

## AGENDA

A 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, JUNE 13, 2018

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

\*Although the meeting is scheduled for 9:00 a.m., it is anticipated that the meeting will start at the conclusion of the joint meeting of the Board of Investments and Board of Retirement scheduled for the same time.

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of May 9, 2018

IV. REPORT ON CLOSED SESSION ITEMS

V. PUBLIC COMMENT

VI. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT  
(Memo dated June 4, 2018)

VII. CHIEF INVESTMENT OFFICER'S REPORT  
(Memo dated May 31, 2018)

VIII. CONSENT ITEMS

A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer and Scott Zdrazil, Senior Investment Officer: That the Board authorize LACERA's Chief Investment Officer to sign an addendum to LACERA's current 2017-2019 proxy voting platform contract.  
(Memo dated May 31, 2018)

VIII. CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Scott Zdrazil, Senior Investment Officer: That the Board approve LACERA's member ballot regarding members of governing boards of the International Corporate Governance Network. (Memo dated May 31, 2018)

IX. NON-CONSENT ITEMS

- A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Board approve Meketa's proposed Asset Allocation Policy Ranges for the LACERA Pension Trust. (Memo dated May 31, 2018)
- B. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: Adopt the final proposed LACERA Fiscal Year 2018-2019 Administrative, Retiree Healthcare Benefits, and Other Post-Employment Benefits Trust Budgets. (Memo dated June 5, 2018)
- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board authorize staff to submit a letter to the California Franchise Tax Board in response to the request for comments at the Third Interested Parties Meeting on Market-Based Rules for Sales Other Than Sales of Tangible Personal Property (California Code of Regulations, Title 18, Section 25136-2). (Memo dated June 1, 2018)

X. REPORTS

- A. Private Equity Performance Report  
Christopher J. Wagner, Principal Investment Officer  
(Memo dated June 1, 2018)
- B. 2018 First Quarter Hedge Fund Performance Report  
James Rice, Senior Investment Officer  
(Memo dated May 24, 2018)
- C. Securities Lending Program – 2017 Annual Review  
Robert Z. Santos, Investment Officer  
Adam Cheng, Senior Investment Analyst  
(For Information Only) (Memo dated May 31, 2018)

X. REPORTS (Continued)

- D. Asian Corporate Governance Association Annual General Meeting  
Ballot  
Scott Zdrazil, Senior Investment Officer  
(For Information Only) (Memo dated May 23, 2018)
- E. State Street Incident Report  
Jonathan Grabel, Chief Investment Officer  
(For Information Only) (Memo dated May 18, 2018)
- F. OPEB Master Trust New Strategic Asset Allocation – Update  
Implementation Plan  
Jonathan Grabel, Chief Investment Officer  
(For Information Only) (Memo dated June 1, 2018)
- G. Implementation Update on LACERA Pension Trust Asset Allocation  
Jonathan Grabel, Chief Investment Officer  
(For Information Only) (Memo dated May 31, 2018)
- H. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated June 4, 2018)
- I. May 2018 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(Memo dated June 4, 2018) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)

XI. REPORT ON STAFF ACTION ITEMS

- XII. GOOD OF THE ORDER  
(For information purposes only)

### XIII. 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. STORM VENTURES FUND VI, L.P.

### XIV. 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.*



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

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

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Wayne Moore, Secretary

Keith Knox (Chief Deputy to Joseph Kelly)

David Muir

Ronald Okum

Gina V. Sanchez

Herman B. Santos

Michael Schneider

ABSENT: Joseph Kelly

STAFF ADVISORS AND PARTICIPANTS

Robert Hill, Interim Chief Executive Officer

Jonathan Gabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

Ted Wright, Principal Investment Officer

David Simpson, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Michael Herrera, Senior Staff Counsel

Dale Johnson, Investment Officer

Shelly P. Tilaye, Senior Investments Analyst

Ron Senkandwa, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Quantitative Management Associates

Stacie Mintz, Managing Director and Portfolio Manager

Roy Henriksson, Chief Investment Officer

Brad Zenz, Managing Director, Head of North America Sales

Systematic Financial Management

Kenneth Burgess, Portfolio Manager and Partner

Eoin Middaugh, Partner

Steven Shaw, Senior Vice President, Institutional Sales

I. CALL TO ORDER

The meeting was called to order by Chair Green at 10:56 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of April 11, 2018

Mr. Okum made a motion, Mrs. Sanchez seconded, to approve the minutes of the special meeting of April 11, 2018. The motion passed with Mr. Muir abstaining.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT  
(Memo dated April 2, 2018)

Mr. Hill did not provide any comments.

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

Mr. Grabel did not provide any comments.

VII. CONSENT ITEMS

Mr. Schneider made a motion, Mr. Kehoe 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 SWFI Institutional Investor Summit Asia on June 5 – June 6, 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 April 25, 2018)

B. Recommendation as submitted by Michael Schneider, Chair, Real Estate Committee: That the Board adopt the immediate, intermediate and on-going actions identified by the Real Estate Structure Review.  
(Memo dated April 27, 2018)

## VIII. NON - CONSENT AGENDA

A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Board approve Allocation option “B,” on page 10 of Meketa’s presentation and Chart 1 of this memorandum, for the LACERA Pension Trust Asset Allocation for the following reasons:

- Allocation B is a diversified portfolio consistent with LACERA’s Investment Beliefs;
- Provides comparatively better downside protection and greater probability of achieving LACERA’s 7.25% target return compared to LACERA’s current allocation and 4Q2018 Policy, given model constraints; and
- Delivers a higher expected Sharpe ratio and expected returns adjusted for risk and net of fees. (Memo dated April 25, 2018)

Mr. Grabel and Messrs. Festino and Filla of Meketa Investments Group

were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Muir seconded, to approve Allocation option “B,” for the LACERA Pension Trust Asset Allocation. The motion passed unanimously.

B. Recommendation as submitted by Ted Wright, Principal Investment Officer, Dale Johnson, Investment Officer and Brenda Cullen, Investment Officer: That the Board hire Quantitative Management Associates, L.L.C., and Systematic Financial Management, L.P., for active U.S. Small Capitalization Equity mandates and allocate up to \$400 million to each using separate account vehicles.  
(Memo dated April 30, 2018)

VIII. NON - CONSENT AGENDA (Continued)

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

Mr. Muir made a motion, Mr. Knox seconded, to hire Quantitative Management Associates (QMA) and Systematic Financial Management (Systematic) for active U.S. Small Capitalization Equity mandates and allocate up to \$400 million to each using separate account vehicles. The motion passed with Mr. Kehoe voting no.

- C. Recommendation as submitted by Christopher Wagner, Principal Investment Officer and David E. Simpson, Investment Officer: That the Board invite the following Secondary Advisor Request for Proposal finalists, Greenhill Capital Advisory, Evercore Group L.L.C., and Campbell Lutyens to present at the June Board meeting.  
(Memo dated April 27, 2018)

Messrs. Wagner and Johnson were present and answered questions from the Board.

Mr. Kehoe made a motion, Mrs. Sanchez seconded, to approve the proposed list of finalists and direct staff to make a selection of the advisor to be engaged. The motion passed with Mr. Santos voting no.

- D. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt the revised Legislative Policy.  
(Memo dated April 30, 2018)

Messrs. Rice and Lew were present and answered questions from the Board.

VIII. NON - CONSENT AGENDA (Continued)

Mr. Santos made a motion, Mr. Muir seconded, to adopt the revised Legislative Policy. The motion passed unanimously.

IX. REPORTS

- A. Review of Securities Litigation Policy  
Michael Herrera, Senior Staff Counsel  
(Memo dated April 30, 2018)

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

The following items were received and filed:

- B. Update on AB 2571 – Race and Gender Pay Equity Policy  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated April 26, 2018)
- C. Enhancing Manager Due Diligence and Monitoring Regarding  
Workplace Diversity and Inclusion Policies and Practices  
Jude Perez, Principal Investment Officer  
Scott Zdrazil, Senior Investment Officer  
(For Information Only) (Memo dated April 27, 2018)
- D. Sexual Harassment Prevention Training for Trustees  
John Nogales, Director Human Resources  
Roberta Van Nortrick, Training Coordinator  
(For Information Only) (Memo dated April 23, 2018)
- E. Tennenbaum Capital Partners – Organizational Update  
Adam Cheng, Senior Investment Analyst  
(For Information Only) (Memo dated April 27, 2018)
- F. OPEB Master Trust as of March 31, 2018  
Ted Wright, Principal Investment Officer  
(For Information Only) (Memo dated April 26, 2018)

IX. REPORTS (Continued)

- G. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated May 1, 2018)
- H. Fund Performance Review as of March 31, 2018  
Meketa Performance Report as of March 31, 2018  
Jon Grabel, Chief Investment Officer  
(For Information Only)
- I. April 2018 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(Memo dated May 1, 2018) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)

X. REPORT ON STAFF ACTION ITEMS

The Board requested that staff return the Fiduciary Counsel Policy for Board review.

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

Mr. Grabel announced that Michael Romero has been promoted to Financial Analyst II position.

(Mr. Kehoe left the Boardroom at 12:30 p.m.)

XII. 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. AE Industrial Partners Fund II, L.P.

Messrs. Wagner, Simpson, and Jose Fernandez of StepStone Group LP,

## XII. EXECUTIVE SESSION (Continued)

provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Okum seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Knox, Moore, Muir, Okum, Santos and Mrs. Sanchez voting yes; and Mr. Schneider voting no. Mr. Kehoe was absent. The Board's decision and vote to approve an investment of up to \$100 million in AE Industrial Partners Fund II, L.P., was reported out in open session. AE Industrial Partners Fund II, LP is a small market buy-out fund specializing in aerospace and defense, power generation, and specialty industrial businesses.

### 2. Other Manager: 1

Mr. Wright was present and answered question from the Board.

Mr. Santos made a motion, Mr. Okum seconded, to approve staff's recommendation to terminate Cramer Rosenthal McGlynn, which has managed an active small/mid-capitalization equity mandate. The motion passed (roll call) with Messrs. Green, Knox, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes. Mr. Kehoe was absent. The Board's decision and vote was reported out in open session.



XII. EXECUTIVE SESSION (Continued)

3. Other Manager: 2

Mr. Wright was present and answered question from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to approve staff's recommendation to terminate Westwood Asset Management, which has managed an active small/mid-capitalization equity mandate. The motion passed (roll call) with Messrs. Green, Knox, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes. Mr. Kehoe was absent. The Board's decision and vote was reported out in open session.

XIII. ADJOURNMENT

(Mr. Kehoe returned to the Boardroom at 1:02 p.m.)

There being no further business to come before the Board, the meeting was adjourned at 1:08 p.m.

May 9, 2018

Page 10

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

1. Supplement to April 2018 Fiduciary Counsel Contact and Billing Report  
(Privileged and Confidential)  
(Memo dated May 7, 2018) (For Information Only)
2. Investment Recommendation Memorandum: AE Industrial Partners Fund II,  
L.P. (Confidential) (Memo dated May 9, 2018) (For Information Only)

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WAYNE MOORE, SECRETARY

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DAVID GREEN, CHAIR



June 4, 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.

### **LACERA's Human Resources Division Wins Awards**

LACERA is regarded as a premiere organization and a leader in the pension community. With over \$53 billion in assets and a very solid funding level near 80%, we take care of over 163,000 of our fellow members, spouses, and eligible beneficiaries. From the day an employee begins working for LA County, or one of our agencies, we focus on educating members and helping them maximize their benefits. Throughout their membership we work hard to make sure that every interaction is accurate and respectful. Our staff members are focused on maximizing and protecting the fund's investments to deliver on the promised benefits.

LACERA's greatest assets are the over 400 staff members that work at LACERA. They are highly trained and dedicated to taking care of every one of our members. In this day and age of automation its easy to overlook that without these people there would be no one to answer the phones, write the newsletters, maintain our website, process account maintenance requests, ensure LACERA's facilities are ready for use, interpret the laws, or make the investments that allow us to continue to provide the benefits our members deserve. They are what keeps this engine running.

Hiring and keeping the right people, with the right skills and experience, is critical to our being able to deliver on our promises. That's why I wanted to take a moment and share some great news with you about two awards that our Human Resources Division recently received. Earlier this year we received the Agency Awards for Excellence in Human Resources for the California and Western Region chapters of the International Public Management Association for Human Resources (IPMA). LACERA was one of just three organizations selected to receive these IPMA Agency Awards for 2018 in the Western Region, which covers eight states (Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, and Washington).

These awards recognize the overall quality, accomplishments, and contributions of member agency human resource programs that exceed expectations and go beyond the normal standards of a good government human resources program. LACERA was nominated for receiving the WorldatWork Seal of Distinction, our Career Development Program, the Annual Core Benefits Training Program, Charitable Giving, Staff Volunteer Day at the Food Bank, and LACERA's Lactation Support Program, which won the Mother-Baby Friendly Workplace Award.

Winning awards from respectable human resources organizations is a nice recognition for all of the hard work we do to take care of the staff members who in turn take care of our members. To paraphrase an old saying, "a happy, engaged staff member leads to a happy member," and that's our goal. So I just wanted to let you know that we are focused on creating the type of work environment that allows us to hire and keep the best staff members who will be here to take care of our members.

RH: jp  
CEO report June 2018.doc

Attachments

# Striving for Excellence in Service



**Outreach Attendance**  
**5,075**

32,794 Year-to-Date



**Outreach Events**  
**50**

361 Year-to-Date



**Outreach Satisfaction**  
**96.7%**

0.2% Change Since Last Mo.



**Member Service Center**  
**100.0%**

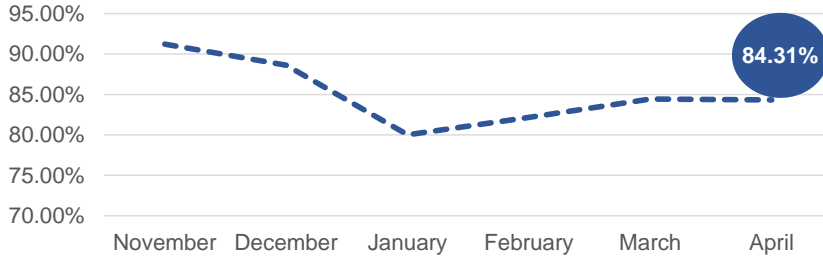
0.0% Change Since Last Mo.



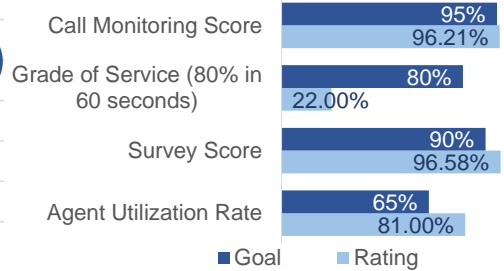
**Member Services Calls**  
**12,489**

14,178 3 Mo. Avg.

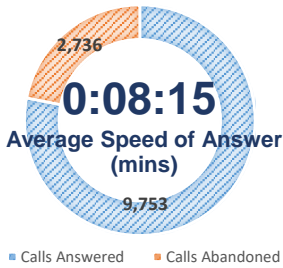
## Key Performance Indicator (Overall Performance)



## Key Performance Indicator (Components)



Member Services



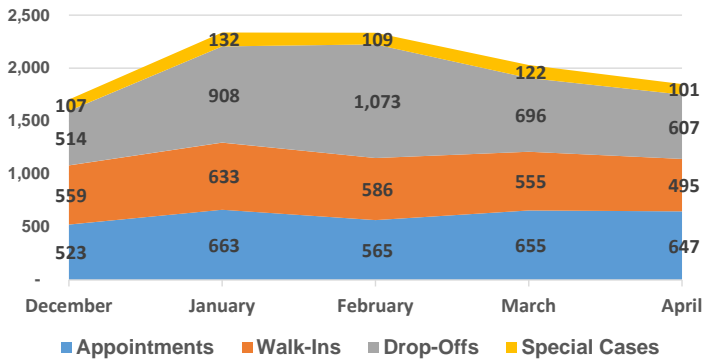
## Top Calls

1. Workshop Info/Appointments Inquiry
2. Benefit Pmts.-Gen. Inquiry/Payday Info
3. Retirement Counseling: Estimate

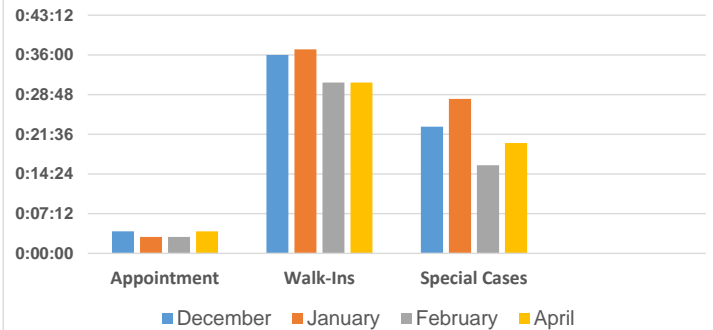


**342 Emails**  
**8:38 hours**  
Avg. Response Time (ART)

## Member Service Center Visits



## Member Service Center Average Wait Time

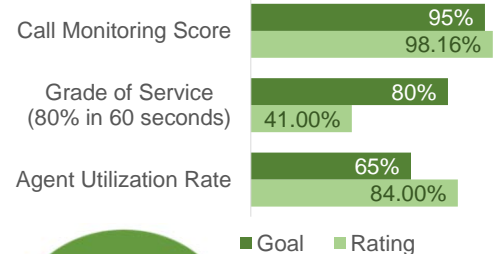
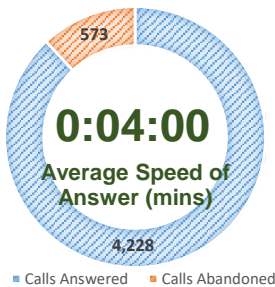


\*Drop Off Wait Time: No Waiting

## Top Calls

1. Medical Benefits - General Inquiries
2. General Inquiries (RHC)
3. Part B Premium Reimbursement

Retiree Healthcare



**108 Emails**  
**1 day**  
Avg. Response Time (ART)

## Striving for Excellence in Service (Continued)

### Applications

**611**

On Hand

45 Received  
481 Year-to-Date

0 Re-opened  
1 Year-to-Date

65 To Board - Initial  
430 Year-to-Date

1 Closed  
51 Year-to-Date

590 In Process

590 Year-to-Date

### Appeals

**114**

On Hand

3 Received  
26 Year-to-Date

3 Admin Closed/Rule 32  
23 Year-to-Date

2 Referee Recommended  
11 Year-to-Date

0 Revised/Reconsidered for Granting  
5 Year-to-Date

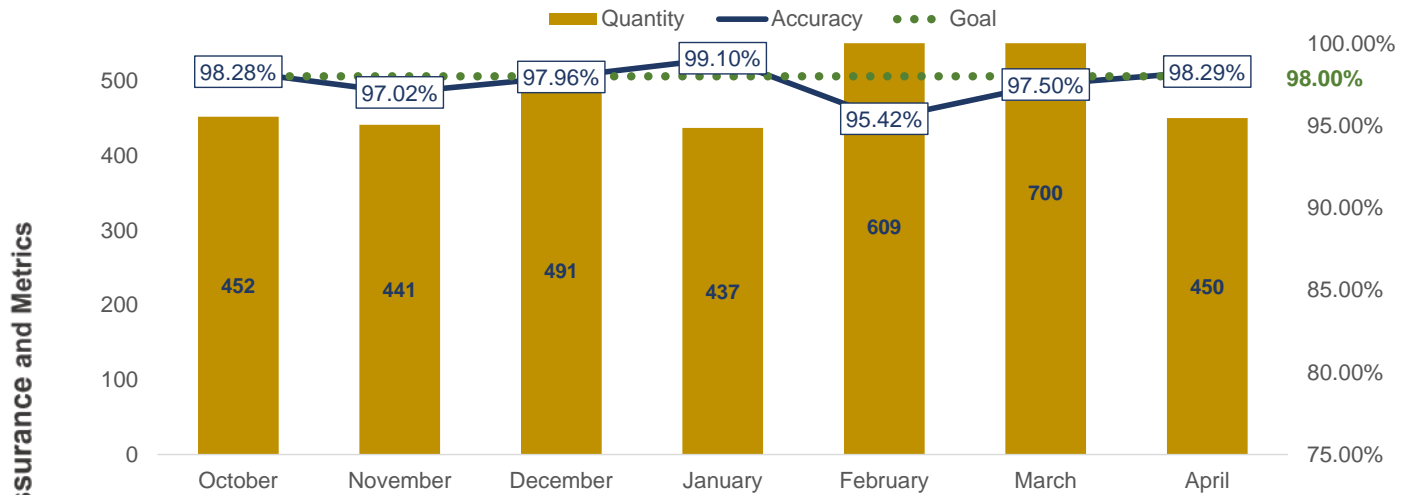
112 In Process

112 Year-to-Date

Disability

## Striving for Excellence in Quality

### Audits of Retirement Elections, Payment Contracts, and Data Entry



Quality Assurance and Metrics

**April 2018**



#### Retirement Elections

**206** Samples  
**97.28%** Accuracy

#### Payment Contracts

**154** Samples  
**98.80%** Accuracy

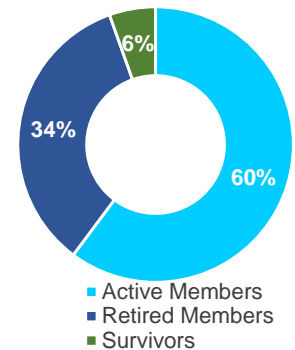
#### Data Entry

**90** Samples  
**98.80%** Accuracy

**98.29%**

## Member Snapshot

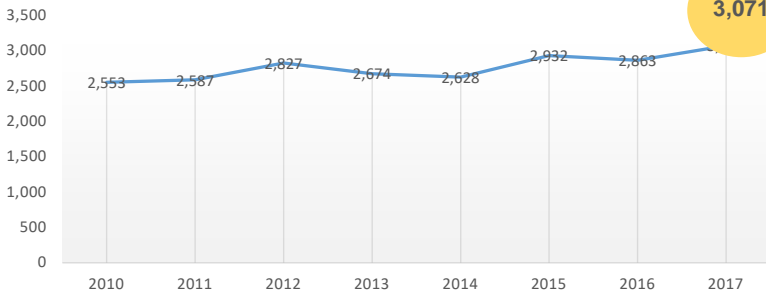
		Members as of 06/01/18				
		Plan	Active	Retired	Survivors	Total
General	Plan A		139	17,753	4,539	22,431
	Plan B		43	691	68	802
	Plan C		58	428	64	550
	Plan D		43,673	14,150	1,277	59,100
	Plan E		18,619	12,325	1,080	32,024
	Plan G		23,072	11	1	23,084
	<b>Total General</b>			<b>85,604</b>	<b>45,358</b>	<b>7,029</b>
Safety	Plan A		5	5,488	1,577	7,070
	Plan B		10,296	5,303	263	15,862
	Plan C		2,443	5	0	2,448
	<b>Total Safety</b>			<b>12,744</b>	<b>10,796</b>	<b>1,840</b>
<b>TOTAL MEMBERS</b>			<b>98,348</b>	<b>56,154</b>	<b>8,869</b>	<b>163,371</b>



■ Active Members  
■ Retired Members  
■ Survivors

## Member Snapshot (Continued)

### Retirements Per Year



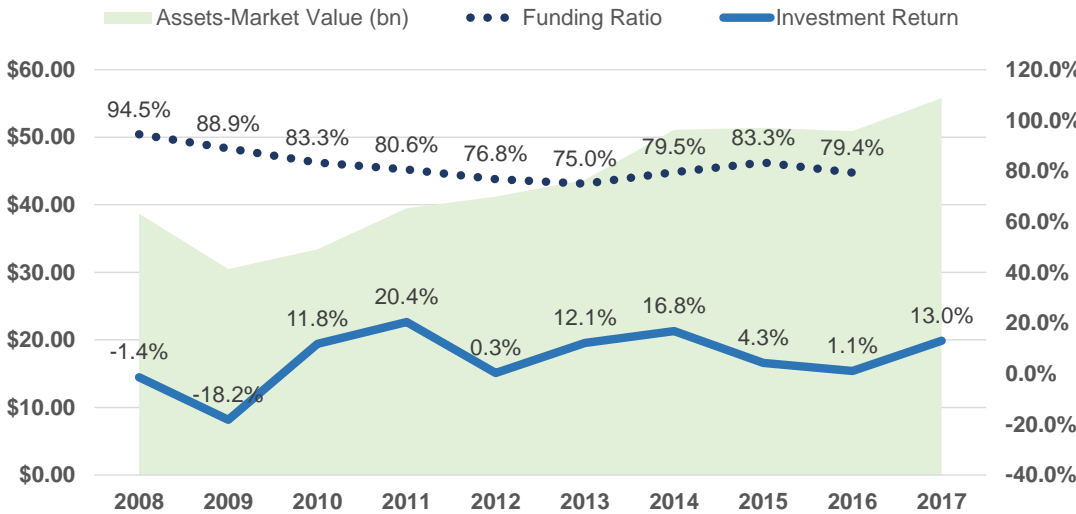
### Healthcare Program (YTD)

	Employer	Member
Medical	\$394.6m	\$33.4m
Dental	\$35.4m	\$3.6m
Part B	\$47.9m	xxxx
<b>Total</b>	<b>\$477.8m</b>	<b>\$37.0m</b>

### Healthcare Enrollments (Monthly)

Medical	49,308
Dental	50,454
Part B	33,044
LTC	686
<b>Total</b>	<b>133,492</b>

## 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)

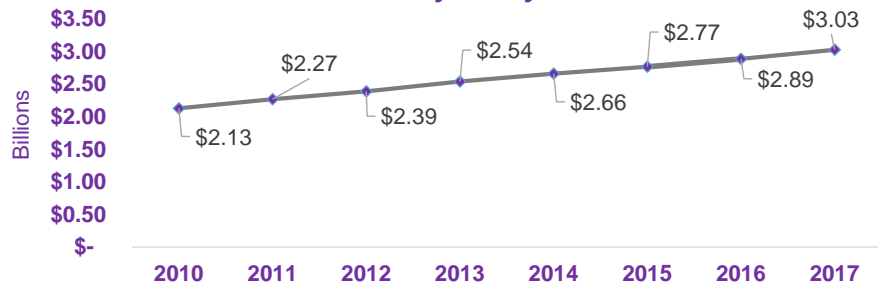
	Employer	Member
Annual Add	\$1331.4m	\$526.6m
% of Payroll	19.7%*	6.65%*

\*Effective July 1, 2017, as of 06/30/16 actuarial valuation

### Retired Members Payroll

Monthly Payroll	\$279.04m
Payroll YTD	\$2.7b
New Retired Payees Added	981
Seamless %	99.69%
New Seamless Payees Added	3,622
Seamless YTD	99.72%
By Check %	4.00%
By Direct Deposit %	96.00%

### Retiree Payroll by Year



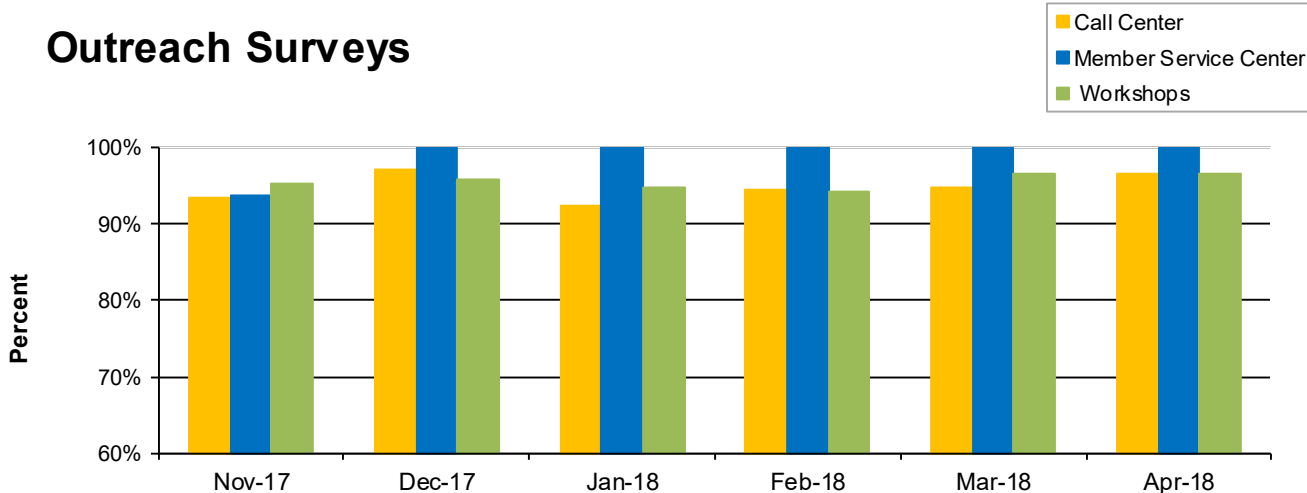
MORE COMING SOON!

