618,925	0.99%	0.99%	1.76%	26.49%

San Gabriel Fund 2, L.P.

Account Statement of Income (Loss)
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In US Dollars

GABRIEL2 -Los Angeles County Employees Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
31 May 15	249,618,925	-	1,084,330	250,703,255	0.43%	1.43%	2.20%	27.04%
30 Jun 15	250,703,255	-	(1,595,547)	249,107,708	-0.64%	0.79%	1.55%	26.23%
31 Jul 15	249,107,708	-	(967,442)	248,140,266	-0.39%	-0.39%	1.15%	25.74%
31 Aug 15	248,140,266	-	(2,327,587)	245,812,679	-0.94%	-1.32%	0.20%	24.56%
30 Sep 15	245,812,679	-	(3,273,929)	242,538,750	-1.33%	-2.64%	-1.13%	22.90%
31 Oct 15	242,538,750	-	464,357	243,003,107	0.19%	0.19%	-0.94%	23.14%
30 Nov 15	243,003,107	-	(794,487)	242,208,621	-0.33%	-0.14%	-1.27%	22.73%
31 Dec 15	242,208,621	-	(2,530,898)	239,677,723	-1.04%	-1.18%	-2.30%	21.45%
31 Jan 16	239,677,723	-	(4,554,587)	235,123,136	-1.90%	-1.90%	-1.90%	19.14%
29 Feb 16	235,123,136	-	(3,584,171)	231,538,964	-1.52%	-3.40%	-3.40%	17.33%
31 Mar 16	231,538,964	-	338,119	231,877,083	0.15%	-3.25%	-3.25%	17.50%
30 Apr 16	231,877,083	-	2,644,544	234,521,627	1.14%	1.14%	-2.15%	18.84%
31 May 16	234,521,627	-	1,146,582	235,668,209	0.49%	1.63%	-1.67%	19.42%
30 Jun 16	235,668,209	-	(108,313)	235,559,895	-0.05%	1.59%	-1.72%	19.37%

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San Gabriel Fund 2, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL2 -Los Angeles County Employees Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
31 Jul 16	235,559,895	-	1,981,907	237,541,802	0.84%	0.84%	-0.89%	20.37%
31 Aug 16	237,541,802	-	3,216,404	240,758,206	1.35%	2.21%	0.45%	22.00%
30 Sep 16	240,758,206	-	1,854,967	242,613,173	0.77%	2.99%	1.22%	22.94%
31 Oct 16	242,613,173	-	2,406,407	245,019,580	0.99%	0.99%	2.23%	24.16%
30 Nov 16	245,019,580	-	1,922,902	246,942,481	0.78%	1.78%	3.03%	25.13%
31 Dec 16	246,942,481	(20,000,000)	3,493,814	230,436,295	1.54%	3.35%	4.62%	27.06%
31 Jan 17	230,436,295	-	3,156,154	233,592,449	1.37%	1.37%	1.37%	28.80%
28 Feb 17	233,592,449	-	1,679,491	235,271,941	0.72%	2.10%	2.10%	29.73%
31 Mar 17	235,271,941	(8,000,000)	285,566	227,557,506	0.13%	2.23%	2.23%	29.89%
30 Apr 17	227,557,506	-	1,661,490	229,218,996	0.73%	0.73%	2.97%	30.84%
31 May 17	229,218,996	(38,600,000)	910,123	191,529,120	0.48%	1.21%	3.46%	31.46%
30 Jun 17	191,529,120	-	1,312,455	192,841,575	0.69%	1.90%	4.17%	32.36%
31 Jul 17	192,841,575	-	1,390,119	194,231,694	0.72%	0.72%	4.92%	33.32%
31 Aug 17	194,231,694	(36,000,000)	46,577	158,278,271	0.03%	0.75%	4.96%	33.36%

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San Gabriel Fund 2, L.P.