# LACERA's KEY BUSINESS METRICS

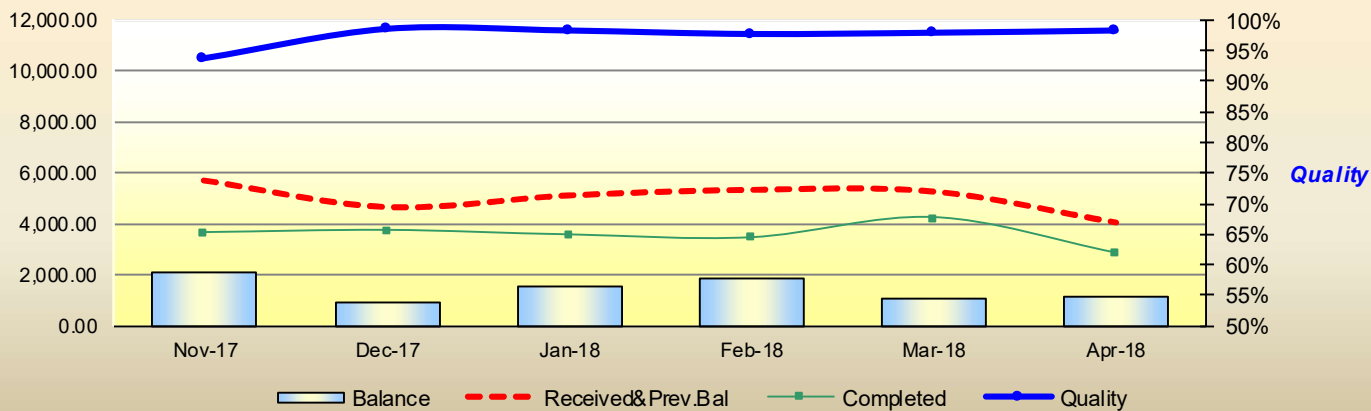
## OUTREACH EVENTS AND ATTENDANCE

Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	20	133	899	7,107
Mid Career	1	7	31	399
New Member	11	124	160	2,631
Pre-Retirement	10	76	250	1,976
General Information	3	8	451	858
Retiree Events	5	13	1,434	2,162
Member Service Center	Daily	Daily	1,850	17,661
<b>TOTALS</b>	<b>50</b>	<b>361</b>	<b>5,075</b>	<b>32,794</b>

## Outreach Surveys



## Benefits and Member Services Production and Quality Summary (Rolling 6 Months)



Member Services Contact Center			RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)			84.31%	
<b>Category</b>	<b>Goal</b>	<b>Rating</b>		<b>Member Services</b>
Call Center Monitoring Score	95%	96.21%	98.16%	1) Workshop Info.\Appointments: Inquiry
Grade of Service (80% in 60 seconds)	80%	22%	41%	2) Benefit Pmts.-Gen. Inquiry/Payday Info
Call Center Survey Score	90%	96.58%	xxxxx	3) Retirement Counseling: Estimate
Agent Utilization Rate	65%	81%	84%	
Number of Calls		12,489	4,801	<b>Retiree Health Care</b>
Number of Calls Answered		9,753	4,228	1) Medical Benefits - General Inquiries
Number of Calls Abandoned		2,736	573	2) General Inquiries (RHC)
Calls-Average Speed of Answer (hh:mm:ss)		00:08:15	00:04:00	3) Part B Premium Reimbursement
Number of Emails		342	108	
Emails-Average Response Time (hh:mm:ss)		08:38:24	(Days) 1	Adjusted for weekends

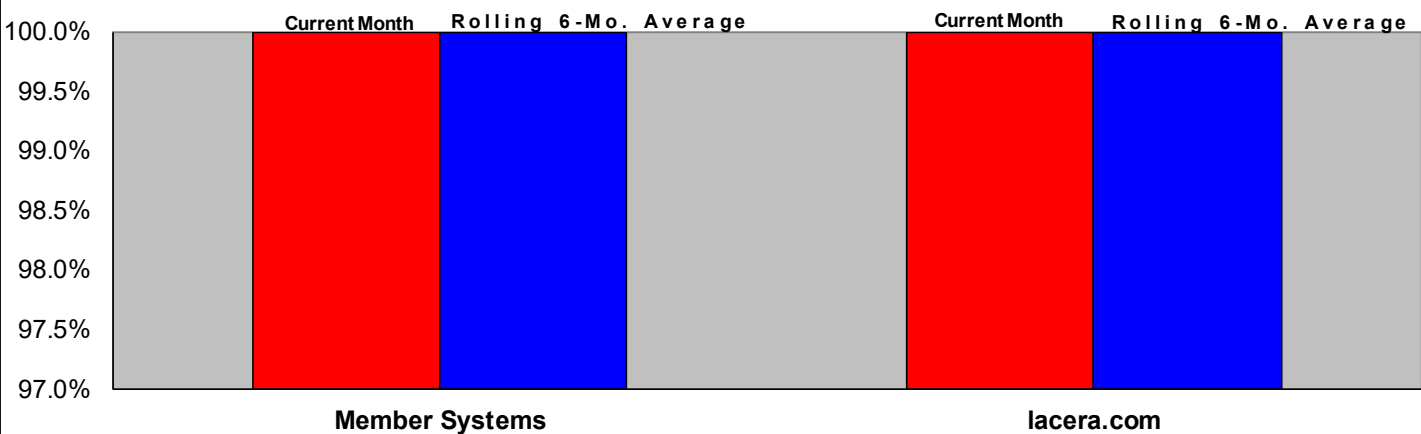


## LACERA's KEY BUSINESS METRICS

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	611	xxxxxxx		On Hand	114	xxxxxxx
Received	45	481		Received	3	26
Re-opened	0	1		Administratively Closed/Rule 32	3	23
To Board – Initial	65	430		Referee Recommendation	2	11
Closed	1	51		Revised/Reconsidered for Granting	0	5
<b>In Process</b>	<b>590</b>	<b>590</b>		<b>In Process</b>	<b>112</b>	<b>112</b>

### SYSTEMS AVAILABILITY - APRIL 2018



Active Members as of 6/1/18		Retired Members/Survivors as of 6/1/18			Retired Members		
		Retirees	Survivors	Total			
General-Plan A	139	17,753	4,539	22,292	Monthly Payroll	279.04 Million	
General-Plan B	43	691	68	759	Payroll YTD	2.7 Billion	
General-Plan C	58	428	64	492	No. Monthly Added	981	
General-Plan D	43,673	14,150	1,277	15,427	Seamless %	99.69%	
General-Plan E	18,619	12,325	1,080	13,405	No. YTD Added	3,622	
General-Plan G	23,072	11	1	12	Seamless YTD %	99.72%	
<b>Total General</b>	<b>85,604</b>	<b>Total General</b>	<b>45,358</b>	<b>7,029</b>	<b>52,387</b>	Direct Deposit %	96.00%
Safety-Plan A	5	5,488	1,577	7,065			
Safety-Plan B	10,296	5,303	263	5,566			
Safety-Plan C	2,443	5	0	5			
<b>Total Safety</b>	<b>12,744</b>	<b>Total Safety</b>	<b>10,796</b>	<b>1,840</b>	<b>12,636</b>		
<b>TOTAL ACTIVE</b>	<b>98,348</b>	<b>TOTAL RETIRED</b>	<b>56,154</b>	<b>8,869</b>	<b>65,023</b>		

Health Care Program (YTD Totals)		
	Employer Amount	Member Amount
Medical	394,554,204	33,376,268
Dental	35,395,485	3,644,665
Med Part B	47,874,922	xxxxxxxxxx
<b>Total Amount</b>	<b>\$477,824,611</b>	<b>\$37,020,933</b>

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

Health Care Program Enrollments (Monthly)	
Medical	49,308
Dental	50,454
Med Part B	33,044
Long Term Care (LTC)	686

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.

Date	Conference
<b>July, 2018</b>	
11-13	Pacific Pension Institute (PPI) North American Summer Roundtable La Jolla, CA
12-13	National Association of Corporate Directors (NACD) Technology Symposium Palo Alto, CA
16-18	2018 Fortune Brainstorm Tech Conference Aspen, CO
<b>August, 2018</b>	
14-15	ISMG Security Summit New York, NY
27-30	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Management for Trustees Pepperdine University
<b>September, 2018</b>	
12-14	Principles for Responsible Investment (PRI) PRI in Person 2018 San Francisco, CA
21	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Hilton Los Angeles North/Glendale
29-October 2	National Association of Corporate Directors – Global Board Leaders’ Summit Washington D.C.
<b>October, 2018</b>	
3-5	PREA (Pension Real Estate Association) Annual Institutional Investor Real Estate Conference Boston, MA
14-16	AHIP (America’s Health Insurance Plans) Medicare Conference Washington D.C.
14-17	IFEBP (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference New Orleans, LA
22	International Corporate Governance Network (ICGN) New York Event New York, NY
22-26	Investment Strategies & Portfolio Management ( <i>prev. Pension Fund &amp; Investment Mgmt.</i> ) Wharton School, University of Pennsylvania
24-26	Council of Institutional Investors (CII) Fall Conference Boston, MA

May 31, 2018

TO: Each Member  
Board of Investments

FROM: Jon Grabel   
Chief Investment Officer

SUBJECT: **CHIEF INVESTMENT OFFICER'S REPORT—APRIL 2018**

The following memorandum and attachments constitute the CIO report for April 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 \$55.8 billion.<sup>1</sup> The month had a positive net return of 0.55%. Fiscal year to date, the Total Fund has gained 8.0%.

The OPEB Master Trust generated a positive return in April. For the month, the L.A. County, LACERA, and Superior Court funds all had net gains of approximately 0.9%. Fiscal year to date, L.A. County, LACERA, and Superior Court funds had respective net gains of 9.6%, 9.7%, and 9.2%.

### **ATTRIBUTION**

In the upcoming months, as LACERA's analytical systems and practices are enhanced, this section will discuss risk and return attribution at the Total Fund level.

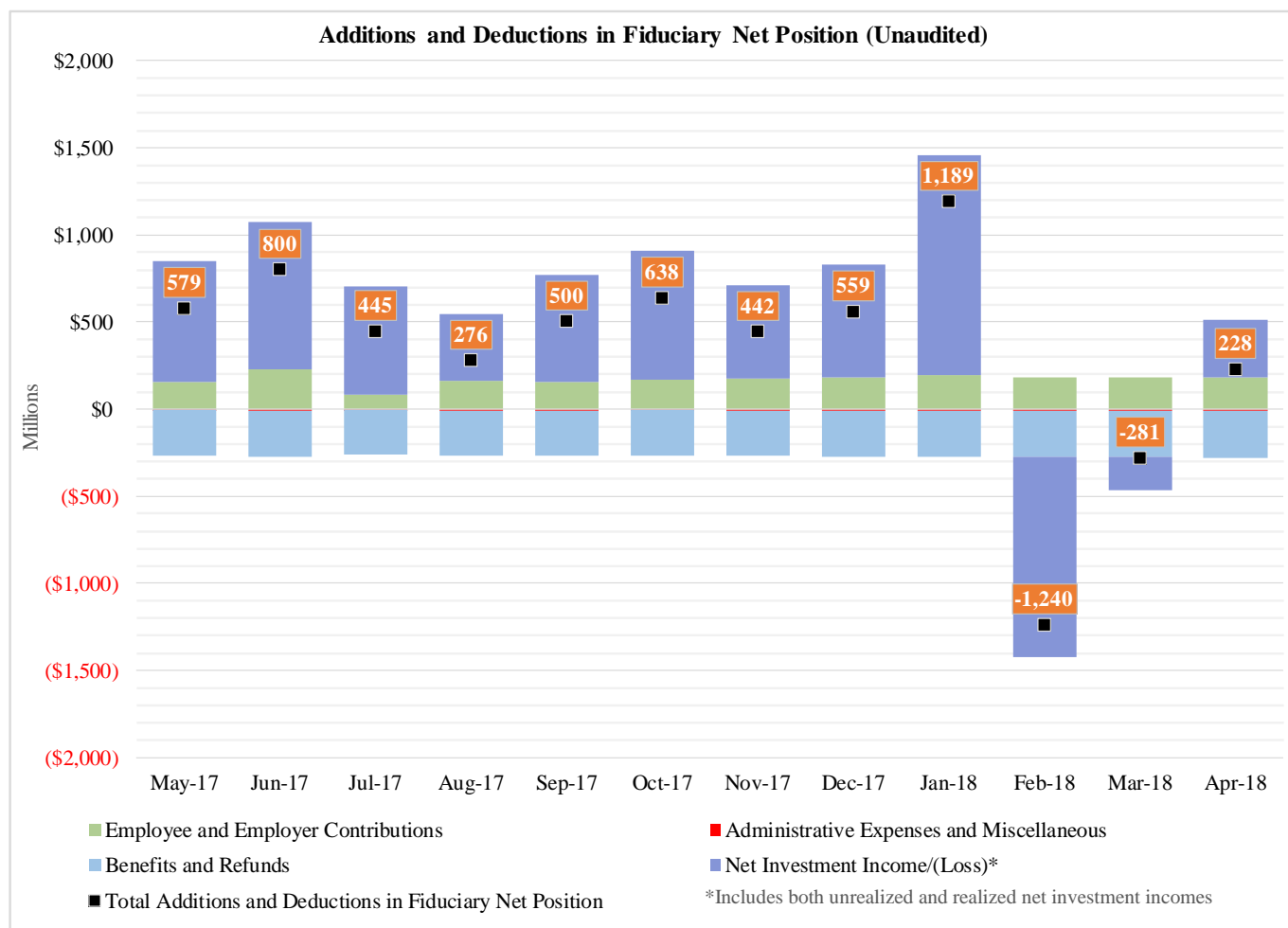
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<sup>1</sup> For months that coincide with calendar quarter end, the Total Fund value is calculated using the custodian's quarter-end market values for all asset classes. For inter-quarter periods, the Total Fund value is calculated using the custodian's 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.

## CASH FLOWS, CASH BALANCES, AND FIDUCIARY NET POSITION<sup>2</sup>

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 \$228 million during the month of April. Over the last twelve months, the Plan’s net position has increased by \$4.1 billion.

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



With respect to cash, LACERA finished the month of April with approximately \$1.6 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 \$1.4 billion of internal operating cash and short-term investments across all of its operating

<sup>2</sup> 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.

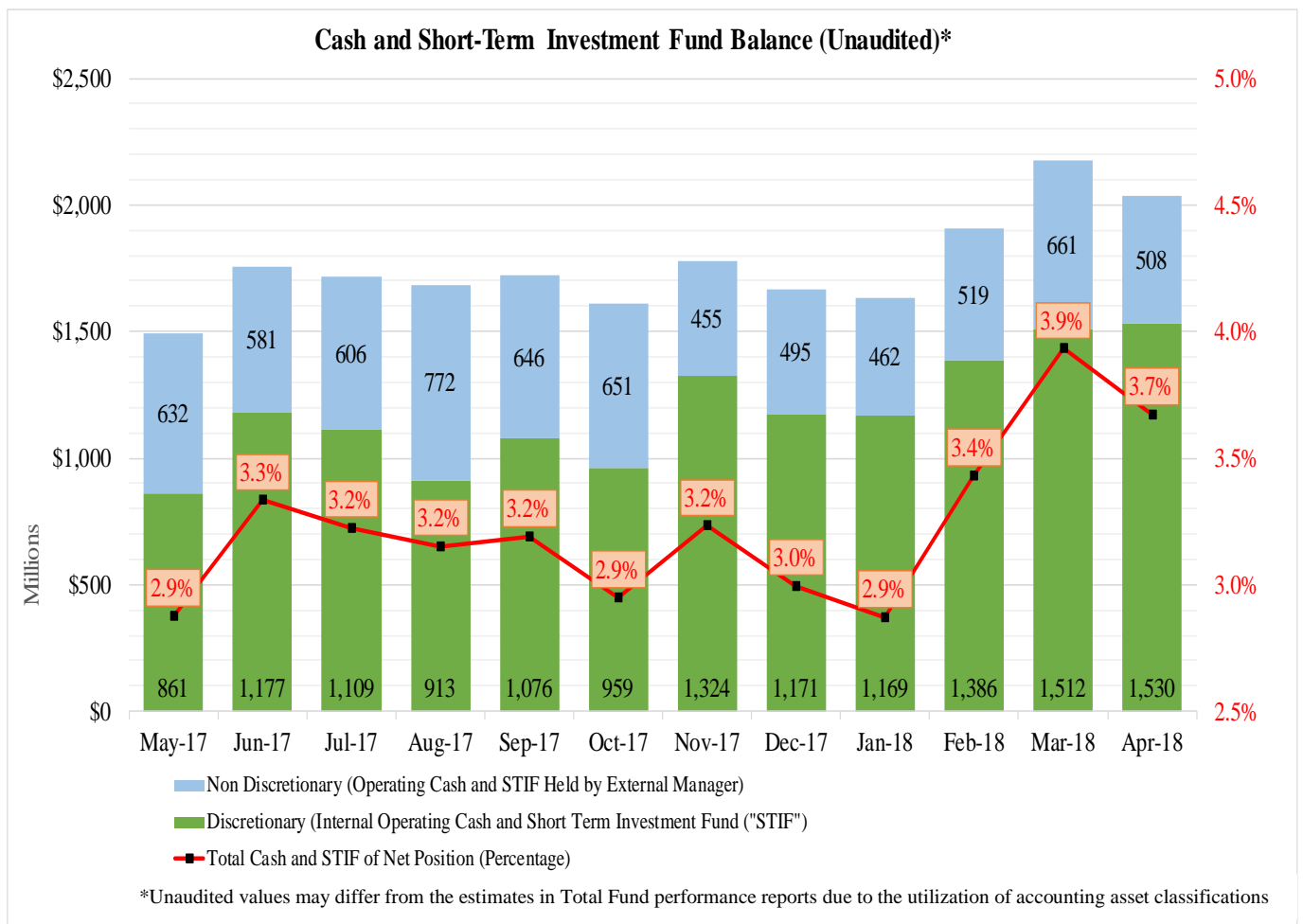
accounts and LACERA’s external investment managers held a further \$508 million in cash and short-term investments.

In total, LACERA held approximately \$2.0 billion in cash and short-term investment funds at the end of April, which can be categorized as follows:

- Non-discretionary (operating cash and Short Term Investment Fund (“STIF”) balances held by external investment managers): \$508 million
- Discretionary (internal operating cash and STIF balances accessible for the daily operating needs of the plan): \$1.5 billion

The Fund’s total cash and short-term investment fund balance represented 3.7% of the Plan’s unaudited net position, while its discretionary cash and short-term investment fund balance represented 2.8% of the Plan’s unaudited net position.

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



The following table (Table 1) provides a summary of cash flows at the asset category level. For the month of April, Private Equity and Fixed Income had net investment distributions (cash inflows) totaling \$224.3 million. Public Equity, Real Estate and Hedge Funds, had net investment contributions (cash outflows) totaling -\$116.9 million.

*Table 1: Asset Category Cash Flows*

<b>Asset Category and Activity</b>	<b>\$ in Millions</b>	<b>Cash Impact</b>
<u>Private Equity</u>		
Distributions	\$147.9	Inflow
Capital calls	<u>-\$73.6</u>	<u>Outflow</u>
<i>Private Equity</i>	<i>\$74.3</i>	<i>Net Inflow</i>
<u>Public Equity: U.S.</u>		
Distributions	\$0.0	Inflow
Contributions	<u>-\$5.3</u>	<u>Outflow</u>
<i>U.S. Equity</i>	<i>-\$5.3</i>	<i>Net Outflow</i>
<u>Public Equity: Non-U.S.</u>		
Distributions	\$0.0	Inflow
Contributions	<u>-\$0.3</u>	<u>Outflow</u>
Currency hedge	<u>-\$48.6</u>	<u>Outflow</u>
<i>Non-U.S. Equity</i>	<i>-\$48.9</i>	<i>Net Outflow</i>
<u>Fixed Income</u>		
Distributions	\$150.0	Inflow
Contributions	<u>\$0.0</u>	<u>Outflow</u>
<i>Fixed Income</i>	<i>\$150.0</i>	<i>Net Inflow</i>
<u>Commodities</u>		
No activity	<u>\$0.0</u>	<u>Net Flow</u>
<i>Commodities</i>	<i>\$0.0</i>	<i>n/m</i>
<u>Hedge Funds</u>		
Distributions	\$0.0	Inflow
Contributions	<u>-\$10.0</u>	<u>Outflow</u>
<i>Hedge Funds</i>	<i>-\$10.0</i>	<i>Net Outflow</i>
<u>Real Estate</u>		
Separate account net activity	<u>-\$49.0</u>	<u>Outflow</u>
Commingled fund net activity	<u>-\$3.7</u>	<u>Outflow</u>
<i>Real Estate</i>	<i>-\$52.7</i>	<i>Net Outflow</i>

The Public Equity asset class realized a -\$48.6 million cash outflow 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 \$13.2 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 April realized a loss and -\$48.6 million was transferred from cash to LACERA's passive currency overlay account. The hedged Non-U.S. Equity portfolio gained 2.4% net of fees, or approximately \$228.5 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 two searches currently underway.

The first 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 third quarter of 2018.

The second search is an RFP issued for active U.S. and non-U.S. public equity emerging managers to oversee direct mandates in separate accounts. The RFP was issued in October and manager responses were due in November. The review process is underway and a recommendation is expected to be made in the third quarter of 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 was approved in May by the BOI and a presentation on the strategic asset allocation policy bands is scheduled for the June BOI meeting.
- Staff, in conjunction with Meketa and the Legal Office, is working on updating the Total Fund Investment Policy Statement to reflect the new strategic asset allocation.

- An asset allocation implementation plan and glide path are under development.
- A Total Fund benchmark review by Meketa is scheduled for the July offsite.

### **Public Equity**

- Staff is finalizing contract negotiations and preparing for conversion of public market commingled strategies into separate account structures.

### **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.
- Staff and JPMorgan are working on finalizing the business plan and legal documents for the next tranche of the Emerging Manager Program.
- Staff will review the co-investment program structure in the second half of 2018 and provide results to the Equity Committee and Board by the end of the calendar year.

### **Fixed Income**

- A review of the securities lending program is scheduled for June.

### **Real Estate**

- Staff is developing the draft for the real estate investment platform for fiscal year 2018-2019 that reflects the items detailed to the Real Estate Committee in April and adopted the Board.

### **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 has been incorporated into LACERA's proxy voting platform to implement the new policy.
- Assessment of public markets managers' ESG practices continues to be refined, with takeaways integrated into LACERA's public market manager searches and monitoring.

### **OPEB**

- Transition to the updated asset allocation will be completed by fiscal year end.



## **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 June 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.

## **MAY FORECAST**

In May, political rhetoric continued to be abundant across media outlets. Despite high levels of uncertainty about the future of international relations and the possibilities of trade tariffs, investment markets delivered positive returns. Generally, risk assets continue to be supported and experienced modest price increases in May.

Economic forecasting continues to be challenging. Attempting to gauge the probability of future activity across central banks, consumers, and political leaders is a highly speculative endeavor. Thus, predicting future market direction or economic health is uncertain. To mitigate this risk, LACERA strives to implement a diversified portfolio that does not rely on any single source of return. This is consistent with LACERA's investment belief that "[l]ong-term strategic asset allocation will be the primary determinant of LACERA's risk/return outcomes."

Each Member, Board of Investments

May 31, 2018

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As of publication of this report, during the month of May, the S&P 500 stock index was up 2.6% while the Bloomberg Barclays Global Aggregate bond index was down by -1.1%. The Total Fund will likely have a positive month.

Attachments

JG:cq

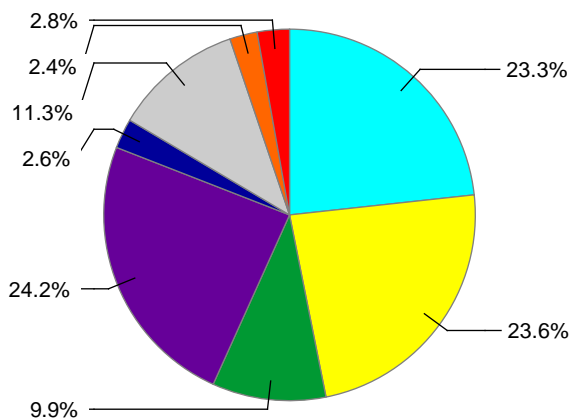
# LACERA'S ESTIMATED TOTAL FUND

April 30, 2018



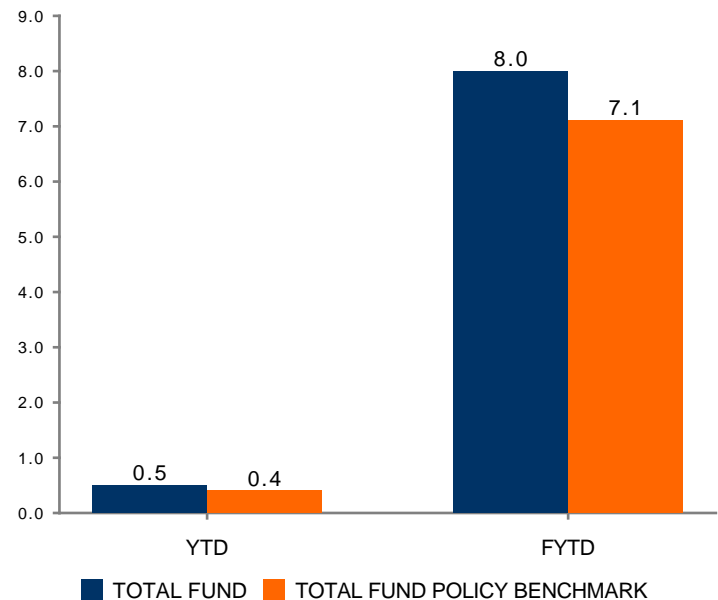
	Market Value (millions)	Actual % Total Fund	Target % Total Fund	VUVOŠŮÖVWÜPÜÁPÖVD				
				YTD	FYTD	3 Year	5 Year	10 Year
<b>U.S. EQUITY</b>	<b>12,982.6</b>	<b>23.3</b>	<b>22.4</b>	<b>-0.5</b>	<b>10.3</b>	<b>9.8</b>	<b>12.6</b>	<b>9.1</b>
RUSSELL 3000 (DAILY)				-0.3	10.9	10.2	12.8	9.1
<b>Non-U.S. EQUITY (Hedged)</b>	<b>13,159.2</b>	<b>23.6</b>	<b>21.0</b>	<b>0.5</b>	<b>11.7</b>	<b>6.3</b>	<b>7.5</b>	<b>3.5</b>
CUSTOM MSCI ACWI IMI N 50%H				0.5	11.6	5.8	7.1	3.3
<b>PRIVATE EQUITY <sup>[1]</sup></b>	<b>5,504.6</b>	<b>9.9</b>	<b>10.0</b>	<b>5.3</b>	<b>16.3</b>			
PRIVATE EQUITY TARGET <sup>[2]</sup>				4.5	11.0			
<b>FIXED INCOME</b>	<b>13,487.4</b>	<b>24.2</b>	<b>26.6</b>	<b>-1.3</b>	<b>0.5</b>	<b>2.6</b>	<b>2.6</b>	<b>5.0</b>
FI CUSTOM INDEX				-2.1	-0.7	1.5	1.8	4.0
<b>REAL ESTATE <sup>[1]</sup></b>	<b>6,330.2</b>	<b>11.3</b>	<b>11.0</b>	<b>1.5</b>	<b>5.4</b>			
REAL ESTATE TARGET				2.6	6.1			
<b>COMMODITIES</b>	<b>1,434.2</b>	<b>2.6</b>	<b>2.8</b>	<b>2.4</b>	<b>11.9</b>	<b>-2.8</b>	<b>-6.0</b>	<b>-6.3</b>
Bloomberg Commodity Index Total Return				2.2	9.7	-4.2	-7.3	-7.8
<b>HEDGE FUNDS <sup>[3]</sup></b>	<b>1,352.5</b>	<b>2.4</b>	<b>4.2</b>	<b>1.7</b>	<b>4.7</b>	<b>2.8</b>	<b>4.3</b>	
HEDGE FUND CUSTOM INDEX <sup>[3]</sup>				2.1	5.1	5.5	5.3	
<b>CASH</b>	<b>1,584.1</b>	<b>2.8</b>	<b>2.0</b>	<b>0.5</b>	<b>1.1</b>	<b>0.9</b>	<b>0.7</b>	<b>0.8</b>
Citigroup 6 M Treasury Bill Index				0.5	1.0	0.6	0.4	0.4
<b>TOTAL FUND <sup>[1]</sup></b>	<b>55,834.8</b>	<b>100.0</b>	<b>100.0</b>	<b>0.5</b>	<b>8.0</b>			
TOTAL FUND POLICY BENCHMARK				0.4	7.1			

Asset Allocation



■ U.S. EQUITY   
 ■ Non-U.S. EQUITY   
 ■ PRIVATE EQUITY   
 ■ FIXED INCOME  
■ COMMODITIES   
 ■ REAL ESTATE   
 ■ HEDGE FUNDS   
 ■ CASH

Net Returns



[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

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Periods greater than 1-year are annualized

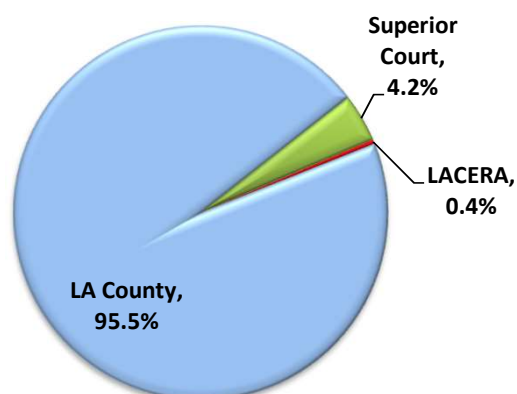
## OPEB MASTER TRUST

April 30, 2018



Fund Name	Inception Date	Market Value (millions)	Trust Ownership	Month	3 Month	FYTD	1 Year	3 Year	5 Year	Since Incept.
<b>Los Angeles County:</b>	Gross	\$863.7	95.5%	0.87	-3.98	9.64	11.99	6.92	6.25	5.96
	Net			0.86	-3.99	9.60	11.94	6.87	6.20	5.92
	Net All			0.86	-4.00	9.57	11.91	6.81	6.15	5.88
<b>LACERA:</b>	Gross	\$3.3	0.4%	0.85	-3.90	9.71	12.08	6.98	6.28	6.00
	Net			0.85	-3.91	9.68	12.04	6.94	6.24	5.96
	Net All			0.83	-3.95	9.17	11.37	6.26	5.82	5.56
<b>Superior Court:</b>	Gross	\$37.7	4.2%	0.86	-4.04	9.19	11.43	---	---	11.26
	Net			0.86	-4.05	9.15	11.39	---	---	11.23
	Net All			0.85	-4.07	9.03	11.24	---	---	10.31
<b>TRUST OWNERSHIP TOTAL:</b>		<b>\$904.8</b>	<b>100.0%</b>							

Trust Ownership



Allocation	Inception Date	Market Value (millions)	Allocation %	Month	3 Month	FYTD	1 Year	3 Year	5 Year	Since Incept.
<b>OPEB Global Equity:</b>	Gross	\$729.6	80.6%	1.04	-5.00	11.64	14.64	8.01	---	7.87
	Net			1.03	-5.01	11.61	14.60	7.97	---	7.83
<b>Benchmark: MSCI ACWI IMI Net</b>				0.93	-5.09	11.38	14.27	7.63	---	7.50
<b>Excess Return (Gross - Benchmark)</b>				0.10	0.08	0.27	0.37	0.38	---	0.38
<b>OPEB Enhanced Cash:</b>	Gross	\$175.1	19.4%	0.17	0.43	1.24	1.45	1.02	0.76	0.74
	Net			0.17	0.41	1.19	1.40	0.97	0.70	0.68
<b>Benchmark: Citigroup 6 M T-Bill Index</b>				0.14	0.37	1.04	1.17	0.61	0.40	0.38
<b>Excess Return (Gross - Benchmark)</b>				0.04	0.05	0.20	0.28	0.40	0.36	0.35

These are preliminary returns

Periods greater than 1-year are annualized

**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 Associates 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.

Each Member, Board of Investments

December 22, 2017

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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

Each Member, Board of Investments

December 22, 2017

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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



May 31, 2018

TO: Each Member  
Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

Scott Zdrazil   
Senior Investment Officer – Corporate Governance

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **ADDENDUM TO PROXY VOTING PLATFORM VENDOR CONTRACT**

### **RECOMMENDATION**

Authorize LACERA's Chief Investment Officer (CIO) to sign an addendum to LACERA's current 2017-2019 proxy voting platform contract.

### **EXECUTIVE SUMMARY**

LACERA contracts with Institutional Shareholder Services, Inc. ("ISS"), a third party vendor, to enable LACERA staff to responsibly vote and manage its proxy votes, in adherence to LACERA's *Corporate Governance Policy*. As reported to the Board of Investment at the January 10, 2018 Board meeting, the restructuring of certain global equities accounts from commingled vehicles to separate accounts, in part, to assume beneficial ownership rights (including authority to vote proxies), will result in additional costs due to the increased proxy voting authority. Consequently, LACERA's annual expenses under the current contract will exceed \$75,000. It has been LACERA's practice to limit staff authority to sign contracts in excess of \$75,000 absent Board approval. Staff is therefore requesting authorization from the Board to affirm the CIO's authority to sign an addendum to LACERA's existing ISS contract to reflect the global equities account conversions, consistent with the per unit pricing and volume thresholds defined in the existing contract, in order to facilitate implementation of the account conversions. The addendum would increase the annual ISS contract costs from \$72,100 to \$150,531.25, as further described below.

### **BACKGROUND**

ISS is one of a small and limited number of market vendors that provide proxy voting platforms. Each provider offers varying degrees of services and quality of provisions. Current services provided by ISS include:



1. Proxy voting platform: Provision of an on-line proxy voting platform (“ProxyExchange”) which receives electronic share feeds and proxy notices, by which LACERA staff executes proxy votes.
2. Custom policy implementation: Staff works with ISS to integrate interpretation of LACERA’s recently-adopted custom *Corporate Governance Principles* into ISS’s voting platform, thereby enabling LACERA to efficiently vote proxies according to its own corporate governance positions.
3. Proxy research reports: ISS is one of two LACERA vendors that provide LACERA with company-specific research on voting items appearing on corporate proxies that LACERA is entitled to vote. ISS proxy research helps to inform LACERA with data and information enabling LACERA to vote according to its custom *Corporate Governance Principles*.
4. Vote retention and reporting: The voting platform records LACERA’s proxy votes, enabling efficient retrieval and a variety of reporting options, including summary statistics provided to the Board. Vote retention and reporting enables LACERA to comply with LACERA’s record retention policy and public information requests.
5. Market research, trends, and voting analytics: ISS supplies LACERA with periodic research on market trends and analysis regarding U.S. and international proxy voting and corporate governance, as well as an interface to assess historical voting records at LACERA’s public markets portfolio companies.

LACERA renegotiated its vendor contract with ISS in June 2017 in order to:

1. Lower the economic terms to reflect current market rates following staff research;
2. Clarify and expand the scope of services (as described above) including the ability to implement a custom proxy voting policy upon adoption of LACERA’s *Corporate Governance Principles* in early 2018; and
3. Be prepared for LACERA prospectively assuming greater proxy voting rights in its portfolio, as occurred when the Board approved restructuring of designated global equities accounts to separate accounts in January 2018.

As a result, LACERA’s existing contract – which extends from July 1, 2017, to June 30, 2019 – includes a lowered base rate approximately 15% below previous terms and defines economic terms by which LACERA may vote its expanded voting authority with market-competitive rates (which were significantly reduced from previous terms). The base rate is now \$72,100 per year and the contract currently includes provisions by which an increased proxy voting authority will result in “overage charges.” Staff is requesting Board approval to authorize the signing of a contract addendum for the second year of the current contract’s terms (July 1, 2018- June 30, 2019) that reflects the Board’s January 10, 2018, decision to restructure designated global equities portfolio accounts and assume an approximate fourfold increase in proxy voting authority. The contract addendum would encompass the above enumerated services for the expanded proxy voting

Each Member, Board of Investments

May 31, 2018

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authority and would equal a total contract value of \$150,531.25 for the July 1, 2018-June 30, 2018 addendum duration. The amount of the addendum is consistent with the current per unit pricing and volume provisions of the existing contract and reflects the estimated portfolio holdings. Any renewals to the contract would occur consistent with LACERA's policies.

### **CONCLUSION**

LACERA's *Corporate Governance Policy* considers proxy votes to be plan assets. The Board's recent approval to restructure certain global equities accounts to separate accounts in order to assume full beneficial ownership rights, including proxy voting authority, will result in an increase to incurred expenses, as reported to the Board at its January 10, 2018 meeting. The proposed authorization to sign a contract addendum will position LACERA to efficiently fulfil the Board's approved account transition and LACERA corporate governance policies. Authorization is appropriate given the limited market of vendors and recent significant adjustments to the economic terms under the existing proxy voting vendor contract.

May 31, 2018

TO: Each Member  
Board of Investments

FROM: Scott Zdrazil   
Senior Investment Officer – Corporate Governance

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **INTERNATIONAL CORPORATE GOVERNANCE NETWORK (ICGN)  
ANNUAL GENERAL MEETING BALLOT**

### **RECOMMENDATION**

Approve LACERA's member ballot regarding members of governing boards of the International Corporate Governance Network (ICGN).

### **BACKGROUND**

The ICGN will hold its Annual General Meeting in Milan, Italy on June 25, 2018, during its annual conference. The meeting agenda (**Attachment 1**) contains eight items. All meeting materials are available online. Consistent with LACERA's *Corporate Governance Policy*, staff intends to vote routine business items in line with LACERA's *Corporate Governance Principles* and is presenting for Board review three voting items that pertain to ICGN's governance structure and the election of candidates to ICGN's governing board (See *Corporate Governance Policy* at Section V.B.[viii] and Section V.C.[vi], pp. 4-5).

1. Item 6 is a Special Resolution to approve amendments to ICGN governing policies regarding the number, term of appointment, and qualification of nomination committee members (**Attachment 2**).
2. Item 7 is an Ordinary Resolution requesting ICGN member approval for the re-election of the ICGN Nomination Committee (**Attachment 3**).
3. Item 8 is an Ordinary Resolution requesting ICGN member approval of the re-election of twelve candidates to the ICGN Board of Governors (**Attachment 4**).

ICGN's Board of Governors consists of a minimum of seven and a maximum of twelve governors. The governors hold office for a term commencing at the end of the AGM at which they are elected, and terminating at the end of the following AGM. Members may be elected for a maximum of six consecutive terms. Several members of the ICGN Board of Governors will reach their six-year limit starting in 2019 and 2020. The Board of Governors proposes a Nomination Committee for approval by members each year. ICGN governing documents are available at:

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[https://www.icgn.org/sites/default/files/Articles%20of%20Association%20%26%20Bylaws\\_4.pdf](https://www.icgn.org/sites/default/files/Articles%20of%20Association%20%26%20Bylaws_4.pdf).)

Staff is supportive of all agenda items. Following the Board's review, staff will vote LACERA's ballot online in advance of the AGM.

Staff highlights for the board's attention that the ICGN's annual report is available online at: <https://www.icgn.org/sites/default/files/Annual%20Review%20Jun2017-Jun2018-web.pdf>.

Attachments

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer



**ICGN**

International Corporate Governance Network

## **2018 ICGN Annual General Meeting Agenda**

**25<sup>TH</sup> June 2018, 4PM**

**UnicCredit Pavilion, Piazza Gae Aulenti 10, Milan, 20124, Italy**

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### **Minutes**

1. To receive the Minutes of the 2017 Annual General Meeting.

### **ICGN Annual Review**

2. To receive the Annual Review, *presented by Michael McCauley, Chair, ICGN and Kerrie Waring, Chief Executive Officer, ICGN.*

### **Finance and audit**

3. To receive the ICGN Financial Statements for the year ended 31 December 2017, *presented by Robert Walker, Chair, ICGN Finance Committee.*

4. ORDINARY RESOLUTION to approve the re-appointment of the auditor, *presented by Robert Walker, Chair, ICGN Finance Committee:*

“Messrs. Grant Thornton LLP, the retiring Auditors be and, are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and that the Finance Committee shall determine their level of remuneration.”

### **Policy**

5. ORDINARY RESOLUTION to approve the ICGN Guidance on Fiduciary Duty for Institutional Investors, *presented by George Dallas, ICGN Policy Director and Niels Lemmers Co-chair, ICGN Shareholder Responsibilities Committee.*

## Governance

6. SPECIAL RESOLUTION to approve amendments to Article 12 regarding the number, term of appointment and qualification of nomination committee members, *presented by Simon Osborne, ICGN Bylaws and Procedures Committee Chair.*
7. ORDINARY RESOLUTION to approve the re-election of the following individuals to the ICGN Nomination Committee 2018-19, *presented by Michael McCauley, ICGN Board Chair:*
  - 7.1 Frank Curtiss (UK)
  - 7.2 Carol Hansell (Canada)
  - 7.3 Marcel Jeucken (Netherlands)
  - 7.4 Yoshiko Takayama (Japan).
8. ORDINARY RESOLUTION to approve the re-election of the following individuals to the ICGN Board of Governors 2017-18, *presented by Carol Hansell, Chair, ICGN Nomination Committee:*
  - 8.1 Melsa Ararat (Turkey)
  - 8.2 Ian Burger (UK)
  - 8.3 David Couldridge (South Africa)
  - 8.4 Dana Hollinger (USA)
  - 8.5 George Iguchi (Japan)
  - 8.6 Anne-Marie Jourdan (France)
  - 8.7 Claudia Kruse (Netherlands)
  - 8.8 Michael McCauley (USA)
  - 8.9 Anne Molyneux (Switzerland)
  - 8.10 Paul Schneider (Canada)
  - 8.11 Geof Stapledon (UK)
  - 8.12 Robert Walker (Canada).

## Any other business



**2018 ICGN Annual General Meeting  
25<sup>th</sup> June, UniCredit Pavilion, Piazza Gae Aulenti 10, Milan, 20124, Italy.**

**A SPECIAL RESOLUTION to approve amendments to Article 12 of ICGN Articles of Association regarding the Nomination Committee.  
From Simon Osborne, ICGN Bylaws and Procedures Committee Chair.**

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### **Introduction**

The ICGN invites Member approval of changes to the ICGN's Articles of Association (please see Appendix 1) related to the newly developed principles on Board governor nomination and succession. In addition, the Principles set out in Appendix 2 will be adopted formally by the Governors as a bylaw following the Annual General Meeting.

The Principles will be used as an internal reference point and will be made public on the ICGN website. They have been based on prior discussion in the Board and the Nomination Committee, having also been subject to review by the ICGN Bylaws & Procedures Committee. The purpose of defining the Principles is to refine current processes and to help ensure the availability of high calibre Board governors responsible for directing the affairs of the ICGN.

The ICGN's approach to board nomination, selection and appointment is described in ICGN's Articles of Association which are referenced where relevant throughout this document. Furthermore, the role of the ICGN Board is clarified in the ICGN's Board Charter and the role of the Nomination Committee is described in terms of reference.

As a Member-led network, the ICGN relies on the goodwill of individuals serving on committees and the ICGN Board to help promote its mission. In particular, the ICGN Nomination Committee plays an integral role in identifying candidates who are willing and able to contribute to the ICGN Board. In doing so, the committee can put forward up to 12 candidates for ICGN Member approval to be voted on individually at the Annual General Meeting.

Given the intrinsic linkage between nomination and succession planning, it is necessary to have close communication between the Nomination Committee and the Board of Governors. However, there are impediments to the process, for example, the ICGN's Articles forbid incumbent board governors who are standing for re-election to participate as a member of the Nomination Committee. This has, at times, inadvertently caused a lack of communication between the Board and the Nomination Committee and led to insufficient board succession planning.

In 2016, after a review of the ICGN Board nomination process, it was agreed that two ICGN Board governors (Chair and Vice Chair) should be allowed to observe the committee's deliberations. This document builds on this initiative by setting out over-arching Principles that underpin the ICGN Board nomination and succession process, identifying current practice and suggesting areas for improvement.

Simon Osborne, Chair  
ICGN Bylaws & Procedures Committee  
25<sup>th</sup> June, 2018

## APPENDIX 1:

### Special Resolution

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**Company number: 6467372**

**The Companies Acts 1985 to 2006**

**Company limited by guarantee and not having a share capital**

**CERTIFICATE OF PASSING A SPECIAL RESOLUTION OF THE MEMBERS  
OF  
INTERNATIONAL CORPORATE GOVERNANCE NETWORK  
("the Company")**

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The following Resolution is tabled for approval by the members of the Company in accordance with the Articles of Association of the Company on 25<sup>th</sup> June 2018.

RESOLUTION to approve amendments to Article 12 of ICGN Articles of Association regarding the Nomination Committee.

#### 12. Nomination Committee

##### *Annual Appointment of Members*

12.1 The Governors shall propose a Nomination Committee for approval, and individual election, by members each year for the purpose of identifying candidates who are willing and able to contribute to the governance of ICGN as Governors. None of those proposed for election by members to the Nomination Committee shall already be Governors. In addition, the board shall annually appoint two Governors to serve on the Nomination Committee as non-voting members.

##### *Number and term of appointment*

12.2 The Nomination Committee shall consist of not less than five and no more than seven ~~three~~ members in good standing. This number includes the two governors appointed by the Board, a majority of whom are not already Governors, and none of whom are standing for election or re-election as Governors.

##### Quorum

12.3 The quorum for a meeting of the Nomination Committee shall be four members of whom at least three shall not be a Governor.

##### Terms of reference

12.4 The Nomination Committee shall draw up its own terms of reference for approval by the board. The terms of reference shall provide, inter alia, that:

- None of the members of the Nomination Committee who is not a Governor may be put forward as a candidate for election to the board; and
- A Governor shall not participate in any discussion by the Nomination Committee about any proposal for their re-election as a Governor.



Qualification of Committee members

12.5 Subject to the provisions in this article, the requirements on tenure, qualification and disqualification of Governors as set out in Articles 11.3, 11.5 and 11.6 shall apply equally to members of the Nomination Committee.<sup>1</sup>

*Call for nominations*

12. 6.3 The Nomination Committee shall each year, allowing sufficient time for consideration and response, notify each member of a call for nominations to the Governors for decision at the Annual General Meeting, and in any event no later than four months before the date of the Annual General Meeting. The call for nominations shall include the form in which nominations should be made and require the disclosure by the candidate of any actual or potential conflicts of interest that could arise from his/her appointment as a Governor. A nomination to be valid must be delivered; including electronic delivery, in writing authenticated by the member, and include support of three members in good standing who are not members of the Nomination Committee. The Nomination Committee may seek further information from candidates at their discretion.

*Committee to make recommendations*

12. 7.4 The Nomination Committee shall make recommendations which recognise the ICGN's mission and board diversity policy, noting that the historic strength of ICGN comes from the investing community, and with the majority of those recommended being investor representatives.

*Annual General Meeting agenda content - election of Governors*

12. 8.5 The item on the agenda of the Annual General Meeting for the election of Governors shall include the name, and a statement from new candidates and a statement from candidates seeking re-election of what they have contributed during the year. Board attendance will also be reported. Each candidate shall be the subject to a separate vote.

Michael McCauley  
ICGN Board of Governors

25<sup>th</sup> June 2018

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<sup>1</sup> As indicated, ICGN Articles referenced relate to terms of appointment (11.3), qualifications to be elected as a Governor (11.5) and circumstances in which a person would cease to be a Governor (11.6). The Articles of Association are available on the ICGN website.

## APPENDIX 2:

### **DRAFT Terms of Reference for the Nomination Committee (to be adopted by the Board of Governors as a bylaw made under the Articles of Association).**

#### **Part 1: Nomination Committee**

##### **Principle 1: Nomination Committee role and appointment**

The Nomination Committee is appointed, on an individual basis, by ICGN members annually, having been proposed by the ICGN Board, with the objective of identifying candidates for election taking account of desired Board composition as aligned with the long term strategic direction of the ICGN. In addition to the Committee members appointed annually, the Board shall appoint two Governors to serve as non-voting members of the Nomination Committee. (See note 1 below).

##### **Principle 2: Nomination Committee composition, term of appointment and qualification**

The composition of the Nomination Committee shall be:

- ICGN members all in good standing.
- At least five, and no more than seven, members in good standing, a majority of whom are not Governors. This includes the two members appointed by the Board to the Nomination Committee.
- Two members who are incumbent Governors (preferably the chair and vice chair of the Board) will be appointed to the Nomination Committee by the Board as non-voting members.
- The quorum for a meeting of the Nomination Committee shall be four members of whom at least three shall not be an incumbent Governor.
- The restrictions and requirements regarding tenure, qualification and disqualification applicable to Governors shall also apply to members of the Nomination Committee.

##### **Principle 3: Nomination Committee Chair**

The Chair of the Nomination Committee is recommended by the ICGN Board of Governors and is approved by the Nomination Committee. The Nomination Committee Chair may not be a Governor. (See note 2 below)

##### **Principle 4: Eligibility to stand for election to the Board of Governors**

Members of the Nomination Committee (with the exception of incumbent Governors serving on the Committee) shall not be eligible to stand for election as a Governor whilst incumbent on the Nomination Committee (See note 3 below)

## **Part 2: Board of Governors**

### **Principle 5: Board role and appointment**

The Board of Governors is appointed, on an individual basis, by ICGN members annually, having been proposed by the ICGN Nomination Committee, with the objective of promoting and protecting the interests of the ICGN and its membership. (See note 4 below)

### **Principle 6: Succession planning and evaluation**

The Board shall formulate a framework for board composition setting out the skills, experience and knowledge or other attributes required to meet strategic priorities. This framework will be discussed with and used by the Nomination Committee to inform its remit in the identification and evaluation of potential Board candidates, taking into account both the immediate and future needs of the Board and the ICGN. The board conducts an internal evaluation on an annual basis and conducts an external evaluation once every three years. The outcome of the evaluations are reported to the Nomination Committee by the incumbent Governors. (See note 5 below)

### **Principle 7: Board composition**

The majority of Board governors should be investor representatives and take into account the Board's diversity policy which serves to recognise the ICGN's mission. (See note 6 below)

### **Principle 8: Board Chair**

The Chair of the Board will usually be a serving Board governor although, by exception and in the best interests of the Board and the ICGN, it is possible to appoint a member who is not currently serving on the Board to the role of Chair. (See note 7 below)

### **Principle 9: Board Chair and Vice-Chair appointment**

The Nomination Committee Chair will manage the process for the nomination and appointment of the Board Chair and Board Vice-Chair. (See note 8 below).

### **Principle 10: Candidate confidentiality**

Candidates' names remain confidential until the Nomination Committee submits them to the Board for inclusion in the resolutions to be proposed to the members for election in the AGM Notice.

### **Principle 11: Candidates other than those selected by the Nomination Committee**

As set out in the ICGN's Articles, in exceptional circumstances candidates (other than those selected for nomination by the Nomination Committee) can be proposed by at least 25 members present at the annual general meeting. (See note 9 below)

**NOTES FOR INFORMATION (not forming part of the Principles):**

*Note 1: The rationale for principle 1 is to define the role of the nomination committee. Traditionally, committee members are approved by ICGN Members as a 'slate' and this principle strengthens accountability by emphasising the importance of committee member appointment on an individual basis.*

*Note 2: The purpose of principle 3 is to clarify who is responsible for the appointment of the Nomination Committee Chair.*

*Note 3: The rationale for principle 4 is to prevent any conflicts of interest in the assessment of candidates. Incumbent Board governors are exempt taking into context that the maximum tenure for board appointment is six years, notwithstanding being subject to annual member election.*

*Note 4: The rationale for principle 5 is to clarify the role of the Board and the importance of the ability of ICGN members to vote and voice their opinion on each candidate separately. ICGN Governors are nominated by Members and elected individually at the AGM.*

*Note 5: The purpose of principle 6 is to ensure effective Board succession planning through the early identification and evaluation of suitable candidates for the Board. The Board will create a framework assessing the ideal skills, experience and knowledge sets required for board composition to meet the organisation's strategic priorities, both current and future. The Board will meet with the Nomination Committee at least annually to discuss the strategic priorities and the framework with specific reference to the additional skills, experience, knowledge or other attributes required. The effectiveness of the Board member nomination process led by the Chair of the Nomination Committee will be enhanced by adopting a longer term outlook for appointments. To this end, the Nomination Committee will maintain a list of identified candidates anticipated to be available on a rolling basis including their potential to act as Chair or vice-Chair of the Board, as well as candidates identified in the nomination process.*

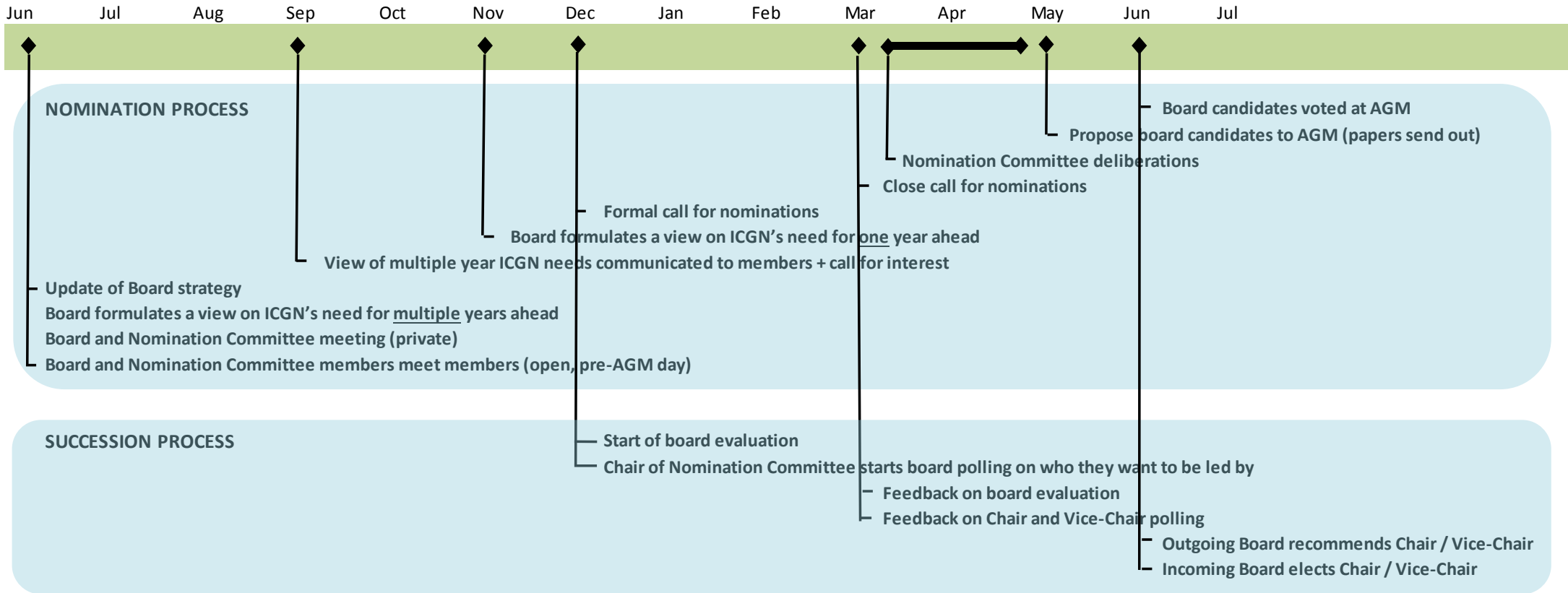
*Note 6: The Board comprises a majority of investors and takes into account diversity including geographic balance, gender and experience. The rationale for principle 7 is to safeguard the historical strength of ICGN which comes from the investing community. "Investor representation" does not distinguish between asset owners and asset managers.*

*Note 7: Principle 8 acknowledges that for continuity purposes it is advantageous to appoint a serving board member to the Chair role. If the interests of the board and ICGN are better served by the appointment of an individual who is not yet a board member, this should be permitted. This will only be in exceptional situations where the Board is of the view that the needs of the Board and ICGN would best be served by the appointment of a Chair that is external to the current Board membership. The Board will communicate this to the Nomination Committee Chair to inform that committee's deliberations. The main role of the Nomination Committee Chair in these circumstances is to sound out suitable member candidates to ascertain availability and willingness to serve in the role.*

*Note 8: The purpose of principle 9 is to safeguard the neutrality of the process and minimise any conflicts of interests that may arise. The role of the Nomination Committee Chair will be to understand who among the current Board members are willing to stand as nominees and to obtain feedback from current Board members on both individual availability and preference for identified candidates.*

*Note 9: Principle 11 is to ensure that individuals willing to serve but who have not been identified in the process are provided with an opportunity to serve the Board.*

Example timeline for the nomination and succession process.




**ICGN**

International Corporate Governance Network

## 2018 ICGN Annual General Meeting

25<sup>TH</sup> June 2018, 4PM

UnicCredit Pavilion, Piazza Gae Aulenti 10, Milan, 20124, Italy

### An ORDINARY RESOLUTION to re-elect the ICGN Nomination Committee From Michael McCauley, ICGN Board of Governors Chair

The ICGN Nomination Committee is instrumental in helping to ensure that the ICGN Board is comprised of Governors with the requisite skills, experience and knowledge to properly oversee the long term strategic direction of the ICGN. As such it is important that the Nomination Committee itself is appropriately comprised of individuals who are able to fully comprehend the strategic needs of the ICGN.