Account Statement of Income (Loss)

As of December 31, 2017

In US Dollars

GABRIEL2 -Los Angeles County Employees Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
30 Sep 17	158,278,271	(15,000,000)	1,282,919	144,561,190	0.90%	1.65%	5.90%	34.55%
31 Oct 17	144,561,190	-	126,009	144,687,198	0.09%	0.09%	5.99%	34.67%
30 Nov 17	144,687,198	(52,300,000)	489,311	92,876,509	0.53%	0.62%	6.55%	35.38%
31 Dec 17	92,876,509	-	900,319	93,776,828	0.97%	1.59%	7.58%	36.69%
Total		**30,100,000**	**63,676,828**					

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San Gabriel Fund 3, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL3 -Los Angeles County Employees Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
29 Feb 16	-	35,000,000	(532,710)	34,467,290	-1.52%	-1.52%	-1.52%	-1.52%
31 Mar 16	34,467,290	28,000,000	741,955	63,209,245	1.19%	-0.35%	-0.35%	-0.35%
30 Apr 16	63,209,245	34,000,000	1,073,917	98,283,162	1.10%	1.10%	0.75%	0.75%
31 May 16	98,283,162	26,000,000	1,541,860	125,825,022	1.24%	2.36%	2.00%	2.00%
30 Jun 16	125,825,022	35,000,000	1,130,882	161,955,904	0.70%	3.08%	2.72%	2.72%
31 Jul 16	161,955,904	8,000,000	2,692,425	172,648,329	1.58%	1.58%	4.34%	4.34%
31 Aug 16	172,648,329	36,000,000	4,385,162	213,033,491	2.10%	3.72%	6.54%	6.54%
30 Sep 16	213,033,491	25,000,000	2,360,252	240,393,743	0.99%	4.75%	7.59%	7.59%
31 Oct 16	240,393,743	7,000,000	6,636,935	254,030,678	2.68%	2.68%	10.48%	10.48%
30 Nov 16	254,030,678	10,000,000	2,634,888	266,665,567	1.00%	3.71%	11.58%	11.58%
31 Dec 16	266,665,567	24,000,000	4,537,391	295,202,957	1.56%	5.33%	13.32%	13.32%
31 Jan 17	295,202,957	-	5,386,716	300,589,673	1.82%	1.82%	1.82%	15.39%
28 Feb 17	300,589,673	-	3,393,368	303,983,041	1.13%	2.97%	2.97%	16.69%
31 Mar 17	303,983,041	-	(813,283)	303,169,758	-0.27%	2.70%	2.70%	16.38%

* For investor related questions, please contact us at: aisonline_ny@bnymellon.com

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San Gabriel Fund 3, L.P.

Account Statement of Income (Loss)
As of December 31, 2017
In US Dollars

GABRIEL3 -Los Angeles County Employees
Retirement Association

Final and Unaudited

Balance Activity					Rate of Return			
Period Ended	Balance Forward	Subscriptions (Redemptions)	Gain (Loss)	Ending Balance	MTD	QTD	YTD	ITD
30 Apr 17	303,169,758	13,000,000	1,256,206	317,425,964	0.40%	0.40%	3.11%	16.84%
31 May 17	317,425,964	-	786,987	318,212,951	0.25%	0.65%	3.36%	17.13%
30 Jun 17	318,212,951	13,000,000	(43,761)	331,169,190	-0.01%	0.63%	3.35%	17.12%
31 Jul 17	331,169,190	6,000,000	3,034,041	340,203,230	0.90%	0.90%	4.28%	18.17%
31 Aug 17	340,203,230	-	252,978	340,456,208	0.07%	0.97%	4.36%	18.26%
30 Sep 17	340,456,208	-	4,375,012	344,831,220	1.29%	2.27%	5.70%	19.78%
31 Oct 17	344,831,220	-	1,709,072	346,540,292	0.50%	0.50%	6.22%	20.37%
30 Nov 17	346,540,292	-	2,889,345	349,429,637	0.83%	1.33%	7.11%	21.38%
31 Dec 17	349,429,637	-	4,795,840	354,225,477	1.37%	2.72%	8.58%	23.04%
Total		**300,000,000**	**54,225,477**					

* The Fund's net asset value is calculated on the basis of pricing information obtained from various sources, including pricing vendors used by The Bank of New York Mellon or its Affiliates (collectively, "BNYM"), the Fund (or its investment manager), one or more broker/dealers as directed by the Fund (or its investment manager), and administrators of funds in which the Fund may have invested ("Pricing Information"). Certain Pricing Information may not be updated by BNYM's Pricing sources on a regular basis. Although BNYM may, from time to time, assess variances in Pricing Information or subject such Pricing Information to other tolerance testing established by BNYM, in no event does BNYM independently verify or make any representations or warranties, or give any other assurances, with respect to any Pricing Information utilized by BNYM in calculating the Fund's NAV or for any other purpose related to the Fund.