Taking this into account and in alignment with ICGN's mission and diversity policy, the ICGN Board respectfully submits the following Members for individual election at the forthcoming Annual General Meeting to serve on the Committee for the year ahead:

Name	Residence	Tenure	Position
Carol Hansell	Canada	2 year	Independent
Frank Curtiss	UK	3 years	Independent
Marcel Jeucken	Netherlands	1 year	Independent
Yoshiko Takayama	Japan	1 year	Independent

Short biographies of each of the members of the committee are provided in the Annex 1.

As was the case last year, the ICGN Chair and Vice-Chair are invited to observe the meetings of committee to help inform on ICGN strategy and any other relevant matters.

In conclusion, on behalf of the ICGN Board of Governors I wish to thank Carol Hansell for her leadership of the Committee and the Committee members themselves for their continued support and commitment to ICGN. In particular we are grateful to Michelle Edkins who steps down this year and to whom we would like to express our thanks.

**Michael McCauley, Chair**  
**ICGN Board of Governors**

## **Annex 1: Nomination Committee Member Biographies**

### **Frank Curtiss, UK President, ICSA - The Governance Institute, UK**

Frank is a Fellow of the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Secretaries and Administrators (ICSA). He was appointed to the ICSA Council in 2010, was UK Vice President and Treasurer from 2011 to 2015 and is currently UK President, ICSA: The Governance Institute for 2015-17.

During his career, Frank worked in both the private and public sectors. He started his career in finance as a trainee with Williams & Glyn's Bank in 1982 on graduating from University College London with a Bachelor's degree in English. Prior to 1990, when he joined RPMI RAILPEN, he worked in the UK university sector as an accountant. Until his retirement in April 2016, Frank was Head of Corporate Governance at RPMI RAILPEN, the investment arm of the Railways Pension Trustee Company and was responsible for corporate governance from 1997 to 2016 with emphasis on good corporate governance and shareholder engagement with portfolio companies.

He has been a member of the ICGN since 1997. He was Chairman of the Non-Financial Business Reporting (NFBR) Committee from 2005 to 2010 and oversaw the production of the ICGN Statement and Guidance on NFBR published in December 2008. He was elected to the ICGN Board in 2009 and was and also served on the Accounting and Auditing Practices Committee and the Integrated Business Reporting Committee. He was vice-chairman of ICGN in 2014-15 and chaired the ICGN Finance Committee from 2010 to 2016. He has also served on several conference planning committees. He was appointed to the ICGN Nomination Committee in 2015 at the end of his term as a board member and led a wide ranging view of the board nomination process in autumn 2015.

### **Carol Hansell, Hansell LLP, Canada**

Carol Hansell is the Founding Partner of Hansell LLP, an independent firm dedicated to advising boards, management teams, institutional shareholders and regulators in connection with legal and governance challenges. She is a long time member of the ICGN and served on its Board of Governors for 5 years. She has been at the forefront of governance policy development in Canada and the United States for more than 25 years. She is the only non-American to serve as the Chair of the Corporate Governance Committee of the American Bar Association (Business Law Section) and continues to serve as Special Canadian Advisor to the Corporate Laws Committee of the ABA. She is a Fellow of the Institute of Corporate Directors and of the American College of Governance Counsel. Carol is also an experienced director, serving on the boards of public companies, private companies, government owned enterprises and arts organizations.

### **Marcel Jeucken, Sustainability in Finance, Netherlands**

Dr Marcel Jeucken is Executive Director at Sustainability in Finance. Sustainability in Finance ([www.sustfin.eu](http://www.sustfin.eu)) provides independent advice on finance and sustainability issues. From policy development to execution and communications, SustFin focusses on helping financial organisations to embrace and embed sustainability in all of its operations. Marcel Jeucken has 23 years' experience in finance and sustainability, amongst others at Rabobank, Triodos Bank, World Bank, Sustainalytics and PGGM. Marcel helped to grow and establish Sustainalytics from 2003-2006 and was Managing Director Responsible Investment at PGGM Investments from 2006-2017. At PGGM Investments Marcel Jeucken was amongst others a member of the Management Team,

Investment Committee and Investment Policy Committee. Marcel was a delegate of the PRI Advisory Council from 2007-2014, Chair of the Stichting RI (Foundation for the PRI) till 2015, and board member and Treasurer of the Institutional Investors Group on Climate Change (IIGCC) from 2007-2018, board member and Vice Chair of Eumedion, and member of Sustainable Pensions Investments Lab (SPIL). Marcel holds a Ph.D. in economics on sustainability issues and the financial sector. He has written numerous papers and is author or editor of several books, including 'Sustainable Finance and Banking' (2001) and 'Sustainability in Finance' (2004).

**Yoshiko Takayama, J-Eurus IR Co., Ltd**

Yoshiko is Managing Director of J-Eurus IR Co., Ltd., which she co-founded in 2000. At J-Eurus IR, Yoshiko has been engaged in investor relations, corporate governance, and proxy voting consulting for Japanese companies. Prior to her career in investor relations and corporate governance, Yoshiko was Vice President of Merrill Lynch & Co and worked in New York, London, and Tokyo where she provided a range of investment banking services.

Yoshiko has been an active member of international and domestic corporate governance associations. She has been a member of ICGN since 2003 and acts as a voice for ICGN in Japan where she reflects ICGN policies and discussions from ICGN conferences to the Japanese audience by contributing to journals and giving lectures at seminars. She served on ICGN Board of Governors from 2010 to 2015.

She serves on the board of Japan Corporate Governance Network (JCGN), which was formed in 2012 from the merger of the Japan Independent Directors Network and the Japan Corporate Governance Forum. Before the merger, she had been a long-term member of both institutions. As co-author of several books promoting independent directors, she has also been a regular lecturer on investor relations and corporate governance at the Directors' College run by JCGN. She is a member of the Asset Management Policy Study Group of the Pension Fund Association for Local Government Officials, the second largest public pension fund in Japan. She is also a member of the Council of Experts on the Stewardship Code (FSA) and the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code (FSA and Tokyo Stock Exchange).

She received her BA in Economics from the University of Tokyo, her MBA from Yale School of Management, and her PhD in Socio-Information and Communication Studies from the University of Tokyo.




**ICGN**

International Corporate Governance Network

## 2018 ICGN Annual General Meeting

25<sup>TH</sup> June 2018, 4PM

UniCredit Pavilion, Piazza Gae Aulenti 10, Milan, 20124, Italy

### An ORDINARY RESOLUTION to re-elect the ICGN Board of Governors From Carol Hansell, ICGN Nomination Committee Chair

On behalf of the ICGN Nomination Committee (the “Committee”), I am pleased to submit this Report for ICGN Member consideration and approval. This year, all 12 members of the incumbent board expressed their desire to remain on the ICGN Board of Governors and be considered for re-election at the forthcoming Annual General Meeting.

Having received a report from the Board Chair on individual director performance, and taking into account ICGN’s approach to board member nomination principles, the Committee is pleased to put forward all 12 Governors for re-election by ICGN Members as follows:

Name	Affiliation	Residence
Melsa Ararat	Academia	Turkey/Netherlands
Ian Burger	Asset Manager	United Kingdom
David Couldridge	Asset Manager	South Africa
Dana Hollinger	Asset Owner	United States
George Iguchi	Asset Manager	Japan
Anne-Marie Jourdan	Asset Owner	France
Claudia Kruse	Asset Manager	Netherlands
Mike McCauley	Asset Owner	United States
Anne Molyneux	Advisory	Switzerland
Paul Schneider	Asset Owner	Canada
Geof Stapledon	Corporate	United Kingdom
Robert Walker	Asset Manager	Canada

The incumbent Board maintains a majority of investors which is in-keeping with ICGN’s traditional approach for the ICGN work programme to be investor-led. The Board is also appropriately diverse taking into account 42% female representation, notwithstanding that this figure could be improved upon. A spectrum of geographic regions are represented including North America (42%), Europe (33%) and rest of world: Japan, Turkey and South Africa (25%).

The Committee also reviewed individual board member attendance records and noted absence by Claudia Kruse. Claudia’s membership of the EU High Level Group of Sustainable Finance, at which she has represented ICGN’s position, has been time consuming. Claudia has continued to provide support to the ICGN Secretariat in delivering an extensive work programme which is evidenced in the annexes to this report.

To conclude, I would like to thank the ICGN Nomination Committee for their time and commitment this year, including the ICGN Chair and Vice Chair who joined committee meetings in an Observer capacity.

We look forward to seeing many ICGN members at the forthcoming ICGN AGM taking place at the UniCredit Pavillion in Milan at 4pm local time.

Carol Hansell, Chair,  
ICGN Nomination Committee

*2017-18 Committee Members: Michelle Edkins, BlackRock (USA), Frank Curtiss, ICSA: The Governance Institute (UK), Yoshiko Takayama, J-Eurus, (Japan), Marcel Jeucken, MD Responsible Investment (Netherlands), Carol Hansell, Hansell LLP (Canada).*

### **Appendix 1: Candidates recommended for election to the 2018-2019 Board**

#### **Incumbent Board members recommended for re-election**

<b>Name</b>	<b>Affiliation</b>	<b>Nationality</b>	<b>Residence</b>	<b>Board attendance</b>
Melsa Ararat	Academia	Turkish/British	Turkey/Netherlands	5 out of 7
Ian Burger	Asset Manager	British	United Kingdom	7 out of 7
David Couldridge	Asset Manager	South African	South Africa	6 out of 7
Dana Hollinger	Asset Owner	American	United States	6 out of 7
George Iguchi	Asset Manager	Japanese	Japan	7 out of 7
Anne-Marie Jourdan	Asset Owner	French	France	7 out of 7
Claudia Kruse	Asset Manager	German/British	Netherlands	3 out of 7
Mike McCauley	Asset Owner	American	USA	7 out of 7
Anne Molyneux	Advisory	Australian/Swiss	Switzerland	7 out of 7
Paul Schneider	Asset Owner	Canadian	Canada	7 out of 7
Geof Stapledon	Corporate	Australian	UK	6 out of 7
Robert Walker	Asset Manager	Canadian	Canada	7 out of 7

## **Appendix 2: ICGN work programme support**

### **Melsa Ararat, Director of Corporate Governance Forum of Turkey and Professor at Sabanci University, School of Management, Turkey**

- Member since 2007
- Board Member since June 2015
- Board Liaison and member, Ethics and Systematics Risk Committee since July 2017
- Board Liaison, Business Ethics Committee June 2015 - July 2017 and member since 2011
- Member, Awards Committee (2007 – 2015), (2018 - current)
- Member of Country Correspondence Project Steering Committee (2009-2012)
- Mentor, German and Turkish Country Correspondents (2011 – 2012)
- Panel moderator, 2005 London and 2014 Amsterdam Annual Conferences,
- Discussant, 2014 and 2017 Academic Day
- Contributor, Yearbook 2005, Yearbook 2013 and Yearbook 2017
- Speaker, 2016 Frankfurt event
- Member, Policy Committees Review Working Group
- Member, 2017 Kuala Lumpur Annual Conference
- Academic Day Planning Committee Member 2017 and 2018 ICGN conferences
- Task Force member on Stewardship Awards

### **Ian Burger, Head of Corporate Governance, Newton Investment Management, United Kingdom,**

- Member since 2003
- Board member since 2017
- Member of the Finance Committee since 2016
- ICGN representative on the IFRS Advisory Council
- Chair of the Remuneration Committee, 2010 – 2016
- Contributor, Yearbook 2016
- Speaker, 2017 ICGN Annual Conference, Kuala Lumpur
- Speaker, 2018 ICGN Conference, Tokyo

### **David Couldridge, Head of ESG Engagement, Investec Asset Management, South Africa**

- Member since 2007
- Corporate Risk Oversight Committee, June 2015 – July 2017
- Nomination Committee Process Review Working Group 2015
- Speaker, 2015 Madrid event and 2016 Frankfurt event
- Faculty Presenter, ESG Integration Programme, Cape Town 2013 and Boston 2015
- Rapporteur Kuala Lumpur 2017 Academic Day
- Contributor, Yearbook 2012
- Policy Committee Review Working Group
- Board Liaison, ICGN Bylaws and Procedures Committee since July 2016

### **Dana Hollinger, Board Member, CalPERS, United States**

- Member since 2015
- Speaker, 2015 ICGN Annual conference London
- Speaker, 2016 ICGN Annual conference San Francisco
- Member, Business Ethics, 2016 – July 2017
- Member, 2016 San Francisco Annual Conference Planning Committee
- Speaker, 2017 Mid-year Washington DC conference
- Speaker, 2017 ICGN Annual Conference, Kuala Lumpur

- Member, Business Ethics and Systemic Risk committee since July 2017
- Speaker, 2017 Mid-year Paris conference
- Speaker, 2017 ESG Integration Paris
- Speaker, Mid-year 2018 Tokyo conference

**George Iguchi, Chief Corporate Governance Officer, Nissay Asset Management Corporation, Japan**

- Member since 2013
- Board Member since June 2015
- Board Liaison, ICGN Award Committee, 2015 – 2017
- Member, Finance Committee since 2015
- Member, Accounting and Auditing Practices Committee, 2014 – 2017
- Speaker, 2015 ICGN Annual Conference London
- Speaker, 2015 Boston conference
- Speaker, 2017 Tokyo event: GGP launch conference
- Speaker, 2018 Tokyo conference
- Contributor, Yearbook 2015
- Author of joint article on “ICGN remuneration guidance” published in a Japanese law magazine
- Member, Planning group for 2017 GGP launch meeting in Tokyo
- Member, 2018 Tokyo Planning Committee
- Oversight and translation of ICGN Global Stewardship Principles into Japanese
- Oversight and translation of ICGN Global Governance Principles into Japanese
- Contribution to the letter: Revision of Japan’ companies Act 2018 (Ministry of Justice),
- Contribution to the letter: Revision of Japan’s Corporate Governance Code 2018 (FSA)

**Anne-Marie Jourdan, Chief Legal Officer, Fonds de Reserve Pour Les Retraites, France**

- Member since 2014
- Board member since June 2014
- Speaker, 2015 London Annual Conference, 2015 Boston event, 2016 San Francisco Annual Conference, 2017 Paris conference and 2018 Tokyo conference.
- Board Liaison, Shareholder Responsibilities Committee since 2014
- Member, 2017 Paris Planning Committee

**Claudia Kruse, Managing Director Global Responsible Investment & Governance, APG Asset Management, Netherlands**

- Member since 2002
- Chair, Integrated Business Reporting Committee, 2010 – 2016
- Adviser, ESG Integration Programme development
- Member, Frankfurt Conference Planning Committee, 2016
- Speaker 2015 London Annual Conference, 2014 Amsterdam Annual Conference, 2017 ICGN Paris Annual Conference
- Panellist Cape Town Debate 2013
- Faculty Presenter, ESG Integration Programme, London 2015
- Contributor, Yearbook 2012, Yearbook 2015
- Presenter ICGN webinar on Sustainable Finance, 2018

**Michael McCauley, Senior Officer, Investment Programs & Governance, State Board of Administration (SBA) of Florida**

- Member since 2007
- Member, Shareholder Responsibilities Committee, 2012 - 2017
- Member, Remuneration Committee, 2009 - 2017
- Member, Accounting and Auditing Practices Committee, 2010 - 2012
- Member, Finance Committee, 2012 – 2015
- Host, 2011 Florida Event
- Contributor, Yearbook 2013
- Board Liaison, Shareholder Rights Committee June 2015 - 2017
- Chair, the Board of Governors, since June 2017
- Observer, Nomination Committee, since June 2017
- Member, Governance Committee of the Board, since March 2018

**Anne Molyneux, Director, CS International, Switzerland**

- Member since 2004
- Board Member since 2014; Vice-Chair since 2017
- Member, Finance Committee since 2014
- Member, Governance Committee of the Board, since 2017
- Board Liaison, Accounting and Audit Practices Committee 2014-2017 and Member since 2008
- Speaker, 2013 Milan event, 2015 London Annual Conference, 2016 Frankfurt event, 2017 Washington DC event
- Moderator at the 2016 San Francisco Annual Conference; Tokyo 2018 Annual Conference
- Member of the 2017 Washington DC Event Planning Committee
- Member, 2017 Kuala Lumpur Conference and 2017 Washington D.C Conference
- ICGN representative and keynote speaker at JICPA Conference, 2018 and Instituto de Consejeros Administradores (I-CA), Madrid, 2018
- Speaker at ICGN/Tokyo Stock Exchange conference and launch of Global Governance Principles, 2017
- Representative of ICGN at PIOB Public Interest Roundtable 2017, former ICGN representative on IFRS Advisory Council 2011-2017, current ICGN representative on IAASB Consultative Advisory Group, on IESBA Consultative Advisory Group and on IIRC Advisory Council.

**Paul Schneider, Head of Corporate Governance, Ontario Teachers' Pension Plan, Canada, (new board member)**

- Member since 2010
- Speaker, 2010 Mid-year conference London
- Co-host and Annual Conference Planning Committee Member 2010, ICGN annual conference Toronto
- Speaker, 2011 Mid-year conference Miami
- Member, 2015 Annual Conference Planning Committee London
- Speaker, 2015 Annual Conference London
- Speaker, 2016 Mid-year Conference Frankfurt
- Speaker, 2016 Annual Conference San Francisco
- Board Member since 2017
- Speaker, 2017 Mid-year Conference Paris

- Board Liaison, Shareholder Rights Committee since July 2017
- Faculty Presenter, ESG Integration Programme, Paris 2017

**Geof Stapledon, Vice President Governance, BHP Billiton, UK**

- Member since 2007
- Board member since 2013
- Member, Board General Purposes Committee since 2014
- Member, Governance Committee of the Board since 2015
- Member, Integrated Business Reporting Committee, 2014 to 2017
- Board Liaison, Remuneration Committee, 2012 to 2017
- Board Liaison, Board Governance Committee since 2017
- Member, 2009 Annual Conference Planning Committee, Sydney
- Member, 2014 Annual Conference Planning Committee, Amsterdam
- Member, 2016 Frankfurt Event Planning Committee
- Member, Board Policy Committee, 2013 to 2015
- 'Buddy' for ICGN Scholars, 2012 Annual Conference, Rio de Janeiro
- Speaker, 2010 London event, 2014 Amsterdam Annual Conference and 2017 Kuala Lumpur Annual Conference

**Robert Walker, Head of ESG Services, NEI Investments, Aviso Wealth, Canada**

- Member since 2007
- Board Member since June 2015
- Chair, Finance Committee, since March 2016
- Chair, Governance Committee of the Board, since March 2018
- Board Liaison, Disclosure and Transparency Committee, since July 2018
- Board Liaison, Integrated Business Reporting Committee, June 2015 – July 2017
- Speaker, 2015 Boston event and 2016 Frankfurt event
- Faculty presenter, ESG Integration Programme, Montreal 2015
- Contributor, Yearbook 2014
- Member, Washington DC, 2017 Planning Committee
- Member, Authority Framework committee 2016

### **Appendix 3: ICGN Board candidate information**

#### **Melsa Ararat, Professor, Sabanci University, School of Management; Director, Corporate Governance Forum of Turkey**

##### **Biography**

Melsa is a Founding Director of Illac Ltd. (London), a Founder of Logos Asset Management (Istanbul), and the Founding Director of Corporate Governance Forum, a research center at Sabanci University, Istanbul. Melsa has held senior management and board positions in Belgium, Singapore and Japan within Philips group prior to returning to academia in 2003. She was a member of the Committee which developed the Corporate Governance Guidelines for the Capital Markets Board of Turkey. She is a long standing academic member of ECGI, an advisory member of PRI SSE Initiative's Investor Working Group and the Climate Bond Initiative. CDP Turkey operation was launched under her stewardship in 2010 where she remains a consultant.

Melsa coordinates IFC supported Corporate Governance Emerging Markets Research Network (2007-current) and has been an external consultant to the World Bank Group and a member of the Corporate Governance Code Review Committee since 2003. She was an external advisor to S&P's Governance Services in London between 2004 and 2008. Melsa assisted Borsa Istanbul in launching its Sustainability Index project in 2014 underpinned by Sustainable Investing in Turkey (2010) and Sustainable Investing in Key Emerging Markets (2011) reports she authored for IFC. She advises international institutional advisors on issue based CG matters in business groups and controlled companies.

Melsa is one of the founders of Global Board Ready Women Project, the Founding Director of Turkey's Independent Woman Directors Platform, and the Founder and Steering Committee Chair of the 30% Club's Turkey Chapter. She was nominated as one of eight woman thought leaders in 2017 and 2018 by Dunya, the financial newspaper in Turkey. Melsa resides in the Netherlands where she is affiliated with Groningen University as a research supervisor in International Finance and spends half of her time in Turkey.

##### **Statement of motivation**

During the past 14 years that I've been involved in ICGN's work, I have benefited enormously through having access to the unparalleled knowledge, experience and wisdom of the organisation's membership. I have served on three committees (Business Ethics, Awards Committee and Country Correspondence), and contributed to many ICGN conferences and academic meetings in various capacities.

Although ICGN has succeeded in advancing its influence in promoting good governance in the world and increasing the information, knowledge and insights we now share, its understanding, presence and influence outside of the developed markets is one area which can be improved and where I try to contribute. While emerging markets will benefit from ICGN's aggregate experience, ICGN can also benefit, in turn, by improving its understanding of specific factors influencing governance structures in those markets such as controlled firms and business groups which have become a concern even in the USA. I also believe that the threat of climate change and other systemic risks in economic development requires more efficient mobilization of financial capital universally and sustainably, that in turn requires ICGN's much improved policy work to expand further. I remain deeply committed to contribute to ICGN's mission and knowledge creation through the analytical skills and knowledge derived from my academic background in governance, business ethics and sustainable investing by also leveraging my international network to further ICGN's global growth and influence. I would be grateful to be considered as a governor of the ICGN again.

**Ian Burger, Head of Corporate Governance, Newton Investment Management, United Kingdom**

**Biography**

Since joining Newton, Ian has developed and expanded, globally, Newton's approach to ESG as it relates to investee companies. Today, Ian is responsible for all corporate governance matters throughout Newton's investment process and leads on ESG considerations for certain industry sectors. This includes establishing and communicating corporate governance policies and principles and overseeing their implementation. Specific areas of responsibility include steering and conducting investment research on environmental, social and governance matters; engaging with companies, producing public reporting, and ensuring pragmatic and consistent exercise of global voting rights. Further internal responsibilities extend to the development of Newton's approach to sustainable investment and being a member of the responsible and ethical investment oversight group.

Externally, Ian is involved in shaping the debate on corporate governance through various ways such as co-chairing the GC100 and investor group and being a member of the UK's PLSA Stewardship Advisory Group. Ian is a Fellow of the Chartered Institute of Secretaries, a trustee of its three charities and received the ICSA's President's medal at the Institute's 125th anniversary in 2016. Ian presents to current and prospective clients, speaks at investment conferences and writes on various aspects of governance and wider ESG matters.

**Statement of motivation**

The ICGN's overarching aspiration to improve corporate governance, globally, dovetails with my own ambition and has been the key driver throughout my ongoing and 20-year experience in corporate governance. I believe I possess relevant educational qualification, skills, experiences and personal attributes that can add value to the ICGN in its future endeavours and the work of its board.

The ICGN's unique and enviable position of active members that possess a wealth of knowledge, skills, experiences and innovative thought, along with a dedicated and skilled executive team, has been crucial to the ICGN's success to date. I believe that the ICGN can continue to enhance and capitalise on these factors to ensure the ICGN leads on and continues to be a major influencing force in the rapidly changing governance landscape. The ICGN requires and deserves board members that are experienced, engaged, strategic and energised. I am committed to each of these.

I have been a long standing member and supporter of the ICGN and its work through contributions to consultations, advising on policy matters and, more formally, chairing the Remuneration Committee and, serving as a member of the Finance Committee.



## **Dana Hollinger, Board Member, CalPERS, United States**

### **Biography**

Dana was appointed by the California Governor Jerry Brown to serve her second term on the Board of CalPERS, a US pension fund with over \$350 Billion in assets across private and public markets. CalPERS is the largest asset owner in the USA. In 2017 and 2018 Dana was elected to Chair the Risk and Audit Committee for the Fund and in 2018 was elected to Vice Chair of the Governance Committee. She was elected to the Board of ICGN in 2017 and serves on the Ethics and Systematics Risks Committee.

Dana also manages her own company that provides estate planning and financial products with an emphasis on protecting the financial security of women. Her distinguished career led to national recognition as a top industry executive.

Dana has served on the Women's Leadership Board to the JFK School of Government at Harvard University from 2004 to 2012. She is consistently recognised as being at the top of 1% of women in the insurance industry with expertise on identifying, hedging and managing risk. Dana has authored articles on tax and estate planning for *The Daily Journal* and *Physician's Money Digest* and was personally selected by John Anderson to join Club 1800, a group of 30 leading businesswomen and female philanthropists.

Dana earned a Bachelor of Arts degree from American University School of Government and a Juris Doctor degree from Southwestern University School of Law.

### **Statement of motivation**

Establishing the dialogue around governance tools to align the interests between investors, capital managers, and investee companies has and continues to be a primary area of my focus. Governance and stewardship are two important tenants for any investor including CalPERS with assets across private and public markets. The financial crisis of 2008 had a global impact that permanently damaged shareowner confidence in the integrity of the global markets. Now is an important time for institutional investors to come together responsibly, grounded in basic values. We need to use our collective voice to increase transparency, accountability and reporting to strengthen the integrity of the financial markets and restore shareowner confidence. Collectively, ICGN Members can pool our resources to strengthen our voice and our impact.

In both my role as an insurance executive as well a board member of CalPERS, I am committed to long term value creation as is ICGN. I believe ICGN's mission is vital to the industry's survival and I am proud of the history that CalPERS and ICGN share in advancing ICGN's mission. I am committed to strengthening that relationship. I would proudly serve as an ICGN Board Director, if elected. And, as a member of the CalPERS Board of Administration I am uniquely positioned to do just that. My involvement with ICGN includes actively participating in prior conferences held in London, San Francisco and Washington D.C. Currently, I serve as a member of the Ethics and Systematics Risk Committee and I look forward to participating in future events.

## **David Couldridge, Investec Asset Management, South Africa**

### **Biography**

David joined Investec Asset Management (IAM) in October 2015 as an ESG Analyst and is currently Head of ESG Engagement. Prior to joining IAM, David qualified as a Chartered Accountant and has been involved in financial services since 1985. He has undertaken a number of roles including external audit, internal audit, financial management, taxation compliance and planning, senior management and as an investment analyst with responsibility for active ownership. This broad experience, has positioned him to have a deep understanding of both the corporate and investment environment in South Africa and internationally. David developed a global engagement strategy for IAM and has been involved in a number of engagements with South African and global companies to improve ESG issues, including actively participating in the Emerging Market Disclosure Project.

David has presented papers at the Henley International Governance conference covering integrated governance, remuneration and shareholder activism in South Africa. He has presented internationally at PRI conferences, and led a collaborative engagement with the King Committee which set up a working committee to develop the Code for Responsible Investing in South Africa (CRISA). David actively participated in the development of the Code and the CRISA practice notes.

David currently serves on the IoDSA Remuneration Forum where he contributes to the development of remuneration position papers for remuneration committees. He also serves on the Association for Savings and Investment South Africa (ASISA) Responsible Investment Standing Committee and has participated in subcommittee working groups to develop a definition of Responsible Investment and the important submission to the South African Treasury which led to the inclusion of responsible investment in Regulation 28 to the Pension Funds Act. More recently the ASISA Responsible Investment committee worked with the Pension Fund Regulator to ensure institutional investors are required to account on the adoption of a responsible investment approach to deploying capital into markets.

David has also worked with members of the PRI South Africa Network, the Executive Director of the Securities Regulation Panel and the Executive Director of the Takeover Regulation Panel to develop a Collaborative Engagement Guidance document.

He completed a Masters Programme at the University of Cape Town engineering faculty and through his thesis, based on systems theory, developed an Inclusive Integrated Governance Framework. He used the Programme to research why investment value is regularly destroyed and how sound governance can reduce investment risk and add value.

### **Statement of motivation**

I am convinced that the practical application of global standards of governance and stewardship can preserve and grow beneficiary funds and benefit society. I have worked alongside investors and regulators to develop stewardship guidance and regulation in support of this objective and to encourage practical investment action to secure and demonstrate institutional investor fiduciary duty. This purpose and experience, together with practical active ownership work and in-depth governance knowledge enables contribution to the ICGN's global standards of governance and stewardship. I am passionate about continuing to contribute to this work while serving the ICGN and its members.

**George Iguchi, Chief Corporate Governance Officer, Nissay Asset Management Corporation, Japan**

**Biography**

George joined Nissay Asset Management in 2000, becoming Head of Research in 2006 and promoted to his current position in 2012. He has played a leading role in introducing a long-term research platform and integrating ESG into the investment process. Currently he is responsible for equity research and stewardship activities, including the company's Stewardship Code. George received his BA in Economics from the Osaka University and is a CFA charter holder.

George is actively involved in improvement of corporate governance and reporting. He frequently speaks at conferences for companies and institutional investors including pension funds. He spoke at IFIAR conference held in Taipei about the importance of audit reports for investor in April 2015. He is an active member of: "Working group on corporate disclosure" of the Financial System Council, "Audit committee" of Business Accounting Council within Financial Service Agency (FSA); the Corporate Reporting Lab, the Committee for setting criteria for Nadeshiko Brand Selection which promotes gender diversity in companies within Ministry of Economy Trade and Industry(METI); the Annual Report Assessment Committee organised by the Nikkei newspaper; the Technical Committee in the Accounting Standards Board of Japan(ASBJ). George was also invited to OECD Asian Roundtable on Corporate Governance in Seoul and Taipei Corporate Governance Forum as the panellist in October 2016. George maintains good relationships with regulators and governmental authorities, including the Tokyo Stock Exchange.

George's published reports include: The materiality of ESG factors on Corporate Value (*Securities Analysts Journal* 51, 2013), Corporate Governance with a Narrative Story (*Shoji-homu*, 2014), co-author of *Stewardship and Corporate Governance Code* (Toyokeizai, 2015), co-author of *A Practical Introduction to Corporate Governance Code* (Nikkei BP, 2015), Effective disclosure of Corporate reporting (*Shoji-homu*, 2018) etc.

**Statement of motivation**

I firmly believe that good governance will contribute to the sustainable growth of companies. Therefore, I have been actively involved in the improvement of corporate governance through active membership of governmental committees, speeches at various conferences and discussions with companies and publications.

ICGN's presence in Japan has enhanced dramatically after recent years. In the process of revising Japan's Stewardship and Corporate Governance Code, "ICGN Global Stewardship Principles" and "ICGN Global Governance Principles" were often referred to and utilised greatly. Also, the committee by METI, which aims to address the board diversity in Japanese companies, utilised ICGN's "Diversity on Boards" Guidance.

I contributed to the success of the 2017 event hosted by the TSE to launch the "GGP" in Tokyo. This year, I concentrated and supported the 2018 Tokyo Conference and raising awareness of ICGN activity in Japan through translation of various ICGN materials including GGP and GSP. I hope that my efforts will raise ICGN's presence in Japan further, and ultimately lead to the situation where ICGN opinion based on members' voices are much better received by regulators, companies and investor groups.

I would be grateful to be considered as a governor of the ICGN again. I believe this position will assist my continued efforts. I strengthen the relationship among ICGN, regulators, investors, companies and prominent organizations by utilising my network.

## **Anne-Marie Jourdan, Chief Legal Officer, Fonds De Reserve Pour Les Retraites, France**

### **Biography**

Anne-Marie spent a large part of her career in asset management companies, first at BNP Paribas Asset Management, then as Head of Legal Department at AGF Asset Management (now Allianz Global Investors). She was recruited in 2005 at the Fonds de Reserve pour les Retraites (FRR), the French Reserve Fund. As Chief Legal Officer and a member of the Executive Board, she is in charge of legal aspects of selecting external managers, corporate governance, proxy voting, and institutional communications. She is also a member of the Responsible Investment Committee of FRR's Supervisory Board.

Anne-Marie has been in charge of corporate governance since 2005 and is responsible for the preparation of Article 173 Annual Report of the Energy Transition law compliance.

Anne-Marie is a member of the Experts College of the French Institute of the Responsible Capitalism, representing ICGN. The College of Experts is the ICR's advisory body. It consists of independent and interdisciplinary financial leader experts, civil society representatives and organisations, which are all dynamically working towards "integrated thinking". The College's duties include fostering and enriching debates held within the Institute, contributing to any work carried out by specialized committees and responding to marketplace consultations. It also ensures the Institute's independence and ethics.

She is a member of the Grand Jury of the "Best general meeting of CAC 40 companies' Awards" and "The Integrated Thinking Awards".

### **Statement of motivation**

I have been working in corporate governance for over 18 years now. The FRR was the first responsible investor in France to publish a voting policy in 2005.

My role with our external managers is to promote our responsible investment policy and to implement best practices in governance, so I have a global overview of different corporate governance policies through our European, American and Japanese managers. I am also a member of the Expert Committee of the French Institute of the Responsible Capitalism established by investors and issuers which is helpful in raising ICGN's visibility in France. I will be very interested to continue to be a member of the ICGN Board and meet other professionals and be a link with the ICGN and French institutional investors. The ICGN Paris event in December 2017 was really exciting to prepare and I think we have to do more in France in promoting ICGN's good principles and practices. As a French woman, I will be very proud to represent France and continental Europe in the ICGN Board of Governors.

It was such a great experience and a challenge for me to explain the consequences of the Florange Act, of the implementation of article 173 of the French Energy Transition law to foreign investors in participating to ICGN conferences as a speaker. As board liaison of the Shareholders Responsibilities Committee, I'm working with the co-chairs of the Committee to implement the ICGN's strategy and promote ICGN's views to regulators. I'm very interested in the ICGN work on shareholders rights, especially cross-border voting and operational issues regarding the exercising and the follow-up of the vote, and I think there is much progress to be made in this matter.

My four years as board member and board liaison of the Shareholders Responsibilities Committee was very interesting with a lot of important issues. I'm very proud to be part of this board and to work with such high level members and my main goal is to try to promote ICGN in France and make it more visible to the French institutional investor community.

**Claudia Kruse, Managing Director Global Responsible Investment & Governance, APG Asset Management, Netherlands**

**Biography**

Claudia Kruse is Managing Director Global Responsible Investment & Governance at APG Asset Management and joined APG in April 2009. APG manages pension assets of ca 470 billion euro (2018). Claudia has been working in responsible investment since 2000, mainly in London (until 2009) on both the sell-side (JP Morgan Securities) and the buy-side (F&C). She has published on topics such as the governance of sustainability and the integration of sustainability within executive remuneration among others.

Claudia is a member of the German Corporate Governance Code Commission and was a member of the Board of Eumedion, the Dutch Corporate Governance Investor Organisation (2011-2017). In 2017 she was a member of the EU High Level Expert Group on Sustainable Finance whose final recommendations inspired the EU Action Plan on Sustainable Finance. She has lived and worked in Germany, China, the United Kingdom and now the Netherlands. In 2016 she won the Next Generation CIO award by AiCIO and in 2008 she was recognised as a Rising Star in Corporate Governance by the Ira Millstein Centre for Governance now at Columbia.

**Statement of motivation**

I would like to stand for the Board of Governors at this moment in time because I believe that ICGN is unique in terms of the power inherent in its global membership. Leveraged well, it can be a force for changing policy and setting standards for good governance, and I would like to contribute my professional expertise and personal commitment to this. One can observe a convergence of the sustainability and governance agendas and with my extensive background in both areas I believe I can play a useful role in helping the ICGN to demonstrate leadership in these areas.

As a pension fund investor, my organisation has a long-term outlook and in my view it is that perspective which will have to guide ICGN's work going forward. We vote at all shareholder meetings globally and engage with investees on governance and sustainability issues. I have been strongly committed to the ICGN ever since becoming member in 2002 and have been serving as the Chair of the ICGN Integrated Business Reporting Committee from 2010 to 2016 during which time the IBRC issued new guidance. Moreover, I've been part of the ESG Integration Programme Course Teaching Faculty and look forward to taking this part of ICGN's work further. In my view, embedding long term thinking in the financial sector and creating a more sustainable finance system, also requires the integration of governance & sustainability with executive and professional education. During 2017 I was a member of the EU High Level Group of Sustainable Finance and am proud that the Final Report explicitly references the ICGN Global Stewardship Principles as the standard to build upon for effective stewardship. This reflects ICGN's strong positioning that I would like to help build further.

**Michael P McCauley, Senior Officer, Investment Programs & Governance, State Board of Administration (SBA) of Florida**

Michael's primary responsibilities include active strategies within corporate governance as well as investment program management for the Florida PRIME™ investment pool and other non-pension investment mandates totalling over \$11 billion. He also is a member of the SBA's Senior Leadership Working Group, responsible for investment and operational oversight across all SBA portfolios. He serves as Corporate Secretary for both the Florida Water Pollution Financing Corporation and the Inland Protection Financing Corporation. Prior to these duties, Michael oversaw investment communications, managed the administration of defined contribution component of the Florida Retirement System (FRS), and was responsible for investment research across all asset classes within the Chief Investment Officer's unit. Mr. McCauley is a member of the CFA Institute, the Jacksonville Society of Financial Analysts, the Society of Corporate Secretaries and Governance Professionals, and the International Corporate Governance Network (ICGN). He also sits on the advisory board of the Harvard Law School Institutional Investor Forum (HIIF).

In 2011, members of the Council of Institutional Investors (CII) elected Michael to the Board of Directors, serving as Chair from 2015 through 2016. Members of the International Corporate Governance Network (ICGN) elected him to the Board of Governors in 2015 and to the Chairman role in 2017. He also serves on the ICGN's Governance Committee. He is a founding member of the Investor Stewardship Group (ISG), helping to develop the Framework for U.S. Stewardship and Governance in 2017. He served as a member of the Working Group that developed the Shareholder-Director Exchange (SDX) Protocol in 2014. From 2009 until 2011, he served as Co-Chair of CII's International Corporate Governance Issues Committee. Michael served as a subcommittee member of the CFA Institute's Global Corporate Governance Task Force from 2003 to 2005 as well as a member of the 2006 NACD/Council of Institutional Investors Joint Task Force Reviewing the Performance of Boards and Shareowners in the Post-Enron Environment. In 2008, he was named a 'Rising Star of Corporate Governance' by the Center for Corporate Governance & Performance at the Yale School of Management.

Michael earned a Bachelor of Arts degree from the University of Florida (UF) and a Master in Public Administration (MPA) from Florida State University (FSU). He is a Certified Employee Benefits Specialist (CEBS) and a Certified Treasury Professional® (CTP).

**Statement of motivation**

As an active participant and strong supporter of ICGN activities over the last decade, I've been honoured to work alongside other ICGN members and be a strong advocate for desired global corporate governance practices. I've demonstrated the ability to work towards coordinating activities among ICGN members aimed at achieving desired governance reforms, and have brought a global focus to many different initiatives.

I continue to be a strong advocate 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. I offer experience in institutional investment management practices and a wide variety of corporate governance topics. As a board member, I pledge to contribute fully and devote the necessary time to all functions and activities.

## **Anne Molyneux, Director, CS International, Switzerland**

### **Biography**

Anne is Vice-Chair of the ICGN's Governing Board and is a member of the Board Committees for Governance and for Finance. She is a Chartered Accountant (UK and Australia) and a fellow member of the Australian Institute of Company Directors. She represents business at the Organisation for Economic Co-Operation and Development's Corporate Governance Committee (OECD) and at the OECD Asian Roundtable.

Anne works extensively with global organisations, governments, regulators, companies, boards and individual directors to improve corporate governance practices and financial market regulation, particularly in emerging markets. She has reviewed and reported on the corporate governance of listed companies and banks in several jurisdictions and has provided advanced corporate governance capacity building and materials for bank directors and senior staff at Central Banks, for securities regulators and stock exchanges. She has authored the International Finance Corporation's *'From Companies to Markets – Corporate Governance Developments'* and *'A Guide to Related Party Transactions for Banks'*, co-authored GCGF's *'Corporate Governance Board Leadership Resources'* and *'CG Alternative Dispute Resolution Tool Kit'*. Anne has worked to lead corporate governance reform and build capacity in Europe, Thailand, Vietnam, Malaysia, India, Bangladesh, Taiwan, China, Kenya and Indonesia. She has established corporate reporting, audit and accounting oversight institutions in Europe and elsewhere.

Anne is a member of the consultative groups of the International Audit and Assurance Standards Board and the International Ethics Standards Board and of the Integrated Reporting Council. She is a former member of the IFRS Advisory Council. Previously, she was Director Technical Affairs at the ICAEW, and prior to that, Technical Director at CPA Australia. Anne was a member of the Capital Markets Advisory Group and the Corporate Governance Committee of the Federation des Experts-Comptable Europeen. She has been a director of two pension funds and of for-profit and not-for profit entities. She is a director of a private investment fund.

### **Statement of motivation**

I believe deeply that good corporate governance and investor stewardship are fundamental to growing, stable markets and I see the ICGN's role in these as pivotal. It is an honour for me to meet and represent our members in many forums and to help ensure the investor voice is heard. I am proud to give prominence to ICGN's activities and to work with respected colleagues on the ICGN Board to ensure ICGN's continued growth and success. I have been an active member of ICGN as a member of the Board Audit and Finance Committee and the Board Governance Committee. I have participated as a speaker and moderator in many ICGN events.

My contributions to the ICGN Board are informed by my recent and relevant consulting experience in corporate governance in developed and emerging markets and through the network I have in corporate governance circles. I believe I have the relevant skills, experience and personal attributes to serve the Board well. I remain dedicated to the ICGN's mission and strategies and I will continue to work hard for corporate governance reform and for increased focus of investors on their stewardship responsibilities. My experience and networks in Australia, South Asia and East Asia can aid ICGN growth in these regions. Investors increased expectations in corporate governance and of their contributions to the development to capital markets is under pressure. ICGN is leading change here. I would feel privileged to continue to serve on the ICGN Board should the membership so wish.

**Paul Schneider, Head of Corporate Governance, Ontario Teachers' Pension Plan, Canada**

**Biography**

As Head of Corporate Governance, Public Equities, Paul leads Ontario Teachers' global corporate governance initiative, responsible for the development and application of the Fund's proxy voting approach, the execution of the corporate engagement program and the interaction with regulatory bodies across markets to promote regulation that considers the interests of shareholders. Paul has worked with peers on a number of projects including improvements to the proxy voting system in Canada and creating thought leadership with respect to the use of discretionary compensation at Canadian and US public companies.

Prior to joining Ontario Teachers' in 2010, Paul was Director of Research at the Canadian Coalition for Good Governance (CCGG), joining the organization in 2003 as its first full-time employee. Paul helped establish CCGG as an important and influential voice in Canadian corporate governance. He researched and published "Best Practices" documents which highlighted excellence in corporate governance and executive compensation disclosure practices among Canadian issuers. These publications led to the creation of CCGG's Governance Gavel awards which continues to annually recognize excellence in disclosure practices of Canadian issuers.

Paul is a member of the Investor Group of the 30% Club, the Harvard Institutional Investor Forum Advisory Board, the CCGG Public Policy Committee, the Asian Corporate Governance Association Investor Advisory Group and Korean Working Group and the Toronto Stock Exchange Listing Advisory Committee. He has been a judge for the Governance Professionals of Canada Excellence in Governance Awards since 2013. Paul received his MBA from the Rotman School of Management, University of Toronto (with distinction) and holds the ICD.D designation from the Institute of Corporate Directors.

**Statement of motivation**

ICGN's provides an important perspective that uniquely positions the organization to continue to be a leading and influential voice in global corporate governance and investor stewardship, I believe that ICGN, through its sound and well-thought out guidance and policies, provides the frameworks and practices that result in effective governance and support sustainability. In addition, by promoting investor stewardship ICGN is signalling that engaged ownership is also necessary to promoting effective governance practices that enhance and protect shareholder value over the long term.

I hope to leverage my global perspective, experiences and knowledge acquired over my career in governance to assist ICGN in developing its work programme. I also have deep ties to the Canadian market and can help ICGN grow its footprint in Canada. Since joining ICGN in 2010, I have been involved in and supported the organization's work programme. I have participated on two Annual Conference Planning Committees (2010 and 2015), spoke at a number of ICGN events, provided feedback to ICGN on proposed policies and guidelines through the request for comments process (on behalf of Ontario Teachers') and regularly attend annual and mid-year conferences. I have been a faculty member of the ESG Integration Programme and am currently a member of the Shareholder Rights Committee.

These are exciting and challenging times for corporate governance. While much has been accomplished, the work is nowhere near done. I want to be part of the solutions and being an ICGN Board member affords me that opportunity.



**Geof Stapledon, Vice President Governance, BHP Billiton, UK**

**Biography**

Geof is Vice President Governance for BHP Billiton, a global mining and oil and Gas Company, and a former professor of corporate governance at the University of Melbourne. Prior to joining BHP Billiton, Geof headed up Asia-Pacific research for ISS where he led the research analyst team for Asia-Pacific, was a member of the Asia-Pacific Leadership Team, responsible for developing and implementing regional strategy; and was a member of the Global Policy Board, the peak internal body responsible for setting direction on proxy voting policies. Geof joined ISS through its acquisition of Proxy Australia in 2005, a Melbourne-based governance research and proxy advisory firm he co-founded in 2000. Before moving into the governance industry, Geof spent 10 years teaching and researching in the fields of corporate governance and competition law at Melbourne Law School. During that period, he also carried out several consultancies in the corporate governance field, for clients in the investment management, corporate and government sectors, as well as multilateral organisations. He has also worked as a lawyer specialising in corporate advisory and transactions.

Geof is a member of the Executive Committee of the GC100, which represents General Counsel and Company Secretaries in FTSE100 companies. He has been a member of the Business Consultative Panel of the Australian Securities and Investments Commission (Australia's corporate regulator), and was the Editor of the Company and Securities Law Journal (the leading Australasian journal specialising in corporate law and securities regulation) from 1995 to 2008. He is the author of approximately 30 articles published in refereed journals, together with nine book chapters. His book, *Institutional Shareholders and Corporate Governance*, was published by Oxford University Press in 1996.

Geof has been invited to speak on corporate governance issues at many conferences, including events hosted by the OECD, the World Bank, the United Nations, the ICGN, Tuck School of Business at Dartmouth University, Vanderbilt University, University of Wisconsin and Cambridge University. He is a member of the European Corporate Governance Institute and a Fellow of the Chartered Institute of Secretaries. He has degrees in Economics and Law from the University of Adelaide, and a doctorate from the University of Oxford.

**Statement of motivation**

ICGN is a critically important organisation for enabling investors from around the world to share experiences, education and good practice examples, and to find common ground in the formulation of high-level guidance. My 10 years' experience in a senior governance role with a large global corporation, working closely with the Board Chairman, provides me with recent and relevant experience to add to the ICGN Board's consideration of key governance issues. This is borne out by my experience on ICGN's Board Governance Committee, where I believe my experience of the 'corporate' side of governance has provided a valuable input to discussions. My earlier experience providing governance research and advice to institutional investors ensures I bring a rounded perspective to the table.

BHP Billiton's ongoing support for my role on the ICGN Board is I believe, further acknowledgement of the importance of ICGN as a vehicle for advancing investors' role in corporate governance. Finally, as one of the London-based members of the ICGN Board, I acknowledge the expectation that I will from time to time be asked to provide additional support to the Secretariat as particular matters arise during the year. While this is comparatively rare, I believe it provides the Secretariat with an important additional resource, and I remain enthusiastic about continuing to provide this support as required.

**Robert Walker, Head of ESG Services, NEI Investments, Aviso Wealth, Canada**

**Biography**

NEI Investments is a Canadian investment management company with approximately C\$9 billion in assets under management. Aviso is a national wealth management firm with \$55 billion in assets under administration.

Robert leads a 9-person team responsible for implementing NEI's Responsible Investing Program, a set of activities designed to enhance risk-adjusted returns to investors and contribute to the creation of long term sustainable value for all stakeholders. Core elements of the program include corporate environmental, social and governance (ESG) performance evaluations, corporate engagement, and creating a public policy environment conducive to ESG investing and corporate sustainability.

Under Robert's leadership, NEI has been at the Canadian forefront working to advance robust ESG practices in Canada and globally. Under the governance category specifically, NEI has provided more than a dozen submissions, beginning in 2004, to the Securities and Exchange Commission, the Canadian Securities Administrators, the Toronto Stock Exchange, Government of Canada, the Canadian Coalition for Good Governance (CCGG) and ICGN.

Robert is Governance Fellow of the NACD and past chair and current member of the Boreal Leadership Council. Robert has worked extensively with the Principles for Responsible Investment on a variety of initiatives and is a member of the Governance Professionals Canada the Institute of Corporate Directors (Canada) and the National Association of Corporate Directors (USA). He sits on the board of the International Institute for Sustainable Development, a top 10 global environmental think tank, where he also chairs the Nominating and Governance Committee. He currently chairs the Finance Committee and the Governance Committee of the Board for ICGN.

Robert speaks widely on the responsibility of investment institutions to advance best governance practices and has participated in several United Nations, Government of Canada, and multi-stakeholder initiatives in support of enhanced ESG performance among publicly-traded corporations. The Responsible Investing Program at NEI has received numerous awards from both the investment industry and the world of sustainability.


**Statement of motivation**

High performance governance standards and broad consensus on those standards are necessary conditions for establishing public corporations capable of driving sustainable economic growth while providing a rate of return to corporate stakeholders. I see the ICGN as the world's foremost organization working to establish those standards and achieve that consensus. The ICGN has demonstrated an ability to raise the capacity of its members and also to learn from them. ICGN's conferences and events provide leading opportunities to learn about governance practices around the world. ICGN has emerged as the world's foremost organization for convening investors, corporations and governance experts to explore how standards can be improved and promulgated.

I believe I bring to ICGN a high level of expertise on environmental, social and governance issues and deep experience on how organizations can to evolve to take on new challenges. I have a track record of working with board directors and leadership strategically to advance organizational priorities. Throughout my career I have worked to raise governance standards through direct engagement with public companies and by working with government agencies and industry associations. I believe I have a skill set that will serve the ICGN and its members well as we refine and pursue our mission in future.

May 31, 2018

TO: Each Member  
Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: June 7, 2018 Board of Investments

SUBJECT: **LACERA PENSION TRUST ASSET ALLOCATION POLICY RANGES**

### RECOMMENDATION

Staff recommends that the Board of Investment approve Meketa's proposed Asset Allocation Policy Ranges for the LACERA Pension Trust.

### COMMENTS

Following the approval of LACERA's Pension Trust Asset Allocation in the May 9, 2018 Board of Investment ("Board" or "BOI") meeting, staff began the process of updating LACERA's Investment Policy Statement (IPS) in collaboration with Meketa. A session is scheduled for the offsite to discuss the IPS. A key step of this process is to determine the appropriate Asset Allocation policy ranges and benchmarks as these will guide the implementation and subsequent management of the newly adopted allocation.

Attached is Meketa's presentation on the proposed policy ranges for the Pension Trust Asset Allocation. A separate discussion on benchmarks is scheduled for the July BOI Offsite.

The purpose of the asset class policy ranges is to ensure that the Pension Trust's actual asset allocation does not drift from the strategic asset allocation, and to constrain portfolio risk by establishing bands for each asset class based on asset specific risk/return profile. It also allows LACERA to better manage the weights of relatively illiquid assets. Meketa has developed proposed policy ranges after an analysis of the asset class and portfolio volatility, risk tolerances, correlations, and transaction costs. Also, the CFA Institute was used as a reference point for guidance on the structure of the proposed policy ranges. Staff has reviewed Meketa's presentation and concurs with Meketa's recommended policy ranges.

**Chart 1** below lists Meketa's proposed policy ranges for the Pension Trust Asset Allocation which is also shown on page 18 of Meketa's report.

**Chart 1**  
**Proposed Policy Ranges for the Pension Trust Asset Allocation**

	Approved Policy (%)	Expected Volatility (%)	Range Size from Current IPS (%)	Proposed Ranges +/- (%)	Proposed Ranges % of Target	Proposed Ranges (%)
<b>Growth</b>	<b>47.0</b>	<b>20.7</b>		<b>+/-7</b>	<b>15</b>	<b>40-54</b>
Global Equity	35.0	19.0	-/+10	+/-7	20	28-42
Private Equity	10.0	26.0	+4/-3	+/-3	30	7-13
Opportunistic Real Estate	2.0	25.0		+1/-2	+50/-100	0-3
<b>Credit</b>	<b>12.0</b>	<b>12.5</b>		<b>+/-3</b>	<b>25</b>	<b>9-15</b>
High Yield	3.0	12.5		+/-3	100	0-6
Bank Loans	4.0	10.0		+2/-4	+50/-100	0-6
EM Debt	2.0	13.3		+/-2	100	0-4
Illiquid Credit <sup>1</sup>	3.0	15.2		+2 /-3 <sup>2</sup>	+66/-100	0-5
<b>Real Assets and Inflation Hedges</b>	<b>17.0</b>	<b>15.0</b>		<b>+/-3</b>	<b>18</b>	<b>14-20</b>
Core and Value-Added Real Estate	7.0	13.4	+5/-3	+/-3	42	4-10
Natural Resources/Commodities	4.0	22.1	+2/-3	+/-2	50	2-6
Infrastructure	3.0	17.0		+1/-3	+33/-100	0-4
TIPS	3.0	7.5		+2/-3	67	0-5
<b>Risk Reducing and Mitigating</b>	<b>24.0</b>	<b>4.8</b>		<b>+/-6</b>	<b>25</b>	<b>18-30</b>
Investment Grade Bonds	19.0	4.0	+/-3	+/-6	32	13-25
Diversified Hedge Fund Portfolio	4.0	9.8	+2/-3	+2/-4	+50/-100	0-6
Cash	1.0	1.0	+2/-1	+2/-1	+200/-100	0-3

Source: Meketa Investment Group

### NEXT STEPS

Subsequent to the Board's decision, Meketa and staff will continue to work on updating the Investment Policy Statement. A timeline for implementation of the Pension Trust Asset Allocation is listed in **Table 1** below.

**Table 1**  
**Tentative Asset Allocation Implementation Timeline**

Next Steps	Target Dates for Completion
Determine the appropriate benchmarks for the Pension Trust Asset Allocation	July 2018
Update Investment Policy Statement	May – July 2018
Present Investment Policy Statement to the BOI for review	August 2018
Complete operational updates at State Street	4 <sup>th</sup> Quarter of 2018
Transition to updated asset allocation	September 2018 – June 2020

Staff will provide the Board with periodic status updates on the process.

Attachments

JG:cq



**Los Angeles County Employees  
Retirement Association**  
Pension Trust Asset Allocation Target Ranges

- 1. Background**
- 2. Setting Asset Allocation Policy Ranges**
- 3. Proposed Asset Allocation Policy Ranges**
- 4. Summary and Recommendation**

# Background

## Background

- 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.**”
- At the May 2018 Board of Investments meeting, the Board approved a new strategic asset allocation.
- The goal of this session is to define policy ranges around the strategic asset allocation targets established at the May meeting.



# Setting Asset Allocation Policy Ranges

## Setting Asset Allocation Policy Ranges

### Purpose:

- Balance the cost of rebalancing with the ability to manage risk (both total and active)
- Set clear boundaries for any tactical asset allocation decisions
- Provide flexibility to adapt to changing market dynamics without a full review of policy
- Account for differences between public and private market assets

### Considerations:

- Functional overlay provides an additional level at which risk can be managed
- Functional level ranges do not need to reflect the ranges of the sub-asset categories
- Volatility of each category should be evaluated when setting policy ranges
- Transaction costs differ greatly between asset classes
- Public market assets are subject to more frequent valuation changes while private market valuations are often subject to significant lag
- Private market targets may take time to achieve and ranges should reflect the relative ease or difficulty of implementation
- The rebalancing policy further defines investment/risk management within the ranges

# Proposed Policy Ranges

## Review of Proposed Asset Allocation Policy Ranges

- Setting ranges is far more art than science, but to help guide the Board's decision, Meketa is providing in the presentation the following:
  - The expected volatility for each category
  - A set of ranges based on percentages around the approved targets
  - LACERA's current ranges where applicable
  - Scenario analysis
  - A peer review
- The proposed ranges are generally guided by the following:
  - Functional categories should be utilized to control the overall level of risk
  - Volatile asset classes should have somewhat tighter ranges
  - Asset classes with higher transaction costs should have wider ranges
  - Private market categories should have somewhat wider ranges to account for both implementation factors and the lag in valuation
  - Within functional categories, the sub-categories should have somewhat broader ranges to allow for flexibility in implementation

## Growth: Policy Ranges

	Approved Policy (%)	Expected Volatility <sup>1</sup> (%)	Range Size from Current IPS (%)	Ranges at + / - 10% (%)	Ranges at + / - 20% (%)	Ranges at + / - 30% (%)	Proposed Ranges +/- (%)	Proposed Ranges % of Target	Proposed Ranges (%)
<b>Growth</b>	<b>47.0</b>	<b>20.7</b>		<b>4.7</b>	<b>9.4</b>	<b>14.1</b>	<b>+/-7</b>	<b>15</b>	<b>40-54</b>
Global Equity	35.0	19.0	+/-10	3.5	7	10.5	+/-7	20	28-42
Private Equity	10.0	26.0	+4/-3	1	2	3	+/-3	30	7-13
Opportunistic Real Estate	2.0	25.0		0.2	0.4	0.6	+1 / -2	+50/-100	0-3

### Growth Assets:

- Growth assets have the highest expected volatility of the functional categories with a weighted expected volatility of 21%.
- Growth assets represent less than 50% of the Plan's assets, but over 70% of the projected risk budget.
- To control overall plan level risk, the range around Growth assets should be the tightest on a percentage of target basis among the functional categories.