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Lacera Inc Loss - Los Angeles County Employees Retirement Association

Portfolio: LACERA GSAM HFOF

as of 12/31/2017

Asset Class	Fund Name	NAV Close MV@11/30/2017	Subscriptions	Redemptions	Profit & Loss	Market Value	Profit & Loss Cumulative	MTD %Return	ITD Cum Base	3 Month Base	1 Year Base
Hedge Fund(100%)		446,248,326.58	30,840.55	(4,533,691.14)	3,291,867.81	445,037,343.80	30,735,509.01	0.75%	8.08%	0.97%	4.47%
Summary		446,248,326.58	30,840.55	(4,533,691.14)	3,291,867.81	445,037,343.80	30,735,509.01	0.75%	8.08%	0.97%	4.47%
Cash Balance		0.00	0.00	0.00	0.00	32,142,168.74	0.00		N/A		
Clearer LAIA	Clearer LAIA	0.00	0.00	0.00	0.00	0.00	0.00		N/A		
Clearer State Street - LAIA	Clearer State Street - LAIA	0.00	0.00	0.00	0.00	0.00	0.00		N/A		
Clearer State Street - LCOX STIF	Clearer State Street - LCOX STIF	0.00	0.00	0.00	0.00	32,142,168.74	0.00		N/A		
Non HedgeFunds		0.00	0.00	0.00	0.00	0.00	0.00		N/A		
Total Portfolio Valuation		0.00	0.00	0.00	3,291,867.81	477,179,512.54	0.00		N/A		

This information was prepared by International Fund Services.
Returns are shown gross of fund of fund fees and expenses.

Glossary of Hedge Fund Terms

Hedge Fund Strategies

Overview

- Credit strategies
  - Directional and relative value investments in debt securities, credit derivatives and related instruments
  - Strategies include long-biased credit, long/short credit, structured credit and mortgage credit
  - Hedging investments include short credit index, individual short, credit default swap and sovereign credit investments
- Relative value strategies
  - Trades constructed to capitalize on perceived mispricings of one instrument relative to another or one maturity relative to another for a given instrument
  - Generally less dependent on market direction
  - Strategies include convertible arbitrage, statistical arbitrage, fixed income arbitrage and option volatility arbitrage
- Equities strategies
  - Purchases (buying long) and/or sales (selling short) of equities based on fundamental and/or quantitative analysis and other factors
  - Managers typically seek to capitalize on discrepancies between their assessment of security valuations and current market prices
  - Strategies include long-biased hedged equities, less-correlated hedged equities and activist

Hedge Fund Strategies

Overview (continued)

- Event driven strategies
  - Investments that seek to exploit situations in which an announced or anticipated event creates inefficiencies in the pricing of securities
  - Potential events include mergers, acquisitions, recapitalizations, bankruptcies and litigation decisions
  - Strategies include risk arbitrage and diversified event driven
- Macro strategies
  - Investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends and inter-country relations
  - Strategies include discretionary and systematic
- Commodities strategies
  - Investments across global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental policies, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events and technical factors
  - Strategies may be long/short directional, spread-oriented or volatility-oriented
  - Strategies include discretionary and systematic
- Portfolio hedging strategies
  - Investments designed to reduce a portfolio's overall exposure to various systemic risks and intended to provide protection during broad market downturns
  - Strategies include dedicated short equity, synthetic short equity, dedicated short credit and tail risk protection

Hedge Fund Strategies

Overview

Equity

- Fundamental long/short
    - Long-biased
    - Neutral
    - Short-biased
    - Variable
- Activist
- Trading-oriented long/short
- Event driven
    - Merger arbitrage
    - Spin-offs
    - Recapitalizations
    - Special situations
- Regional focus
- Sector specialist

Credit

- Long/short
- Directional credit
    - Bank debt
    - Distressed securities
    - Mezzanine debt
    - Direct lending
- Structured credit
    - Residential mortgages (RMBS)
    - Commercial mortgages (CMBS)
    - Other Asset-Backed Securities (ABS)

Relative value

- Convertible bond arbitrage
- Fixed income arbitrage
- Option volatility arbitrage
- Statistical arbitrage

Tactical trading

- Global macro
    - Discretionary
    - Systematic
- Commodities
    - Relative value
    - Directional
    - Systematic

Hedging strategies

- Short equity
- Short credit
- Synthetic put convertible bond arbitrage
- Tail risk “protection” strategies

Risk Measure

Leverage

FOR ILLUSTRATIVE PURPOSES ONLY. NOT INTENDED TO PRESENT DATA RELATED TO ANY FUND.