### Sub-Asset Class Categories:

- The global equity category has a marginally wider range based on 20% of the target.
- As a private market category, Private Equity has a wider range of 30% to account for implementation and the difference in timing of valuations.
- Opportunistic Real Estate has a range of +50%/-100%. As both a private market and opportunistic strategy, the range is set at a wider level. Also due to the low target allocation, the small absolute range equates to a higher percentage.

<sup>1</sup> Based on the capital market expectations developed by Meketa and approved by the Board at the 2017 BOI meeting.

## Credit: Policy Ranges

	Approved Policy (%)	Expected Volatility (%)	Range Size from Current IPS (%)	Ranges at + / - 10% (%)	Ranges at + / - 20% (%)	Ranges at + / - 30% (%)	Proposed Ranges +/- (%)	Proposed Ranges % of Target	Proposed Ranges (%)
<b>Credit</b>	<b>12.0</b>	<b>12.5</b>		<b>1.2</b>	<b>2.4</b>	<b>3.6</b>	<b>+/-3</b>	<b>25</b>	<b>9-15</b>
High Yield	3.0	12.5		0.3	0.6	0.9	+/-3	100	0-6
Bank Loans	4.0	10.0		0.4	0.8	1.2	+2 / -4	+50/-100	0-6
EM Debt	2.0	13.3		0.2	0.4	0.6	+/-2	100	0-4
Illiquid Credit <sup>1</sup>	3.0	15.2		0.3	0.6	0.9	+2 /-3 <sup>2</sup>	+66/-100	0-5

### Credit Assets:

- Credit assets have expected volatility that is slightly higher than that of the overall Plan.
- Credit assets are generally subject to the same principal risk factors, but have different return drivers. The proposed ranges are much wider at the sub-asset category level to permit flexibility in implementation.
- The sub-asset class ranges are set so that no asset class can represent more than 50% of the approved Credit target.

### Sub-Asset Class Categories:

- High Yield and EM Debt have ranges of 100% around the approved targets. While these are public market strategies, they generally have less liquidity and higher transaction costs than other areas of the public markets.
- The proposed range for Bank Loans is asymmetric with the lower bound set at zero to account primarily for implementation.
- Illiquid Credit has the highest level of expected volatility and broadest opportunity set in the category. These strategies are generally subject to illiquidity, high transaction costs, and low transparency. To account for those factors, the proposed range is asymmetric to limit maximum exposure.

<sup>1</sup> Illiquid Credit contains credit hedge funds, real estate debt, and private debt strategies. The private debt composite is composed of 40% Mezzanine, 40% Distressed, and 20% Direct Lending.

## Real Assets and Inflation Hedges: Policy Ranges

	Approved Policy (%)	Expected Volatility (%)	Range Size from Current IPS (%)	Ranges at +/- 10% (%)	Ranges at +/- 20% (%)	Ranges at +/- 30% (%)	Proposed Ranges +/- (%)	Proposed Ranges % of Target	Proposed Ranges (%)
<b>Real Assets and Inflation Hedges</b>	<b>17.0</b>	<b>15.0</b>		<b>1.7</b>	<b>3.4</b>	<b>5.1</b>	<b>+/-3</b>	<b>18</b>	<b>14-20</b>
Core/Value-Added Real Estate	7.0	13.4	+5/-3 <sup>1</sup>	0.7	1.4	2.1	+/-3	42	4-10
Natural Resources/Commodities	4.0	22.1	+2/-3	0.4	0.8	1.2	+/-2	50	2-6
Infrastructure	3.0	17.0		0.3	0.6	0.9	+1 / -3	+33/-100	0-4
TIPS	3.0	7.5		0.3	0.6	0.9	+2 / -3	+67/-100	0-5

### Real and Inflation Hedging Assets:

- The category overall has an expected volatility between that of the Plan and the Growth Assets category.
- Several of the sub-asset categories have expected volatilities in-line with those of Growth Assets.
- To control overall plan level risk, the proposed range around the category is 18%, which is slightly higher than the 15% proposed for growth Assets.

### Sub-Asset Class Categories:

- Core/Value-Added Real Estate's expected volatility, illiquidity, and transaction costs can vary greatly based on the implementation and the weightings to core versus value-added.
- Natural Resources/Commodities has a fairly wide proposed range despite having expected volatility of 22%. This is to account for implementation flexibility (commodities is the only existing liquid asset class in this category in LACERA's portfolio) and the illiquidity of private natural resources investments.
- Infrastructure has a wide asymmetric proposed range to allow for implementation and limit risk.
- TIPS represent a new asset class for LACERA and have a materially different risk and return profile from the other strategies within the category. The low expected volatility is the primary driver of the proposed range being wider than the other sub-asset class categories.

<sup>1</sup> This represents the total range for real estate, which includes Opportunist Real Estate, now categorized under Growth Assets.

## Risk Reducing and Mitigating: Policy Ranges

	Approved Policy (%)	Expected Volatility (%)	Range Size from Current IPS (%)	Ranges at + / - 10% (%)	Ranges at + / - 20% (%)	Ranges at + / - 30 (%)	Proposed Ranges +/- (%)	Proposed Ranges % of Target	Proposed Ranges (%)
<b>Risk Reducing and Mitigating</b>	<b>24.0</b>	<b>4.8</b>		<b>2.4</b>	<b>4.8</b>	<b>7.2</b>	<b>+/-6</b>	<b>25</b>	<b>18-30</b>
Investment Grade Bonds	19.0	4.0	+/-3	1.9	3.8	5.7	+/-6	32	13-25
Diversified Hedge Fund Portfolio	4.0	9.8	+2/-3	0.4	0.8	1.2	+2/-4	+50/-100	0-6
Cash	1.0	1.0	+2/-1	0.1	0.2	0.3	+2/-1	+200/-100	0-3

### Risk Reducing and Mitigating Assets:

- Risk Reducing and Mitigating Assets have the lowest expected volatility of the functional categories with a target weighted expected volatility of 5%.
- Despite having a low expected volatility, the proposed range for the category is 25%. The role of this category is to manage the overall level of risk at the Plan level and having a somewhat tight range ensures that the Plan will maintain at least 18% of its assets in this category.

### Sub-Asset Class Categories:

- Investment Grade Bonds have a low expected volatility, but this is balanced against liquidity and low transactions costs, which results in a proposed range of 32% around the approved target.
- The Diversified Hedge Fund Portfolio has the highest level of expected volatility in this category, but is generally much less liquid, with higher transaction costs. The proposed range is sufficiently wide to account for those factors and asymmetric to manage total risk exposure.
- The proposed range for Cash is the widest among all asset classes as Cash has the highest level of liquidity, the lowest expected volatility, and the lowest level of transaction costs. While cash is drag on the overall returns of the Plan, there is a benefit from having flexibility to, at times, hold higher levels of cash for operating, investment implementation, and risk management purposes.



## Scenario Analysis: GFC

	Approved Policy (%)	Post GFC Allocation (%)	10% Range IPS Breach	20% Range IPS Breach	30% Range IPS Breach	40% Range IPS Breach
<b>Growth</b>	<b>47.0</b>	<b>20.7</b>	<b>YES - UNDER</b>	<b>YES - UNDER</b>	<b>NO</b>	<b>NO</b>
Global Equity	35.0	19.0	YES - UNDER	YES - UNDER	YES - UNDER	NO
Private Equity	10.0	26.0	NO	NO	NO	NO
Opportunistic Real Estate	2.0	25.0	NO	NO	NO	NO
<b>Credit</b>	<b>12.0</b>	<b>12.5</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>
High Yield	3.0	12.5	NO	NO	NO	NO
Bank Loans	4.0	10.0	NO	NO	NO	NO
EM Debt	2.0	13.3	YES - OVER	YES - OVER	NO	NO
Illiquid Credit <sup>1</sup>	3.0	15.2	NO	NO	NO	NO
<b>Real Assets and Inflation Hedges</b>	<b>17.0</b>	<b>15.0</b>	<b>YES - OVER</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>
Core and Value-Added Real Estate	7.0	13.4	YES - OVER	NO	NO	NO
Natural Resources/Commodities	4.0	22.1	NO	NO	NO	NO
Infrastructure	3.0	17.0	YES - OVER	NO	NO	NO
TIPS	3.0	7.5	YES - OVER	YES - OVER	YES - OVER	YES - OVER
<b>Risk Reducing and Mitigating</b>	<b>24.0</b>	<b>4.8</b>	<b>YES - OVER</b>	<b>YES - OVER</b>	<b>YES - OVER</b>	<b>NO</b>
Investment Grade Bonds	19.0	4.0	YES - OVER	YES - OVER	YES - OVER	YES - OVER
Diversified Hedge Fund Portfolio	4.0	9.8	YES - OVER	NO	NO	NO
Cash	1.0	1.0	YES - OVER	YES - OVER	YES - OVER	NO

- The majority of categories would have been rebalanced as a result of the GFC with a 10% range around policy targets
- The two wider ranges produced very few rebalancing actions

<sup>1</sup> Illiquid Credit contains credit hedge funds, real estate debt, and private debt strategies. The private debt composite is composed of 40% Mezzanine, 40% Distressed, and 20% Direct Lending.

## Scenario Analysis: -15% Global Equity Drawdown

	Approved Policy (%)	-15% Drawdown Weight	10% Range IPS Breach	20% Range IPS Breach	30% Range IPS Breach
<b>Growth</b>	<b>47.0</b>	<b>44.1</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>
Global Equity	35.0	31.4	YES - UNDER	NO	NO
Private Equity	10.0	10.6	NO	NO	NO
Opportunistic Real Estate	2.0	2.1	NO	NO	NO
<b>Credit</b>	<b>12.0</b>	<b>12.6</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>
High Yield	3.0	3.2	NO	NO	NO
Bank Loans	4.0	4.2	NO	NO	NO
EM Debt	2.0	2.1	NO	NO	NO
Illiquid Credit <sup>1</sup>	3.0	3.1	NO	NO	NO
<b>Real Assets and Inflation Hedges</b>	<b>17.0</b>	<b>17.9</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>
Core and Value-Added Real Estate	7.0	7.4	NO	NO	NO
Natural Resources/Commodities	4.0	4.2	NO	NO	NO
Infrastructure	3.0	3.2	NO	NO	NO
TIPS	3.0	3.2	NO	NO	NO
<b>Risk Reducing and Mitigating</b>	<b>24.0</b>	<b>25.4</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>
Investment Grade Bonds	19.0	20.1	NO	NO	NO
Diversified Hedge Fund Portfolio	4.0	4.2	NO	NO	NO
Cash	1.0	1.1	NO	NO	NO

- The first trigger for a rebalancing is a -15% drawdown
- The expected standard deviation for Global Equities is 19%

<sup>1</sup> Illiquid Credit contains credit hedge funds, real estate debt, and private debt strategies. The private debt composite is composed of 40% Mezzanine, 40% Distressed, and 20% Direct Lending.

## Scenario Analysis: -30% Global Equity Drawdown

	Approved Policy (%)	-30% Drawdown Weight	10% Range IPS Breach	20% Range IPS Breach	30% Range IPS Breach
<b>Growth</b>	<b>47.0</b>	<b>40.8</b>	<b>YES - UNDER</b>	<b>NO</b>	<b>NO</b>
Global Equity	35.0	27.4	YES - UNDER	YES - UNDER	NO
Private Equity	10.0	11.2	YES - OVER	NO	NO
Opportunistic Real Estate	2.0	2.2	YES - OVER	NO	NO
<b>Credit</b>	<b>12.0</b>	<b>13.4</b>	<b>YES - OVER</b>	<b>NO</b>	<b>NO</b>
High Yield	3.0	3.4	YES - OVER	NO	NO
Bank Loans	4.0	4.5	YES - OVER	NO	NO
EM Debt	2.0	2.2	YES - OVER	NO	NO
Illiquid Credit <sup>1</sup>	3.0	3.3	YES - OVER	NO	NO
<b>Real Assets and Inflation Hedges</b>	<b>17.0</b>	<b>19.0</b>	<b>YES - OVER</b>	<b>NO</b>	<b>NO</b>
Core and Value-Added Real Estate	7.0	7.8	YES - OVER	NO	NO
Natural Resources/Commodities	4.0	4.5	YES - OVER	NO	NO
Infrastructure	3.0	3.4	YES - OVER	NO	NO
TIPS	3.0	3.4	YES - OVER	NO	NO
<b>Risk Reducing and Mitigating</b>	<b>24.0</b>	<b>26.8</b>	<b>YES - OVER</b>	<b>NO</b>	<b>NO</b>
Investment Grade Bonds	19.0	21.2	YES - OVER	NO	NO
Diversified Hedge Fund Portfolio	4.0	4.5	YES - OVER	NO	NO
Cash	1.0	1.1	YES - OVER	NO	NO

- The next trigger point is a -28% return for Global Equities
- All categories require rebalancing with only a 10% range
- With 30% ranges no rebalancing is triggered by this level of drawdown

<sup>1</sup> Illiquid Credit contains credit hedge funds, real estate debt, and private debt strategies. The private debt composite is composed of 40% Mezzanine, 40% Distressed, and 20% Direct Lending.

## Peer Analysis

	Public Equity Range Size	Private Equity Range Size	Fixed Income Range Size	Real Estate Range Size	Cash Range Size
<b>California Peers</b>					
CALPERS	14	4	10	10	6
CALSTRS	12	6	6	6	3
UC Retirement System	26	6	10	6	10
OCERS	14	8	10	6	5
LACERS	10	6	6	7	1
<b>CA Peer Average</b>	<b>15</b>	<b>6</b>	<b>8</b>	<b>7</b>	<b>5</b>
<b>CA Peer Geometric Average</b>	<b>14</b>	<b>6</b>	<b>8</b>	<b>7</b>	<b>4</b>
<b>CA Peer Median</b>	<b>14</b>	<b>6</b>	<b>10</b>	<b>6</b>	<b>5</b>
<b>National Peers</b>					
MD	14	14	10	8	8
NC	10	9	8	8	10
OPERS	16	10	14	10	3
Michigan	30	15	20	10	12
Oregon	10	8	10	6	-
MA	10	6	6	6	-
PA Schools	14	6	20	6	-
<b>National Peer Average</b>	<b>15</b>	<b>10</b>	<b>13</b>	<b>8</b>	<b>5</b>
<b>National Peer Geometric Mean</b>	<b>14</b>	<b>9</b>	<b>12</b>	<b>8</b>	<b>6</b>
<b>National Peer Median</b>	<b>14</b>	<b>9</b>	<b>10</b>	<b>8</b>	<b>3</b>
<b>LACERA Current</b>	<b>20</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>4</b>
<b>LACERA Proposed</b>	<b>14</b>	<b>6</b>	<b>12</b>	<b>6</b>	<b>2</b>

- We looked at the IPS listed asset allocation ranges for some of LACERA's peers. The proposed ranges would be more in-line with LACERA's peers, especially for the Public Equity and Fixed Income allocations.

# Summary and Recommendation

## Summary and Recommendation

	Approved Policy (%)	Expected Volatility (%)	Range Size from Current IPS (%)	Proposed Ranges +/- (%)	Proposed Ranges % of Target	Proposed Ranges (%)
<b>Growth</b>	<b>47.0</b>	<b>20.7</b>		<b>+/-7</b>	<b>15</b>	<b>40-54</b>
Global Equity	35.0	19.0	-/+10	+/-7	20	28-42
Private Equity	10.0	26.0	+4/-3	+/-3	30	7-13
Opportunistic Real Estate	2.0	25.0		+1/-2	+50/-100	0-3
<b>Credit</b>	<b>12.0</b>	<b>12.5</b>		<b>+/-3</b>	<b>25</b>	<b>9-15</b>
High Yield	3.0	12.5		+/-3	100	0-6
Bank Loans	4.0	10.0		+2/-4	+50/-100	0-6
EM Debt	2.0	13.3		+/-2	100	0-4
Illiquid Credit <sup>1</sup>	3.0	15.2		+2 /-3 <sup>2</sup>	+66/-100	0-5
<b>Real Assets and Inflation Hedges</b>	<b>17.0</b>	<b>15.0</b>		<b>+/-3</b>	<b>18</b>	<b>14-20</b>
Core and Value-Added Real Estate	7.0	13.4	+5/-3	+/-3	42	4-10
Natural Resources/Commodities	4.0	22.1	+2/-3	+/-2	50	2-6
Infrastructure	3.0	17.0		+1/-3	+33/-100	0-4
TIPS	3.0	7.5		+2/-3	67	0-5
<b>Risk Reducing and Mitigating</b>	<b>24.0</b>	<b>4.8</b>		<b>+/-6</b>	<b>25</b>	<b>18-30</b>
Investment Grade Bonds	19.0	4.0	+/-3	+/-6	32	13-25
Diversified Hedge Fund Portfolio	4.0	9.8	+2/-3	+2/-4	+50/-100	0-6
Cash	1.0	1.0	+2/-1	+2/-1	+200/-100	0-3

- Meketa recommends the ranges outlined above and as discussed in detail throughout this presentation.

<sup>1</sup> Illiquid Credit contains credit hedge funds, real estate debt, and private debt strategies. The private debt composite is composed of 40% Mezzanine, 40% Distressed, and 20% Direct Lending.

<sup>2</sup> This represents the total range for real estate, which includes Opportunist Real Estate, now categorized under the Growth aggregate.



June 5, 2018

TO: Each Member  
Board of Retirement  
Board of Investments

FROM: Robert Hill   
Interim Chief Executive Officer

FOR: Board of Investments Meeting of June 13, 2018  
Board of Retirement Meeting of June 14, 2018

SUBJECT: **FINAL PROPOSED FISCAL YEAR 2018-2019 ADMINISTRATIVE,  
RETIREE HEALTHCARE BENEFITS, AND OTHER POST-  
EMPLOYMENT BENEFITS TRUST BUDGETS**

## **RECOMMENDATION**

Adopt the final proposed LACERA Fiscal Year (FY) 2018-2019 Administrative, Retiree Healthcare Benefits, and Other Post-Employment Benefits Trust Budgets.

## **INTRODUCTION**

We are pleased to present the proposed FY 2018-2019 Administrative, Retiree Healthcare Benefits, and Other Post-Employment Benefits Trust Budgets for your approval. The Board of Retirement and the Board of Investments will each separately approve the budgets at their regularly scheduled meetings. Attached are the minutes of the FY 2018-2019 budget hearings held on May 9, 2018, and May 10, 2018.

## **DISCUSSION**

The FY 2018-2019 Administrative budget request of \$88,622,236 is the financial representation of the Strategic Plans approved by the Boards and represents LACERA's continued dedication to fulfill the mission to Produce, Protect, and Provide the Promised Benefits to our members.

California Government Code 31580.2 states that the annual budget for administrative expenses of a retirement system established under the County Employees Retirement Law of 1937 (CERL) may not exceed twenty-one hundredths (.21) of one (1) percent of Actuarial Accrued Liability (AAL) of the retirement system. LACERA's AAL as of June 30, 2017 is \$65.3 billion, allowing LACERA a statutory budget appropriation of as much as \$137.1 million. This \$88.6 million request represents 64.6 percent of the statutory limit, reserving a \$48.5 million Contingency Fund.

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:**

Adopt the final proposed LACERA Fiscal Year (FY) 2018-2019 Administrative, Retiree Healthcare Benefits, and Other Post-Employment Benefits Trust Budgets.

RH:jp

Attachments



MINUTES OF THE SPECIAL JOINT MEETING OF THE  
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS  
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CA  
WEDNESDAY, MAY 9, 2018 *and* THURSDAY, MAY 10, 2018

WEDNESDAY, MAY 9, 2018

**BOARD OF RETIREMENT**

**PRESENT:** Herman B. Santos, Vice Chair  
Keith Knox (Chief Deputy to Joseph Kelly)

**BOARD OF INVESTMENTS**

**PRESENT:** David Green, Chair  
Wayne Moore, Secretary  
Keith Knox (Chief Deputy to Joseph Kelly)  
David L. Muir  
Gina V. Sanchez  
Herman B. Santos

**STAFF, ADVISORS, PARTICIPANTS**

Robert Hill	Lindsay Knight
James Brekk	Vincent Lim
JJ Popowich	Vache Mahseredjian
Bernie Buenaflor	Cynthia Martinez
Annette Cleary	Norma Minjarez
Roxana Castillo	Robert Morgan
Ricki Contreras	John Nogales
Michael Cordial	Arlene Owens
Andrea Ellison	Kelly Puga
Vanessa Gonzalez	Steven Rice
Jonathan Grabel	Trina Sanders
Ted Granger	Robert Santos
Cynthia Guider	Cassandra Smith
Kimberly Hines	Darla Vidger
Holly Henderson	Scott Zdrzil
Francisco Jaranilla	

The meeting was called to order at 1:50 p.m. in the Board Room at Gateway Plaza.

MINUTES OF THE SPECIAL JOINT MEETING OF THE  
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS  
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CA  
WEDNESDAY, MAY 9, 2018 *and* THURSDAY, MAY 10, 2018

THURSDAY, MAY 10, 2018

**BOARD OF RETIREMENT**

**PRESENT:** Vivian H. Gray, Chair  
Shawn R. Kehoe  
William Pryor  
Thomas Walsh

**BOARD OF INVESTMENTS**

**PRESENT:** Shawn R. Kehoe, Vice Chair

**STAFF, ADVISORS, PARTICIPANTS**

Robert Hill	Barry Lew
James Brekk	Cynthia Martinez
JJ Popowich	Norma Minjarez
Bernie Buenaflor	Robert Morgan
Allison Barrett	John Nogales
Roxana Castillo	Quoc Nguyen
Ricki Contreras	Mary Phillips
Vanessa Gonzalez	Kelly Puga
Jonathan Gabel	Steven Rice
Ted Granger	Trina Sanders
Cynthia Guider	Cassandra Smith
Kimberly Hines	Roberta Van Nortrick
Holly Henderson	Ervin Wu
Lindsay Knight	

The meeting was called to order at 12:30 p.m. in the Board Room at Gateway Plaza.

## I. BUDGET HEARING

### A. Discussion of LACERA Fiscal Year 2018-2019 Administrative and Retiree Healthcare Benefits Budgets

We will be presenting the budget for adoption at the regular meetings of the Boards of Investments and Retirement on June 13 and June 14, respectively.

LACERA was established in 1938, one year after CERL was enacted. We have a long history of producing, protecting, and providing the promised benefits. We provide a \$3 billion annual payroll, jobs, and opportunities. Our decisions and actions affect outcomes and lives.

The budget is a spending plan that allows us to fulfill LACERA's mission to "Produce, Protect, and Provide the Promised Benefits." Our mission is what drives us and is at the heart of everything we do.

These objectives operationalize our mission and are the foundation upon which we construct our budget each and every year:

- Act as prudent fiduciaries, being mindful and responsible with our members' money
- Provide responsive, high quality services
- Maintain a dialog with our members, stakeholders, the plan sponsor, and the public
- Cultivate and build a quality workforce, establishing that culture of service
- Ensure that we always manage growth and change, including those changes that can threaten our members' earned benefits

The operating budget consists of Salaries and Employee Benefits (S&EB) and Services and Supplies (S&S), which includes maintenance and one-time projects. There are three components that go into developing the budget:

- Board input, priorities, and direction to staff
- Staff identifies needs and requirements
- External influences not directly within LACERA's control, i.e. PEPR, GASB pronouncements, challenges to Defined Benefit plans

#### Budget Authority

LACERA's budget is charged against the earnings of the retirement fund, it is not paid by the County. Under California state law, the annual budget for administrative expenses may not exceed 21 hundredths of 1% of the plan liabilities, or 21 basis points. Based on our accrued actuarial liability (AAL) of

I. BUDGET HEARING (Continued)

\$65.3 billion, the statutory limit is \$137.1 million. Our budget request is \$88.6 million, or 14 basis points of the AAL, leaving a contingency reserve of \$48.5 million.

FY 2018-2019 Budget Overview

The budget is comprised of the following:

- Maintenance and cyclical costs, which include renewals, insurance, building maintenance, costs to vendors
- One-time costs, e.g. new Boardroom technology
- Services & Supplies, including increasing legal fees, legislative advocates, public relations, and a new intern program
- Salary & Employee Benefits, covering pay/MOU increases, new positions
- Compliance Program – even though we are not requesting funding in the coming budget year, we expect to establish a dedicated compliance authority within LACERA, which will require new staffing, and possibly other resources

We do not spend money just because it is budgeted, we spend where it makes good business sense. There is always a difference between the budget request and actual expenditures due to several factors. Over the years your Boards have given us input that you would like us to close that gap and we endeavor to do that where we can. There will always be situations where we can't, especially in S&S, as situations and landscapes change. However, over time we want to narrow that gap to have a more accurate tracking of what we budget and what we spend.

Our budget request for the coming year is \$69.1 million S&EB, \$19.5 million S&S, for a total of \$88.6 million.

Staffing

All new staff positions are based on Board priorities and absolute need. We currently have 429 positions, with a net increase of 14 positions, for a total of 443 positions, \$2.2 million in new S&EB. Ten of these positions are allocated for the Call Center to improve their ability to meet member service commitments and open up the RDO schedule in January 2019 for a portion of eligible staff members. Eight positions will be on the phones, and two will be leads to fulfill a commitment to begin to create some career paths in the Call Center. Disability Retirement Services is requesting one staff assistant to support the Intake Unit. The Legal Office is asking for one additional staff counsel to assist in the benefits area, and the Investment Office requires two additional positions to prepare for the rollout of a Real Assets class.

I. BUDGET HEARING (Continued)

At the beginning of this fiscal year we had 75 vacant budgeted positions, unfilled from the prior year and new positions added. By March 2018 we had filled 35 of those positions, with 11 other positions being actively recruited, for a total of 46 positions filled by the end of this fiscal year. Twelve positions are ineligible for recruitment as the County has not yet adopted the ordinance.

Retiree Healthcare

The Retiree Healthcare budget is derived separately from the Administrative budget. We cannot spend retirement trust fund assets on Retiree Healthcare. The County pays directly to the OPEB (Other Post-Employment Benefits) program. To provide our members with the time they need to understand these complex health care issues, we are requesting four additional staff to assist with workload and response time. With the increased staffing and GASB 74/75 now requiring an annual OPEB valuation, the S&S budget will increase by an additional \$600,000 per year.

Looking Ahead

We see cost drivers to our administrative budget in three broad categories:

- Service – Your Boards have always been focused on service to our members. As demographics and needs change, we want to continue to be a premier organization providing premier service, and keep pace with emerging service options.
- Member privacy and information – We have to ensure that all areas are properly secured and operated so that we protect our member information.
- Protecting the trust – We need to protect this trust fund. As the pension business becomes more complex, with challenges to public pensions and vested rights, there may come a time where we have to defend defined benefits and there may be a cost to that. LACERA needs to be the best at what we do, a prominent example that a defined benefit plan does work.

QUESTIONS AND COMMENTS – MEETING OF WEDNESDAY, MAY 9, 2018

Mr. Santos asked why it is taking so many years to close the gap between budgeted and actual expenditures.

We follow the County's method of budgeting salaries at the top step/mid-point. We have tried using a trending tool to narrow that gap. Also, in S&S we budget at retail cost, but pricing can change after negotiations and the cost can be much less. We plan to be more aggressive on that going forward.

I. BUDGET HEARING (Continued)

Mr. Moore asked if we start with current salaries when we prepare our salary budget.

No. We budget our salaries using the County methodology, which is mid-point and top step, and trend based on that. We started using a salary differential to account for the difference between actual and budgeted to bring us closer together. We are closer this year and we continue to improve on that.

Mr. Moore asked if there is additional over budgeting taking place, because if you start with the actuals, and the differential is fairly consistent, you should be at or very close to actuals as your base for the next year. Even with subtracting 12 ineligible positions, LACERA is still at a 20% vacancy rate out of 75 positions.

We are budgeting in anticipation of hiring certain people. We budget at the top, factoring in salary savings, savings because of attrition, vacancies, etc. Those positions are essential but we still have a hard time filling all the positions we need, which accounts for the vacancies.

Mr. Santos asked how long is the training for the Call Center and Outreach staff, as he is very impressed with their knowledge and communication skills.

Our training program is about a year and two-three months. One year is spent in the CORE Benefits training, followed by a training period on the phones and customer service. Everyone in a benefits related position – Retiree Healthcare, Member Services, Benefits – receives the CORE Benefits training.

Mr. Green asked how do we recruit for the vacant positions.

We post the positions on line, we do job fairs, we reach out to different organizations. We are always looking to improve the recruitment process.

Mr. Green asked what positions are vacant now that we are looking into.