The leverage of investments within a portfolio should be understood within the context of the portfolio’s volatility or variance.

Leverage illustrations

- Buy equity shares on margin
  - Apple stock: $345
  - Initial margin: 20%
  - Leverage = ($345 / $69) = 5x
- Buy a futures contract on margin
  - S&P 500 Index: 1330
  - E-mini futures notional value: $66,500 ($50 * 1330)
  - Exchange margin: $3,500
  - Leverage = $66,500 / $3,500 = 19x
- Buy a credit default swap (CDS)
  - Purchase $100 million notional protection for 5 years on General Electric’s senior debt costing 115 bps a year
  - Leverage = $100mm / ($1.15mm * 5) = 17x
- Borrow money to buy a bond
  - Term financing on commercial mortgage-backed security collateral. 2 year term, cost is LIBOR + 150 bps, haircuts (margin) are 25%.
  - 25% margin = 4x leverage

Goal	■ Understand how leverage can magnify returns, both positive and negative ■ Understand that levered investments may have higher volatility
Formula	$Leverage = \frac{Notional\ Exposure}{Capital\ Exposure}$
History	■ Excessive use of leverage has been the source of many financial crises
Usefulness	■ Some types of leverage are risk mitigating ■ Should carefully examine levered investments to understand whether use of leverage is prudent
Limitations	■ Various sources of leverage › Borrowing › Inherent to instrument ■ Terminology can be confusing › Leverage versus exposure

Risk Measure

Liquidity

FOR ILLUSTRATIVE PURPOSES ONLY. NOT INTENDED TO PRESENT DATA RELATED TO ANY FUND.

The liquidity of investments within a portfolio should be understood within the context of the portfolio's volatility or variance.

Liquidity illustration

Investment	Liquidity
Equity	Daily, in many cases
Fixed Income	Daily, in many cases
Hedge Funds	▪ Varies from monthly liquidity to multi-year lockups ▪ Quarterly or semi-annual liquidity is common
Private Equity	5-10 year duration
Real Estate	Multi year

Goal	Understand ability to liquidate investments, especially during crises
Measures	Time needed to liquidate investment without incurring a material negative price impact as a result of the sale
History	▪ Liquidity typically "dries up" during financial crises ▪ Less liquid investments › May be more volatile than their return streams indicate › Have higher expected returns
Usefulness	▪ Liquidity indicates how quickly cash may be raised ▪ Liquidity informs the reliability of certain risk statistics when evaluating an investment
Limitations	Assessment influenced by the chosen representative market environment

The Gabriel Funds

Notes and Disclosures

In reviewing this presentation relating to San Gabriel Fund, L.P. (the "Gabriel"), San Gabriel Fund 2, L.P. ("Gabriel 2") or San Gabriel Fund 3, L.P. ("Gabriel 3" together with Gabriel and Gabriel 2, the "Gabriel Funds"), you should consider the following:

Gabriel commenced operations on October 1, 2011.

Gabriel 2 commenced investment operations on January 1, 2013.

Gabriel 3 commenced investment operations on February 1, 2016.

To the extent this report includes the performance of the Gabriel Funds, such returns are calculated net of all fees and expenses.

Figures for 2011–2016, as applicable, are derived from books and records of the Gabriel Funds that have been audited by the Gabriel Funds' independent public accountants.

Figures for 2017 are estimated based on unaudited books and records of the Gabriel Funds.

Target Returns, Forward Looking Estimates, and Risk Parameters

Notes and Disclosures

Target Returns, Forward Looking Estimates, and Risk Parameters: Target returns, forward looking estimates, and risk parameters are hypothetical in nature and are shown for illustrative, informational purposes only. **This material is not intended to forecast, predict or project future performance.** It does not reflect the actual or expected returns or risk profile of any GCM Fund or strategy pursued by any GCM Fund, and does not guarantee future results.

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- based solely upon GCM Grosvenor's view of the potential returns and risk parameters for a GCM Fund or strategy pursued by a GCM Fund;
- not meant to forecast, predict or project the returns or risk parameters for any GCM Fund or any strategy pursued by any GCM Fund; and
- subject to numerous assumptions including, but not limited to, observed and historical market returns relevant to certain investments, an asset class, projected cash flows, projected future valuations of target assets and businesses, other relevant market dynamics (including interest rate and currency markets), anticipated contingencies, and regulatory issues.