We have a large number of IT positions that have yet to be filled. We have posted for some of those items where we can. We try to cast as wide a net as possible to consider all candidates. We also have positions in Admin Services, creative coordinators in Communications, a finance analyst in Investments, word processor positions, data systems analysts.

Mr. Green asked what is the biggest obstacle to hiring.

Part of it is classifications. We're looking for people who want to build a career here, and sometimes we have to restructure what we're looking for to make it work for the current work generation.

I. BUDGET HEARING (Continued)

Mr. Green asked to make sure the Boards are giving management the resources and tools to be effective at hiring best-in-class and retaining staff.

The Boards are very supportive of our efforts.

Mr. Knox asked what is an ideal vacancy rate.

We are always going to have around a 5-10% vacancy rate, depending on where the vacancies occur. Some areas take longer to fill, such as those that have the one year training before they are actually on the job. Also, some do not make it through the training.

Mr. Green asked if we are now recruiting interns thinking that down the road they can take full time positions.

We are. We have an active open recruitment for the intern pool, to create a group of available, qualified people. Two divisions are currently looking at using interns.

Mr. Knox asked if we have to get the County's approval to add administrative costs for Retiree Healthcare.

No. Costs are paid by the plan members. We charge a monthly per premium/per member administrative fee of \$8.

Mr. Knox asked that in reference to succession planning as part of the strategic plan, is there a budget for the succession planning exercise.

There is a budget to do an employee survey, which is tied to the goal of an increase in employee engagement. We plan to bring in a professional organization to help us with that survey.

QUESTIONS AND COMMENTS – MEETING OF THURSDAY, MAY 10, 2018

Mr. Kehoe asked if the RDO schedule was an alternative work schedule, how many lead positions are in the new phase, and what is the total staffing of the Call Center.

RDO is the 9/80 work schedule. There will be two leads; currently there are two people who are receiving an additional responsibilities bonus to perform that function. This increase in staff will take us to 34 total, including supervisors.

Mr. Kehoe asked about that being a 25% increase in staffing.

In order to do the 9/80 schedule we need to make that increase.

I. BUDGET HEARING (Continued)

Mr. Kehoe asked if we have looked at other call centers for best practices, or had consultants come in to give advice.

We have had consultants in the past. Our management team annually attends the ICMI (International Customer Management Institute) conference where they obtain best practice ideas.

Ms. Gray asked what were the 75 vacant positions to be filled at the beginning of this fiscal year, and if 75 vacancies was a lot.

That was throughout the entire organization, including positions in Investments, Accounting, Member Services. It is a higher vacancy rate than we would like. We are actively working to improve and streamline our recruiting process.

Mr. Kehoe stated that 75 vacancies is high in relation to the overall organization, and asked why we budgeted for some positions if they are not yet true budget positions.

These were all positions that we intended to be filled at the beginning of the year. However, situations changed throughout the year and some positions are no longer needed, but are being converted to other required positions with this new budget.

Mr. Kehoe asked if we do a revised budget at LACERA.

No, we just do a single budget.

Mr. Kehoe requested that in the future we show the average number of vacancies month-by-month throughout the year.

Ms. Gray asked if staff have the equipment and resources necessary to do their jobs effectively and what LACERA management needs from the Boards.

We are very mindful of our priorities and what we need to deliver. There are definitely areas that we can look at improving upon as far as providing resources. At the same time, it is not a situation where we are at a standstill and staff cannot operate. Our next step is to examine the needs of staff, and go through a methodical process to make sure we are responsible in how we deploy equipment. As a management team we work together to resolve issues and overcome challenges, and your Boards provide a way for us to do that.



II. PUBLIC COMMENT

III. GOOD OF THE ORDER

(For information purposes only)

IV. ADJOURNMENT

The meeting of Wednesday, May 9, 2018 adjourned at 2:40 p.m.  
The meeting of Thursday, May 10, 2018 adjourned at 1:10 p.m.

June 1, 2018

TO: Each Member  
Board of Investments

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **Market-Based Rules Regulation on Asset Management Services:  
Comment Letter to Franchise Tax Board**

## **RECOMMENDATION**

That the Board of Investments authorize staff to submit a letter in response to the request for comments at the Third Interested Parties Meeting on Market-Based Rules for Sales Other Than Sales of Tangible Personal Property (California Code of Regulations, Title 18, Section 25136-2).

## **LEGISLATIVE POLICY STANDARD**

LACERA's Legislative Policy provides for engagement in the state rulemaking process to advance LACERA's mission of producing, protecting, and providing the promised benefits.

## **SUMMARY**

The California Franchise Tax Board (FTB) provided notice of a Third Interested Parties Meeting on Market-Based Rules for Sales Other Than Sales of Tangible Personal Property to consider proposed amendments to California Code of Regulations, Title 18, Section 25136-2. The meeting was held on May 18, 2018 to solicit public input regarding proposed amendments to the regulations. Written comments could be submitted at the meeting or submitted to listed contacts at the FTB by the deadline of July 19, 2018. Specifically, part of the proposed regulations would relate to the sourcing of asset management fees with respect to LACERA's investment managers.

## **BACKGROUND**

Prior to January 1, 2013, sales from services (i.e., sales other than sales of tangible property) were considered to be in California if the income-producing activity was performed in California. This was known as the *costs-of-performance* method of sourcing income. In the case of income-producing activity performed across multiple states, sales were sourced to the state in which the greatest proportion of revenue had been earned. For example, under the costs-of-performance method, since sales were sourced based on where the service was performed, a business could reduce its California income taxes by locating its facilities and employees outside of California to perform services for a recipient client located within California.

Proposition 39 was passed in 2012 and repealed the costs-of-performance method. The ballot initiative added Section 25136 to the California Revenue and Taxation Code. Section 25136(a)(1) currently specifies that, on or after January 1, 2013, sales from services are considered to be in California to the extent the purchaser of the service received the benefit of the services in California. For example, although a business is located outside of California, its sales would be sourced to California if its services were performed for a recipient client located within California who received the benefit of the services.

Section 25136 also provides that the FTB may prescribe regulations to carry out the purposes of this provision. Before this latest round of amendments, the FTB amended the regulations on market-based sourcing rules in 2016. However, at that time, the examples relating to the issue of asset management fees were not included in the regulations since industry feedback indicated that the proposed examples were not fully examined by the industry. During the current round of amendments, the FTB intend to include the asset management fee examples in the regulations, and a series of Interested Parties Meetings was held to solicit public input on the proposed amendments.

## **DISCUSSION**

LACERA's investment program utilizes external investment managers across various asset classes. These investment managers are not necessarily all located within California. Out-of-state investment managers who previously sourced their sales from services based on the costs-of-performance method and thus to their home states may now under the proposed amendments be subject to sourcing their sales to California since LACERA is the recipient client that received the benefit of the services. This change in sourcing methods may have the effect of increasing the costs for certain investment managers of providing services in California.

The potential impacts of the proposed amendments with respect to the sourcing of asset management fees may include a reduction of the investment opportunity set since increased taxes can create a disincentive for investment managers and general partners to receive capital from California-based investors; consequently, a smaller universe of investment choices may adversely affect diversification and asset allocation strategies. It may also result in efforts by investment managers to pass on the increased costs to pension systems, which can dilute net returns.

At the previous Interested Parties Meeting held on June 16, 2017, comments regarding the sourcing of asset management fees included the difficulty of obtaining information about the location of shareholders, beneficial owners, and investors who receive the benefit of the service; degree of permissiveness in assigning sales by reasonable approximation in situations where location cannot be determined; the effective date of

the proposed amendments; and how the value of the interest of shareholders, beneficial owners, and investors should be determined.

Providing comments to the FTB related to LACERA's role as an administrator and investor in the context of a governmental defined benefit pension plan can assist the FTB in creating regulations that provide clarity and avoid any unintended consequences on LACERA's investment program.

Staff proposes to consult with and engage LACERA's tax counsel, Don Wellington of Reed Smith LLP<sup>1</sup>, to draft the letter for submission to the FTB. Mr. Wellington estimates fees and costs for preparing the letter to be \$10,000 to \$15,000. The letter is due no later than July 19, 2018.

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD** authorize staff to submit a letter in response to the request for comments at the Third Interested Parties Meeting on Market-Based Rules for Sales Other Than Sales of Tangible Personal Property (California Code of Regulations, Title 18, Section 25136-2).

**Reviewed and Approved:**



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**Steven P. Rice, Chief Counsel**

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<sup>1</sup> Mr. Wellington was previously a partner in Steptoe & Johnson LLP. However, he recently moved his practice to Reed Smith, which is one of LACERA's current fiduciary counsels. Staff intends to continue LACERA's longtime use of Mr. Wellington as tax counsel at his new firm. There is no conflict between his role as tax counsel and the firm's role as fiduciary counsel. However, the Board should consider this issue in acting on the current engagement request to ensure that the Board has no concerns. Mr. Wellington has been LACERA's tax counsel for many years, including currently on the tax withholding project and various other tax matters. Mr. Wellington's expertise and extensive familiarity with LACERA are assets to the system in obtaining effective tax advice.

**Attachment**

Third Interested Parties Meeting Notice

cc: Robert Hill  
James Brekk  
JJ Popowich  
Bernie Buenaflor  
Steven P. Rice  
Christine Roseland  
Jonathan Gabel  
Vache Mahseredjian  
Christopher Wagner  
Jim Rice  
John McClelland  
Jude Perez  
Joe Ackler, Ackler & Associates



STATE OF CALIFORNIA  
**Franchise Tax Board**

**Third Interested Parties Meeting**  
**Market-Based Rules for Sales Other Than Sales of Tangible Personal Property –**  
**California Code of Regulations, Title 18, Section 25136-2**

**RSVP Requested:**

To attend this meeting, please RSVP by May 11, 2018, by contacting Joanna Palisoc at (916) 845-5894 or Email: [Joanna.Palisoc@ftb.ca.gov](mailto:Joanna.Palisoc@ftb.ca.gov). Space is limited.

To participate in this meeting by telephone, please dial: (877) 923-3149. Enter the participant pass code 2233420, followed by the # sign.

**When:**

Friday, May 18, 2018  
10:00 a.m.

**Where:**

Franchise Tax Board  
Goldberg Auditorium  
9646 Butterfield Way  
Sacramento, CA 95827

**Topic:**

California Code of Regulations, title 18, (CCR) section 25136-2 was filed with the California Secretary of State's office on February 27, 2012, and became effective on January 1, 2011. Amendments to CCR section 25136-2 (Market-Based Rules Regulation) were filed with the California Secretary of State's office on September 15, 2016 and became effective on January 1, 2017.

Possible additional amendments to the Market-Based Rules Regulation are currently being considered. The first Interested Parties Meeting for possible additional proposed amendments to the Market-Based Rules Regulation was held on January 20, 2017. A second Interested Parties Meeting was held on June 16, 2017. For the third Interested Parties Meeting, noticed herein, draft language and an explanation document have been developed in connection with proposed additional amendments to the Market-Based Rules Regulation. The draft language and explanation document are posted on the department's website at <https://www.ftb.ca.gov/law/IntParty/>. Printed copies will be available at the meeting.

**Purpose:**

At this Interested Parties Meeting, staff will solicit public input regarding proposed amendments to the Market-Based Rules Regulation. The proposed amendments were developed after considering approaches taken in other states. Please see the 50 State Analyses documents that have been posted to the department's website at <https://www.ftb.ca.gov/law/intParty/index.shtml>.

**Comments Deadline:**

Written comments may be submitted at the meeting, or may be provided to the contacts listed immediately below, by the deadline of July 19, 2018. All written and oral comments will be considered without attribution.

**Contacts: Melissa Williams**

- Email: [Melissa.Williams@ftb.ca.gov](mailto:Melissa.Williams@ftb.ca.gov)
- Telephone: (916) 845-7831
- Address: Legal Division (MS-A260), P.O. Box 1720, Rancho Cordova, CA 95741-1720.

**Amanda Smith**

- Email: [Amanda.Smith@ftb.ca.gov](mailto:Amanda.Smith@ftb.ca.gov)
- Telephone: (916) 845-2869
- Address: Legal Division (MS-A260), P.O. Box 1720, Rancho Cordova, CA 95741-1720.

[Visitors Parking Map](#)


**\* This facility is architecturally accessible to persons with physical disabilities.**

**COST IMPACTS OF PROPOSED RULEMAKING**

The department encourages submission of information from interested parties during the pre-APA process in order to assess the economic impact of a proposed rulemaking action on businesses (including small businesses), employees, jobs or occupations, competitiveness of California businesses, reporting requirements, or individuals.

June 1, 2018

TO: Each Member  
Board of Investments

FROM: Christopher J. Wagner   
Principal Investment Officer

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **PRIVATE EQUITY PERFORMANCE REPORT**

The Board of Investments (“BOI”) is being presented with its December 31, 2017 Private Equity Performance Report, one of two private equity performance reports it receives each year. Historically, the Private Equity Advisor presents fiscal year end results; staff does the same for calendar year end results, thereby providing the BOI with regular updates on Program performance.

Performance and highlights from the period ending December 31, 2017 are summarized below:

- The Private Equity portfolio represents \$5.5 billion/9.9% of Net Asset Value, and is within its total portfolio policy range of 7%-14% (page 16)
- The ten-year portfolio return is 9.9%, and below its benchmark (Russell 3000 plus 500 basis points) by 370 basis points (page 2)
- LACERA’s Private Equity portfolio’s strategy diversification and its portfolio companies’ geographic exposures to non-U.S. investments are all within their target ranges (page 11)
- For the year ending December 31, 2017, the portfolio had a net cash flow inflow of \$140 million (page 17)

Staff will further address these highlights and other performance metrics, including new supplemental benchmarking perspectives relative to the public markets, during the presentation at the June 13<sup>th</sup> Board Meeting.

Attachment

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer





**LOS ANGELES COUNTY EMPLOYEES  
RETIREMENT ASSOCIATION**

**LACERA PRIVATE EQUITY  
PERFORMANCE REVIEW**

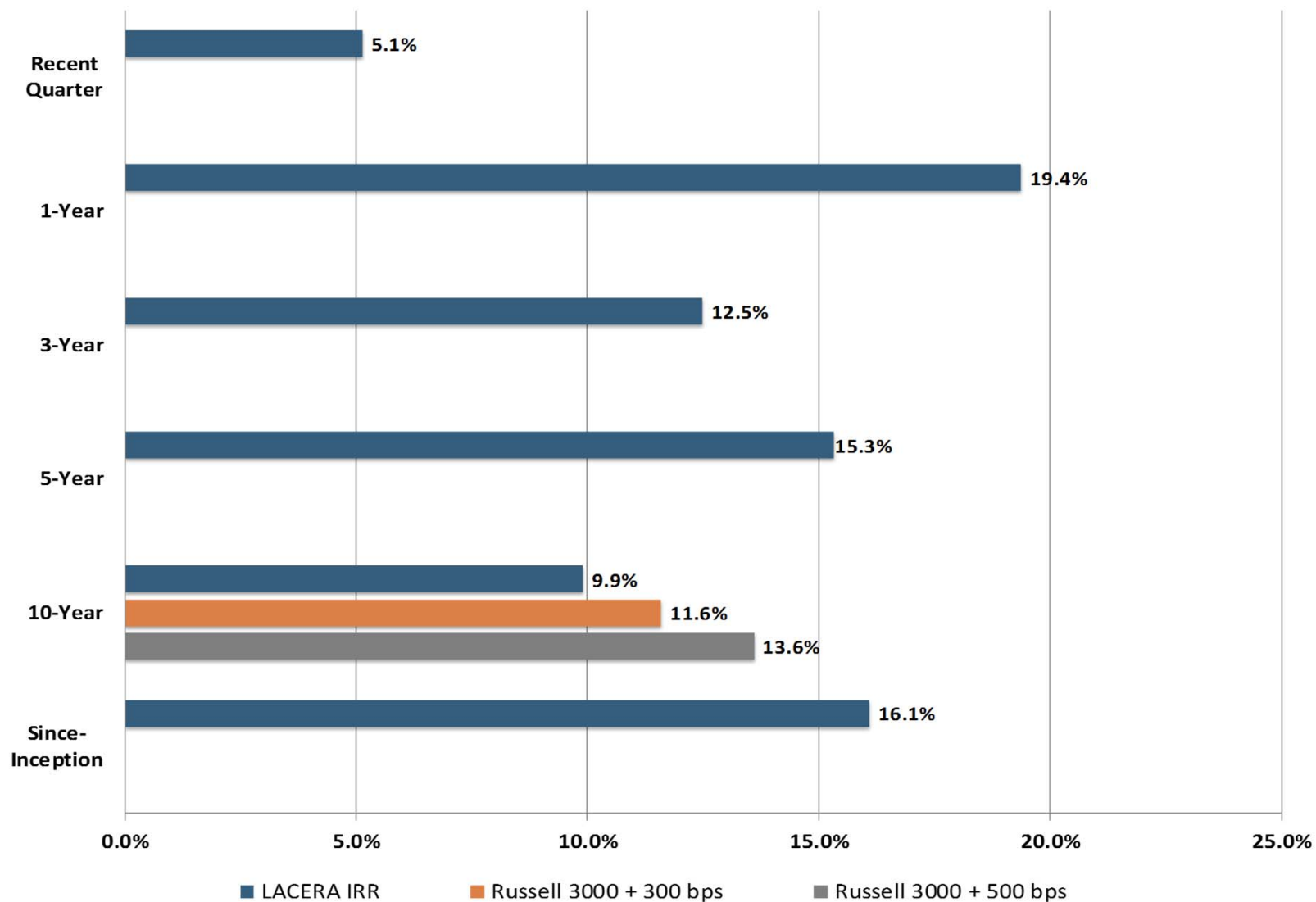


**2017 Fourth Quarter**

**June 13, 2018**

# Periodic Returns

As of December 31, 2017



Quarterly returns are not annualized.

Source: Russell Investments' Russell 3000 Index (U.S.) returns reflect the index total return which includes the impact of reinvested dividends.

# Portfolio Metrics

(\$ in Millions)

	Active	Exited	Dec 31, 2017 Total	Dec 31, 2016 Total	Period Change
<b>Exposure Summary</b>					
Number of Managers <sup>1</sup>	110	41	151	147	4
Number of Investments <sup>2</sup>	215	101	316	305	11
Commitments <sup>3</sup>	\$12,962.5	\$2,260.3	\$15,222.8	\$13,926.9	\$1,295.9
Unfunded Commitment	\$3,973.8	\$ -	\$3,973.8	\$3,665.8	\$308.0
Total Exposure <sup>4</sup>	\$9,496.9	\$ -	\$9,496.9	\$8,415.3	\$1,081.5
<b>Cash Flow Summary</b>					
Cumulative Contributions	\$9,626.8	\$2,289.0	\$11,915.8	\$10,757.1	\$1,158.8
Cumulative Distributions	\$9,650.4	\$4,551.0	\$14,201.4	\$12,902.8	\$1,298.6
<b>Valuation Summary</b>					
Market Value	\$5,523.1	\$ -	\$5,523.1	\$4,749.5	\$773.5
Total Value <sup>5</sup>	\$15,173.5	\$4,551.0	\$19,724.5	\$17,652.3	\$2,072.2
Total Gain/(Loss) <sup>6</sup>	\$5,546.6	\$2,262.1	\$7,808.7	\$6,895.3	\$913.4
<b>Performance Summary</b>					
Distributed to Paid-in <sup>7</sup>	1.00x	1.99x	1.19x	1.20x	(0.01x)
Total Value to Paid-in <sup>8</sup>	1.58x	1.99x	1.66x	1.64x	0.02x
Since-Inception Net IRR <sup>9</sup>	12.68%	17.95%	16.09%	16.04%	0.10%

<sup>1</sup> Count of unique managers and excludes underlying manager relationships from the JP Morgan Emerging Manager and Pathway Capital portfolios.

<sup>2</sup> Excludes underlying manager relationships from the JP Morgan Emerging Manager and Pathway Capital portfolios.

<sup>3</sup> Commitments are as of since inception (October 1986), net of releases and expirations, and after foreign currency conversions as of the reported periods.

<sup>4</sup> Total Exposure represents sum of Unfunded Commitment and Market Value.

<sup>5</sup> Total Value represents the sum of Cumulative Distributions and Market Value.

<sup>6</sup> Total Gain/(Loss) represents the sum of Market Value plus Cumulative Distributions minus Cumulative Contributions.

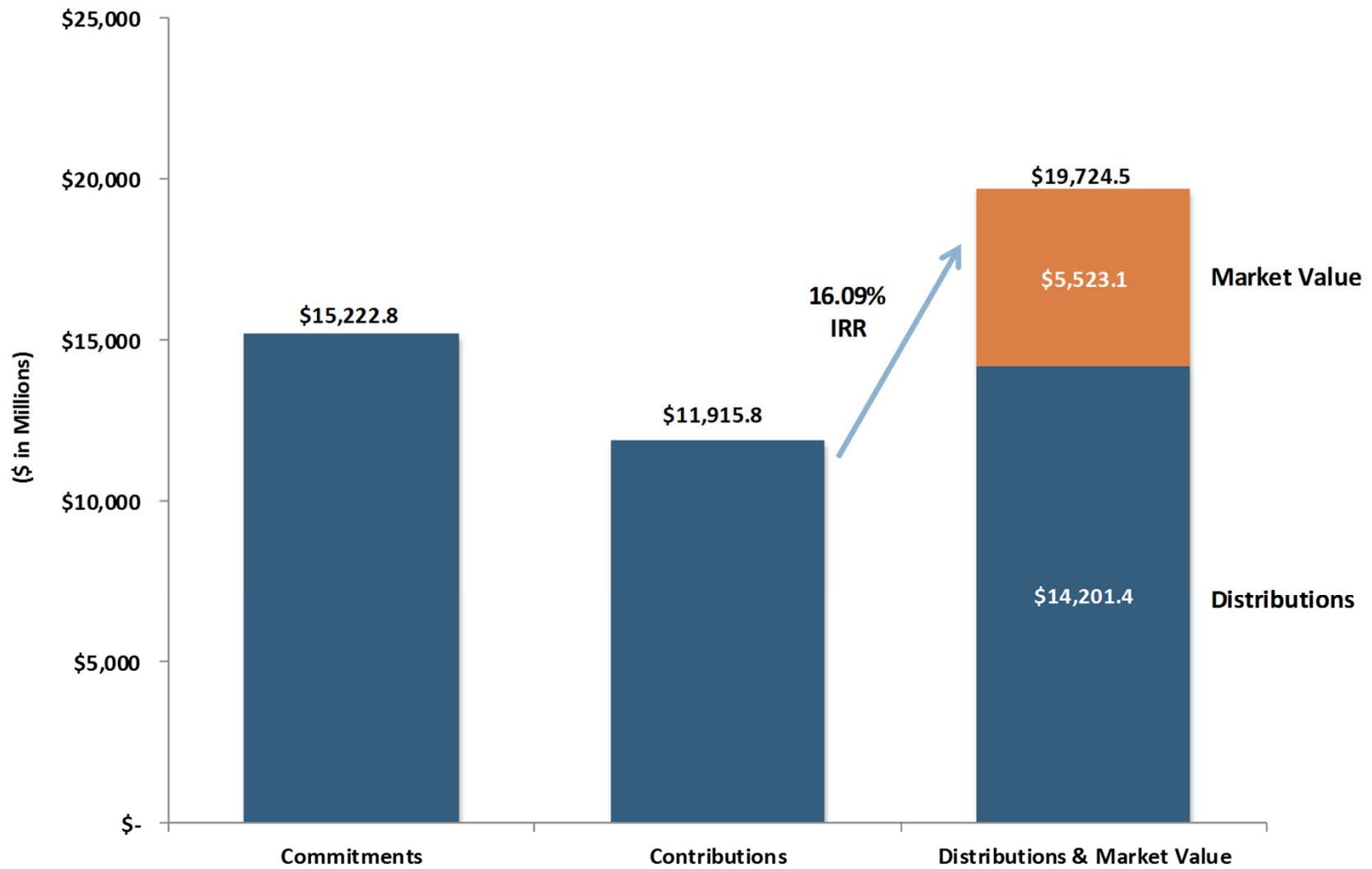
<sup>7</sup> Distributed to Paid-in (DPI) is a measurement of distributions received relative to contributed capital and calculated as Cumulative Distribution divided by Cumulative Contributions.

<sup>8</sup> Total Value to Paid-in (TVPI) is a measurement of total value created relative to capital invested and calculated as Market Value plus Cumulative Distribution divided by Cumulative Contributions.

<sup>9</sup> The Since-Inception Net IRR (Internal Rate of Return) is calculated using all the daily outflows to and inflows from the underlying fund investments and the market values as stated by the General Partners of the underlying fund investment as of the measured period ended. If the investment's terminal value is prior to the measurement date, the IRR is calculated as of the last valuation date indicated by the underlying fund manager. The IRR is net of fees, expenses, and carried interest.