Certain of the assumptions have been made for modeling purposes and are unlikely to be realized. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions made have been stated or fully considered. Changes in the assumptions may have a material impact on the target returns, forward looking estimates, and risk parameters presented. Target returns and forward looking estimates may be shown before fees, transactions costs and taxes and do not account for the effects of inflation. Management fees, transaction costs, and potential expenses may not be considered and would reduce returns and affect parameters. Actual results experienced by clients may vary significantly from the target returns, forward looking estimates, and risk parameters shown. **Target Returns, Forward Looking Estimates, And Risk Parameters May Not Materialize.**

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L///CERA

FOR INFORMATION ONLY

February 23, 2018

TO: Each Member
Board of Investments

FROM: Steven P. Rice SPR
Chief Counsel

FOR: March 5, 2018 Board of Investments Meeting

SUBJECT: Monthly Status Report on Board of Investments Legal Projects

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of February 23, 2018.

Attachment

c: Robert Hill
James Brekk
John Popowich
Bernie Buenaflor
Jon Grabel
Vache Mahseredjian
John McClelland
Christopher Wagner
Ted Wright
Jim Rice
Scott Zdrazil
Christine Roseland
John Harrington
Cheryl Lu
Barry Lew
Margo McCabe
Lisa Garcia

LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of February 23, 2018

	Project/ Investment	Description	Amount	Board Approval Date	Completion Date	% Complete	Notes
EQUITIES/FIXED INCOME	BlackRock Trust Company	Conversion of Designated Public Equity and Fixed Income Commingled Trust Funds to Separate Accounts	$20,800,000,000.00	January 10, 2018	In Progress	25%	Legal review and negotiation of IMA in progress; meetings with business team to discuss IMA terms; calls with BlackRock to discuss deal terms and timing; received comments from BlackRock regarding IMA terms.
	BlackRock Financial Management	Termination Notice	n/a	February 14, 2018	In Progress	50%	Legal review and drafting of notice in progress; meetings with business team to discuss terms and timing of termination.
	BTC Intermediate Credit Bond Index Fund	Termination Notice	n/a	February 14, 2018	In Progress	50%	Legal review and drafting of notice in progress; meetings with business team to discuss terms and timing of termination.
	LM Capital	Termination Notice	n/a	February 14, 2018	In Progress	50%	Legal review and drafting of notice in progress; meetings with business team to discuss terms and timing of termination.

HEDGE FUNDS	AQR Liquid Enhanced Alternative Premia Fund, L.P.	Subscription	$200,000,000.00	December 13, 2017	In Progress	50%	Legal review and negotiations in progress; negotiating side letter.
	HBK Multi-Strategy Fund, L.P.	Subscription	$250,000,000.00	January 10, 2018	In Progress	50%	Legal review and negotiations in progress; negotiating side letter and management fee.
	Davidson Kempner Institutional Partners, L.P.	Subscription	$250,000,000.00	February 14, 2018	In Progress	25%	Outside counsel assigned and legal review in progress; awaiting comments memo from outside counsel.

INTERNAL AUDIT	VAT IT Agreement	Tax Reclamation Audit	N/A	December 13, 2017	Complete	100%	Agreement finalized and signed on February 7, 2018.

LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of February 23, 2018

	Project/ Investment	Description	Amount	Board Approval Date	Completion Date	% Complete	Notes
PRIVATE EQUITY	JP Morgan Investment	Private Equity Emerging Manager Separate Account Investment Management Agreement	$300,000,000.00	December 13, 2017	In Progress	25%	Drafting of IMA in progress; meetings with business team to discuss terms.
	Sinovation fund IV, L.P.	Subscription	$75,000,000.00	December 13, 2017	In Progress	25%	Legal review and negotiations in progress; negotiating side letter and LPA terms.
	Morgan Stanley (GTB II Capital Partners)	Co-Investment Program Additional Allocation	$100,000,000.00	February 14, 2018	In Progress	25%	Legal review and negotiation of IMA amendment in progress.
REAL ESTATE	AEW Value Investors III	Subscription	$50,000,000.00	December 13, 2017	In Progress	75%	Legal review and negotiations in progress; negotiating side letter and submitted draft subscription agreement.
	Asia-Pacific Property Investors, L.P.	Subscription	$50,000,000.00	February 14, 2018	In Progress	25%	Outside counsel assigned and legal review in progress; awaiting comments memo from outside counsel.