# Portfolio Performance

Since Inception October 31, 1986 - December 31, 2017



# Vintage Year Performance

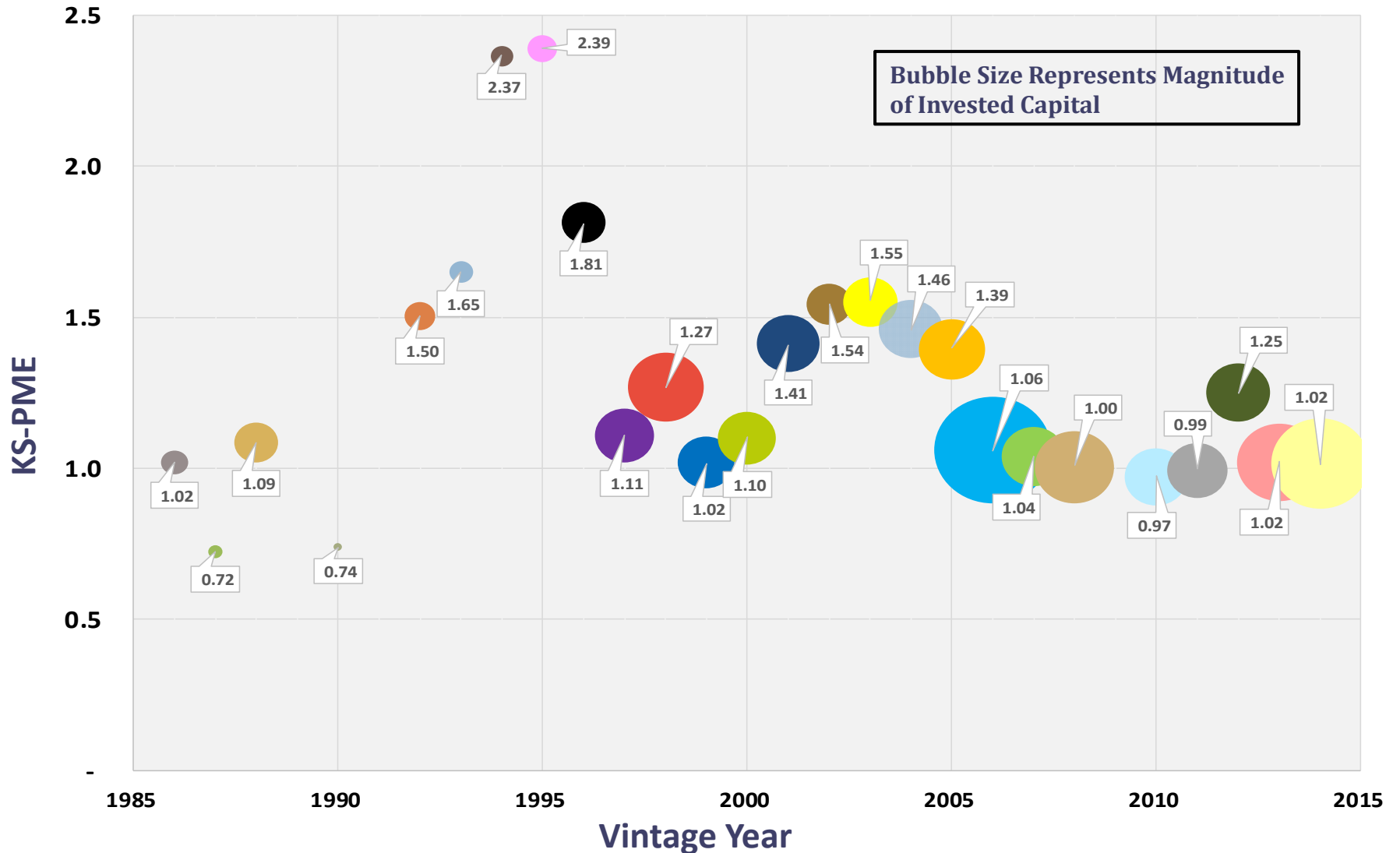
As of December 31, 2017 (\$ in Millions)

Vintage Year	Number of Investments	Commitments	Cumulative Contributions	Cumulative Distributions	Market Value	Total Value	Total Gain/(Loss)	Distributed to Paid-in	Total Value to Paid-in	Since-Inception Net IRR	IRR QUARTILE RANKING
1986	3	\$80.0	\$80.0	\$267.5	\$-	\$267.5	\$187.5	3.34x	3.34x	15.7%	1st
1987	1	25.0	25.0	40.3	-	40.3	15.3	1.61x	1.61x	7.2%	3rd
1988	2	200.0	216.6	466.9	-	466.9	250.3	2.16x	2.16x	15.5%	2nd
1989	-	-	-	-	-	-	-	-	-	0.0%	N/A
1990	1	7.5	7.5	16.7	-	16.7	9.2	2.22x	2.22x	13.0%	3rd
1991	-	-	-	-	-	-	-	-	-	0.0%	N/A
1992	10	116.0	111.0	242.5	-	242.5	131.6	2.19x	2.19x	29.0%	2nd
1993	8	68.0	64.8	239.5	-	239.5	174.7	3.70x	3.70x	39.7%	1st
1994	5	56.9	58.8	237.6	-	237.6	178.8	4.04x	4.04x	54.1%	1st
1995	7	100.5	102.3	362.6	-	362.6	260.2	3.54x	3.54x	43.1%	1st
1996	12	222.9	225.2	607.7	1.0	608.7	383.5	2.70x	2.70x	37.4%	1st
1997	11	397.5	410.4	606.4	.1	606.5	196.0	1.48x	1.48x	7.7%	3rd
1998	22	644.4	655.3	942.3	4.6	946.9	291.5	1.44x	1.44x	7.3%	3rd
1999	21	360.9	369.6	430.0	5.8	435.7	66.1	1.16x	1.18x	3.4%	2nd
2000	25	376.5	388.1	560.8	17.3	578.2	190.1	1.45x	1.49x	8.8%	2nd
2001	15	416.7	441.9	823.4	15.3	838.7	396.8	1.86x	1.90x	21.7%	1st
2002	8	220.4	230.3	495.6	38.9	534.5	304.2	2.15x	2.32x	19.0%	2nd
2003	8	315.6	337.9	682.4	18.9	701.3	363.4	2.02x	2.08x	21.3%	2nd
2004	9	455.9	471.7	847.8	38.7	886.5	414.8	1.80x	1.88x	19.8%	1st
2005	15	534.6	505.3	1,011.0	41.9	1,052.8	547.5	2.00x	2.08x	13.5%	1st
2006	28	1,572.7	1,579.0	2,235.5	352.8	2,588.3	1,009.3	1.42x	1.64x	9.2%	2nd
2007	12	553.6	482.0	669.7	172.7	842.4	360.4	1.39x	1.75x	11.7%	2nd
2008	11	727.9	718.2	912.0	336.3	1,248.2	530.0	1.27x	1.74x	13.7%	2nd
2009	-	-	-	-	-	-	-	-	-	0.0%	N/A
2010	3	487.5	454.2	298.1	365.4	663.5	209.3	0.66x	1.46x	13.1%	2nd
2011	8	428.5	414.1	312.1	335.6	647.7	233.6	0.75x	1.56x	14.0%	3rd
2012	7	435.0	462.8	332.0	501.1	833.1	370.3	0.72x	1.80x	22.8%	1st
2013	11	1,005.4	833.6	231.9	902.5	1,134.4	300.8	0.28x	1.36x	14.1%	2nd
2014	13	1,367.3	1,115.4	215.6	1,247.0	1,462.6	347.2	0.19x	1.31x	14.1%	2nd
2015	10	1,087.0	617.3	79.4	617.0	696.4	79.1	0.13x	1.13x	10.9%	N/A
2016	12	1,161.3	427.2	33.4	400.7	434.1	7.0	0.08x	1.02x	2.5%	N/A
2017	8	594.0	110.5	1.0	109.6	110.7	.2	0.01x	1.00x	0.4%	N/A
2018	10	1,203.2	-	-	-	-	-	-	-	0.0%	N/A
<b>Total</b>	<b>316</b>	<b>\$15,222.8</b>	<b>\$11,915.8</b>	<b>\$14,201.4</b>	<b>\$5,523.1</b>	<b>\$19,724.5</b>	<b>\$7,808.7</b>	<b>1.19x</b>	<b>1.66x</b>	<b>16.1%</b>	

Fund benchmark data provided by Burgiss Private IQ as of the reporting date and represents comparable strategies aggregated by Vintage Year. Quartile rankings are reported as not applicable (N/A) if commitment date is within 3 years of reporting date or if no commitments were made for the respective vintage year.

# KS-PME by Vintage Year / Invested Capital

As of December 31, 2017



A Kaplan & Schoar Public Market Equivalent ("KS-PME") value greater than one indicates that an investor benefited from investing in the respective private equity fund rather than the index (Russell 3000).

# Performance by Strategy / Sub-Strategy

Since Inception October 31, 1986 - December 31, 2017 (\$ in Millions)

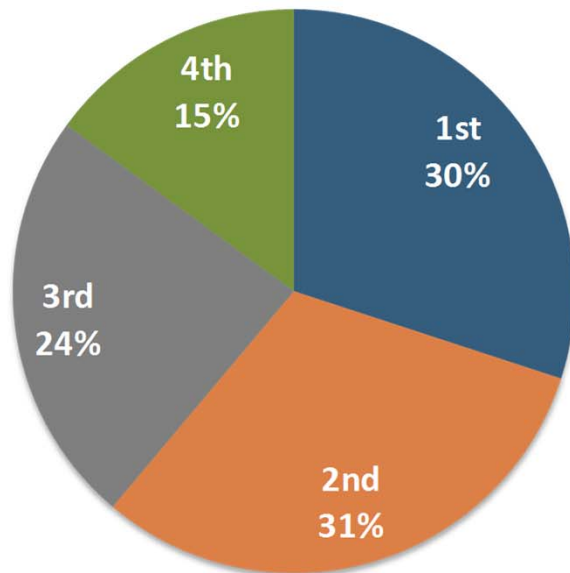
Strategy / Sub-Strategy	Number of Investments	Commitments	Cumulative Contributions	Cumulative Distributions	Market Value	Total Value	Total Gain/(Loss)	Distributed to Paid-in	Total Value to Paid-in	Since-Inception Net IRR	Since-Inception PME
<b>Buyout</b>	158	\$9,599.7	\$7,464.6	\$9,137.4	\$3,164.2	\$12,301.6	\$4,837.0	1.22x	1.65x	13.7%	1.20
Buyout - Global	47	3,347.0	2,753.4	3,987.1	852.6	4,839.7	2,086.2	1.45x	1.76x	16.3%	1.27
Buyout - Large	37	2,660.8	2,083.0	2,403.9	1,125.2	3,529.1	1,446.1	1.15x	1.69x	15.4%	1.25
Buyout - Mid	33	1,832.6	1,368.0	1,415.3	572.4	1,987.7	619.7	1.03x	1.45x	9.9%	1.08
Buyout - Small	40	1,709.3	1,260.2	1,331.2	614.0	1,945.1	684.9	1.06x	1.54x	10.8%	1.08
<b>Special Situations</b>	31	\$1,672.7	\$1,243.6	\$1,090.2	\$546.9	\$1,637.0	\$393.4	0.88x	1.32x	9.0%	1.00
Distressed	22	1,222.7	808.2	793.5	396.4	1,189.8	381.6	0.98x	1.47x	11.7%	1.10
Energy	4	360.0	351.0	177.0	150.5	327.5	(23.5)	0.50x	0.93x	-2.5%	0.71
Mezzanine	5	90.0	84.4	119.7	-	119.7	35.4	1.42x	1.42x	9.0%	1.09
<b>Venture Capital</b>	86	\$1,458.0	\$1,184.1	\$1,778.9	\$496.6	\$2,275.5	\$1,091.4	1.50x	1.92x	21.7%	1.20
Venture Capital - Balanced	34	611.4	544.5	740.8	237.4	978.3	433.8	1.36x	1.80x	16.3%	1.08
Venture Capital - Early Stage	43	566.6	409.9	761.7	119.1	880.8	470.9	1.86x	2.15x	73.0%	1.36
Venture Capital - Late Stage	9	280.0	229.8	276.3	140.0	416.4	186.6	1.20x	1.81x	24.7%	1.33
<b>Co-Investments</b>	8	\$583.4	\$534.4	\$514.2	\$421.6	\$935.7	\$401.3	0.96x	1.75x	19.3%	1.15
<b>Fund of Funds</b>	11	\$1,126.3	\$797.6	\$487.4	\$641.4	\$1,128.8	\$331.2	0.61x	1.42x	10.1%	1.04
<b>Growth Equity</b>	14	\$629.0	\$540.2	\$964.2	\$249.5	\$1,213.7	\$673.5	1.78x	2.25x	86.8%	1.57
<b>Secondaries</b>	8	\$153.7	\$151.3	\$229.2	\$3.0	\$232.2	\$81.0	1.52x	1.54x	17.2%	1.23

A Kaplan & Schoar Public Market Equivalent ("KS-PME") value greater than one indicates that an investor benefited from investing in the respective private equity fund rather than the index (Russell 3000).

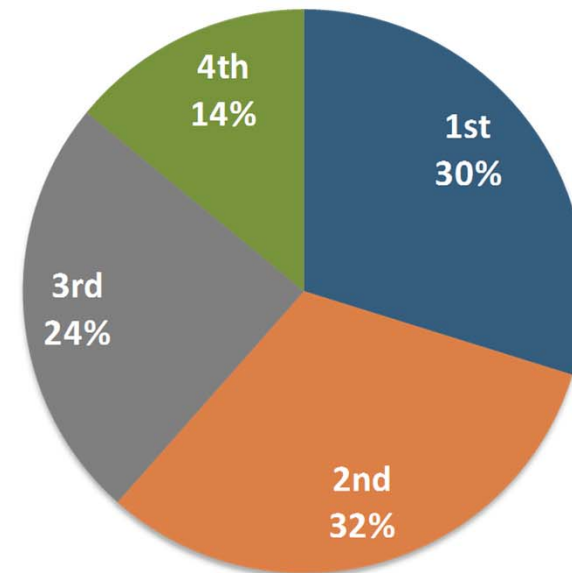
# Net IRR By Quartile

Since Inception October 31, 1986 - December 31, 2017

## Since Inception By Commitment



## Since Inception By Exposure<sup>1</sup>



Quartile ranking provided by Burgiss Private IQ as of the reporting date and represents comparable strategies aggregated by Vintage Year. Quartile rankings for commitments made within last 3 years of reporting date are excluded.

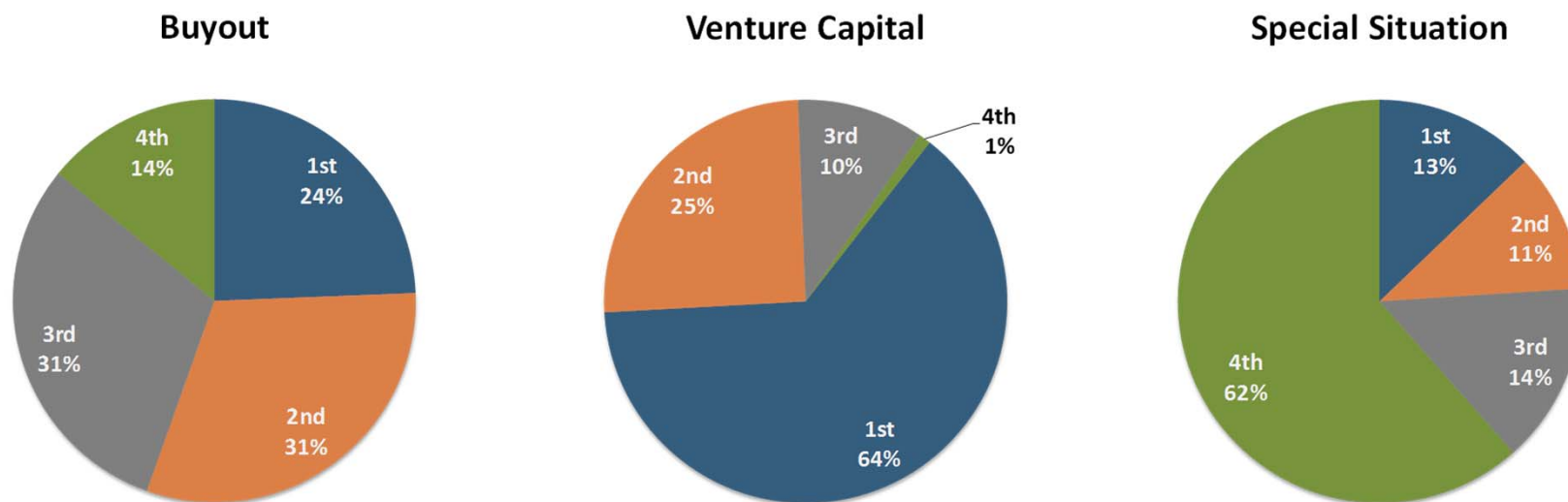
<sup>1</sup> Exposure represents sum of Unfunded Commitment and Market Value.



# Net IRR By Quartile

As of December 31, 2017

## NET IRR QUARTILE BY COMMITMENT FOR VINTAGE YEARS 2005-2014



Quartile ranking provided by Burgiss Private IQ as of the reporting date and represents comparable strategies aggregated by commitment amount. Quartile rankings for commitments made within last 3 years of reporting date are excluded.

# Top 40 Largest Manager Relationships by Total Exposure

As of December 31, 2017 (\$ in Millions)

Manager	# of Funds	Total Commitments	Total Exposure	% of Total PE Portfolio Exposure	Total Value to Paid-in	Since-Inception IRR	Since-Inception TVPI Attribution	Since-Inception KS-PME
Pathway Capital	2	\$600.0	\$591.6	6.2%	1.2x	8.4%	2.4%	0.87
Vista Equity Partners	4	550.0	591.5	6.2%	1.5x	20.6%	3.8%	1.14
MS GTB Capital Partners	2	550.0	484.5	5.1%	1.7x	13.1%	4.2%	1.11
Onex Partners	5	560.0	428.4	4.5%	1.9x	25.0%	2.9%	1.44
Carlyle Group	7	557.9	411.7	4.3%	1.6x	19.4%	3.6%	1.27
CVC Capital Partners	8	655.4	409.3	4.3%	1.8x	20.9%	3.7%	1.37
J.P. Morgan	3	350.0	363.3	3.8%	1.8x	24.1%	2.2%	1.27
Silver Lake Partners	3	345.0	357.2	3.8%	1.7x	20.5%	1.4%	1.21
Blackstone Management	9	539.1	312.9	3.3%	1.8x	20.9%	3.5%	1.31
Clearlake Capital	3	252.0	296.6	3.1%	1.8x	38.2%	1.6%	1.46
MBK	2	220.0	287.2	3.0%	1.6x	26.0%	1.0%	1.22
GGV Capital	5	175.0	254.4	2.7%	1.8x	22.0%	1.1%	1.23
Lightyear Capital	2	255.0	251.7	2.7%	1.6x	20.8%	1.2%	1.12
Juggernaut Capital Partners	2	175.0	196.9	2.1%	1.3x	14.0%	1.0%	1.00
PAI	1	180.1	180.1	1.9%	0.0x	0.0%	0.0%	N/A
Glendon Capital Management	2	160.0	169.6	1.8%	1.2x	7.9%	0.3%	0.90
Nordic Capital	4	263.1	156.8	1.7%	1.8x	12.5%	2.2%	1.22
Institutional Venture Partners	2	150.0	155.3	1.6%	1.3x	13.3%	0.8%	0.98
Hellman & Friedman	3	225.0	148.8	1.6%	1.8x	19.4%	1.4%	1.47
Leonard Green & Partners, L.P.	1	150.0	147.6	1.6%	0.9x	-10.6%	0.2%	0.90
Centerbridge	3	185.0	136.9	1.4%	1.6x	15.5%	1.2%	1.11
Energy & Minerals Group	1	150.0	130.9	1.4%	0.9x	-3.3%	0.7%	0.67
Summit Partners	8	295.7	126.1	1.3%	2.4x	67.3%	3.7%	1.72
Wayzata Investment Partners, LLC	3	215.0	125.2	1.3%	2.0x	12.0%	1.1%	1.13
Berkshire Partners	6	260.0	123.6	1.3%	2.2x	32.7%	2.9%	1.62
Australis Partners	1	125.0	121.5	1.3%	0.8x	-25.4%	0.1%	0.74
Riverside Capital	1	100.0	119.1	1.3%	1.5x	19.1%	0.6%	1.13
Oaktree Capital Management, LLC	10	399.8	115.6	1.2%	1.4x	11.0%	2.9%	1.12
Black Diamond	1	100.0	110.2	1.2%	1.2x	13.8%	0.3%	0.96
Sterling Partners	1	100.0	110.1	1.2%	1.4x	14.9%	0.4%	1.05
Excellere Partners	3	145.0	107.8	1.1%	1.8x	32.3%	0.6%	1.44
Insignia Capital Partners	1	100.0	103.3	1.1%	1.2x	9.7%	0.3%	0.95
Palladium Equity Partners	1	100.0	100.9	1.1%	1.4x	17.5%	0.6%	1.07
Technology Crossover Ventures	3	164.0	93.7	1.0%	2.1x	15.8%	1.8%	1.30
TPG Capital	6	364.2	88.4	0.9%	1.8x	13.4%	3.4%	1.31
Alchemy Partners	2	132.3	88.0	0.9%	1.1x	1.7%	0.2%	0.87
Gilde Partners	1	88.7	87.8	0.9%	1.0x	-4.2%	0.1%	0.83
Harvest Partners	1	80.0	79.6	0.8%	1.0x	-2.1%	0.1%	0.91
Union Square	6	56.5	74.2	0.8%	4.8x	60.0%	1.0%	3.65
One Rock Capital Partners	1	72.5	72.1	0.8%	1.0x	-3.6%	0.1%	0.92
<b>Top 40 Managers Total</b>	<b>130</b>	<b>\$10,146.2</b>	<b>\$8,310.5</b>	<b>87.5%</b>	<b>1.7x</b>	<b>25.3%</b>	<b>60.3%</b>	<b>1.31</b>
<b>Other Managers Total</b>	<b>186</b>	<b>\$5,076.6</b>	<b>\$1,186.4</b>	<b>12.5%</b>	<b>1.6x</b>	<b>14.1%</b>	<b>39.7%</b>	<b>1.11</b>
<b>LACERA Total</b>	<b>316</b>	<b>\$15,222.8</b>	<b>\$9,496.9</b>	<b>100.0%</b>	<b>1.7x</b>	<b>16.1%</b>	<b>100.0%</b>	<b>1.19</b>

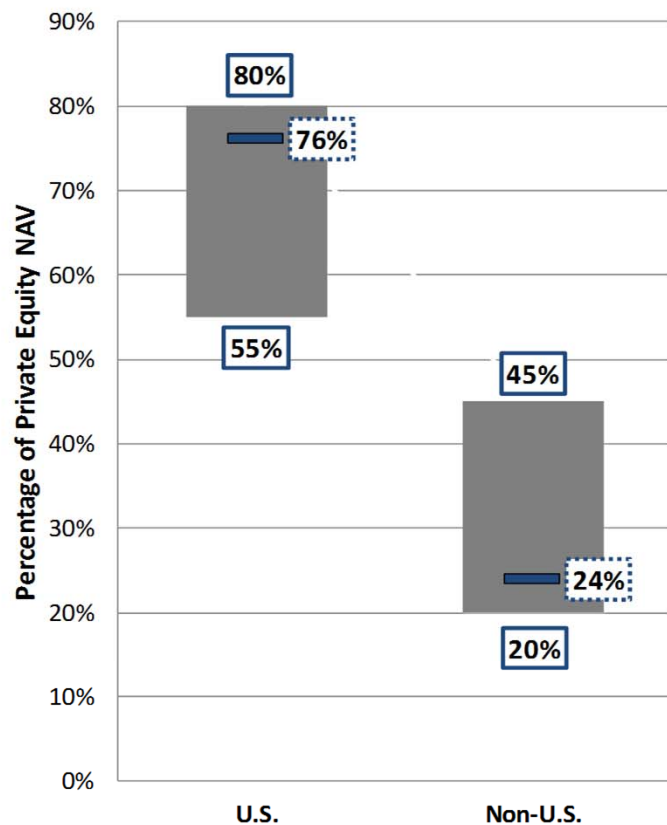
Total Exposure is equal to Net Asset Value plus Unfunded Commitments. Fund Count includes both Active and Inactive funds.

The Since Inception Net IRR is calculated by LACERA using all the outflows to and inflows from the underlying fund investments, including cash flows for expenses and fees paid by the Portfolio to those underlying fund investments. The terminal values used are the capital account balances as of the reporting period, as stated by the General Partners of the underlying fund investment, whether at cost or fair value. If the underlying fund investment's terminal value is prior to the reporting period, the IRR is calculated as of the last valuation date indicated by the fund manager. A Kaplan & Schoar Public Market Equivalent ("KS-PME") value greater than one indicates that an investor benefited from investing in the respective private equity fund rather than the index (Russell 3000).

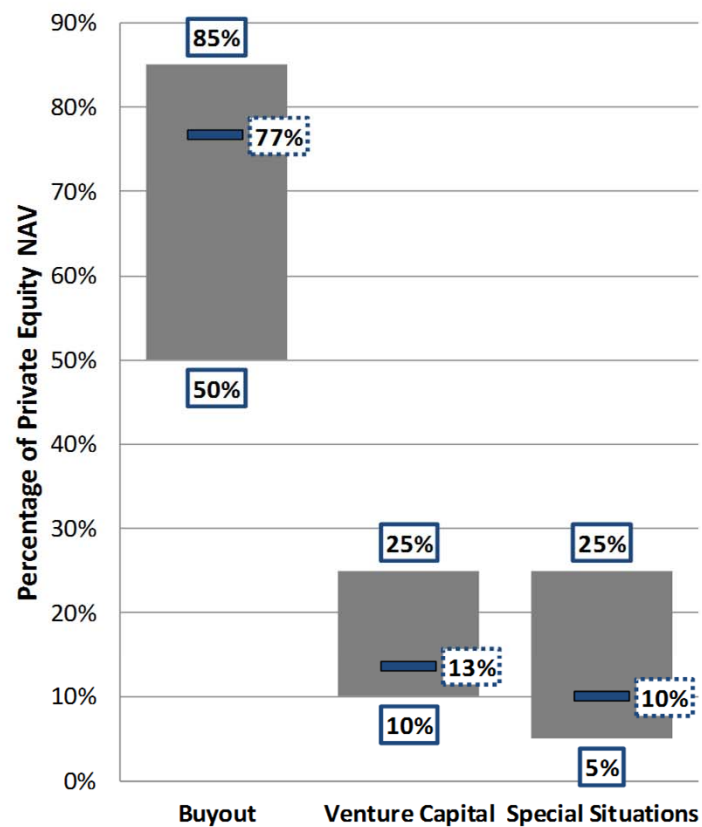
# Portfolio Company Exposure



As of December 31, 2017

### By Geography



### By Strategy



 Allocation Range  
 Actual as of December 31, 2017

Buyout includes Co-Investments, Fund of Funds, and Secondaries.

# Portfolio Company Diversification by Country

As of December 31, 2017 (\$ in Millions)

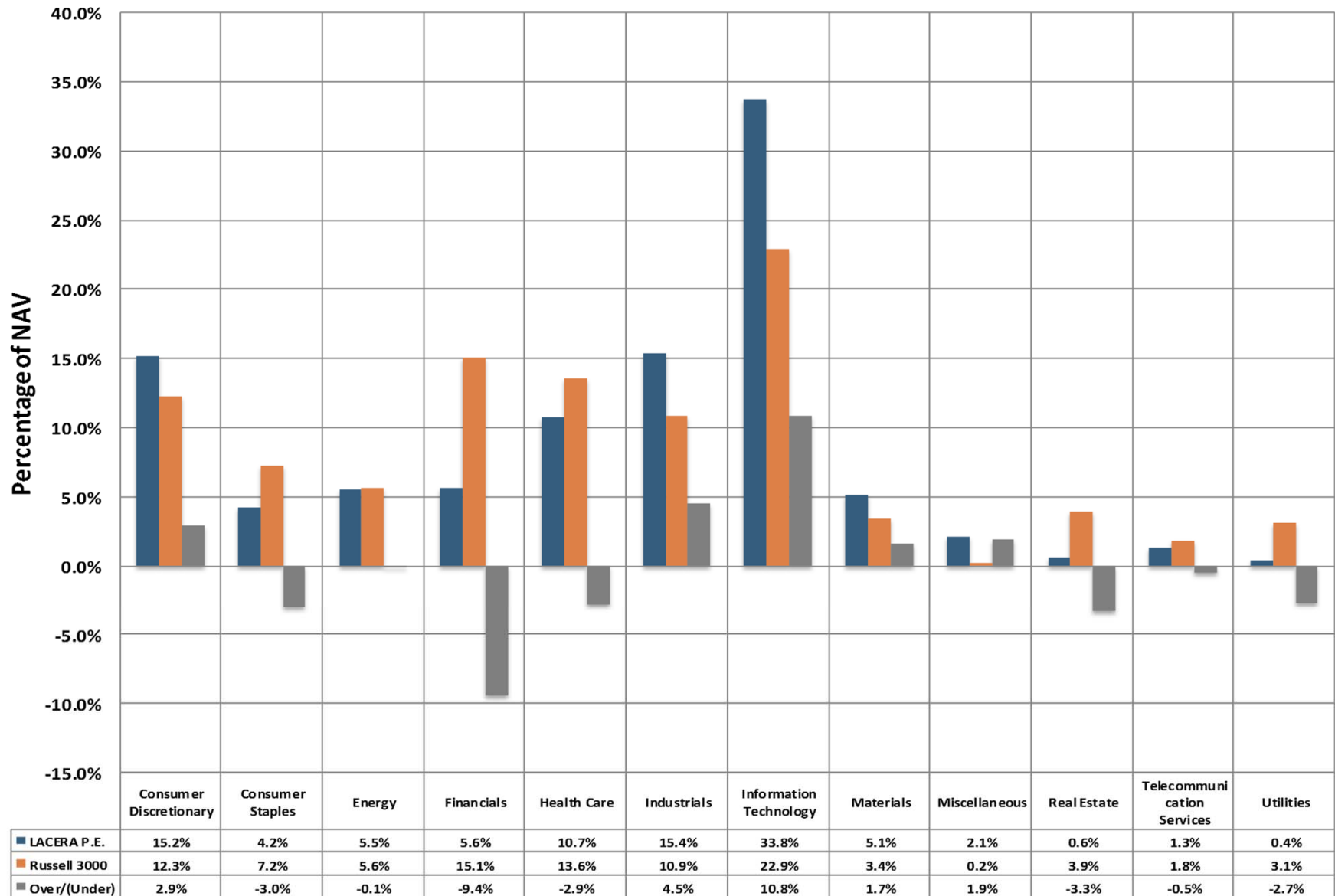
Country	Market Value	Percentage
United States of America	3,831.5	76.1%
United Kingdom	198.0	3.9%
China	147.4	2.9%
South Korea	134.0	2.7%
Canada	102.5	2.0%
Sweden	69.6	1.4%
Germany	55.6	1.1%
Switzerland	50.6	1.0%
Norway	43.2	0.9%
Japan	34.0	0.7%
France	33.9	0.7%
Netherlands	29.5	0.6%
Denmark	22.2	0.4%
Australia	22.2	0.4%
N/A	22.2	0.4%
Italy	21.8	0.4%
Spain	20.4	0.4%
Ireland	19.2	0.4%
Peru	18.0	0.4%
Brazil	16.2	0.3%
Belgium	15.3	0.3%
Luxembourg	14.4	0.3%
Channel Islands	14.0	0.3%
India	12.7	0.3%
Poland	11.1	0.2%
Israel	10.2	0.2%
Finland	8.2	0.2%
Cyprus	7.1	0.1%
Singapore	7.0	0.1%

Country	Market Value	Percentage
Cayman Islands	6.3	0.1%
Bermuda	5.7	0.1%
Russia	5.0	0.1%
Malta	4.9	0.1%
Marshall Islands	3.0	0.1%
Austria	2.8	0.1%
Czech Republic	2.7	0.1%
Taiwan	2.7	0.1%
Vietnam	2.2	0.0%
Greece	2.0	0.0%
Colombia	1.7	0.0%
Indonesia	1.5	0.0%
United Arab Emirates	1.2	0.0%
Argentina	1.0	0.0%
British Virgin Islands	1.0	0.0%
New Zealand	.6	0.0%
Saudi Arabia	.2	0.0%
Chile	.2	0.0%
Puerto Rico	.2	0.0%
Hungary	.2	0.0%
Ukraine	.1	0.0%
Kenya	.1	0.0%
Estonia	.1	0.0%
Portugal	.1	0.0%
Bangladesh	.0	0.0%
Nigeria	.0	0.0%

N/A includes undisclosed geographic locations.

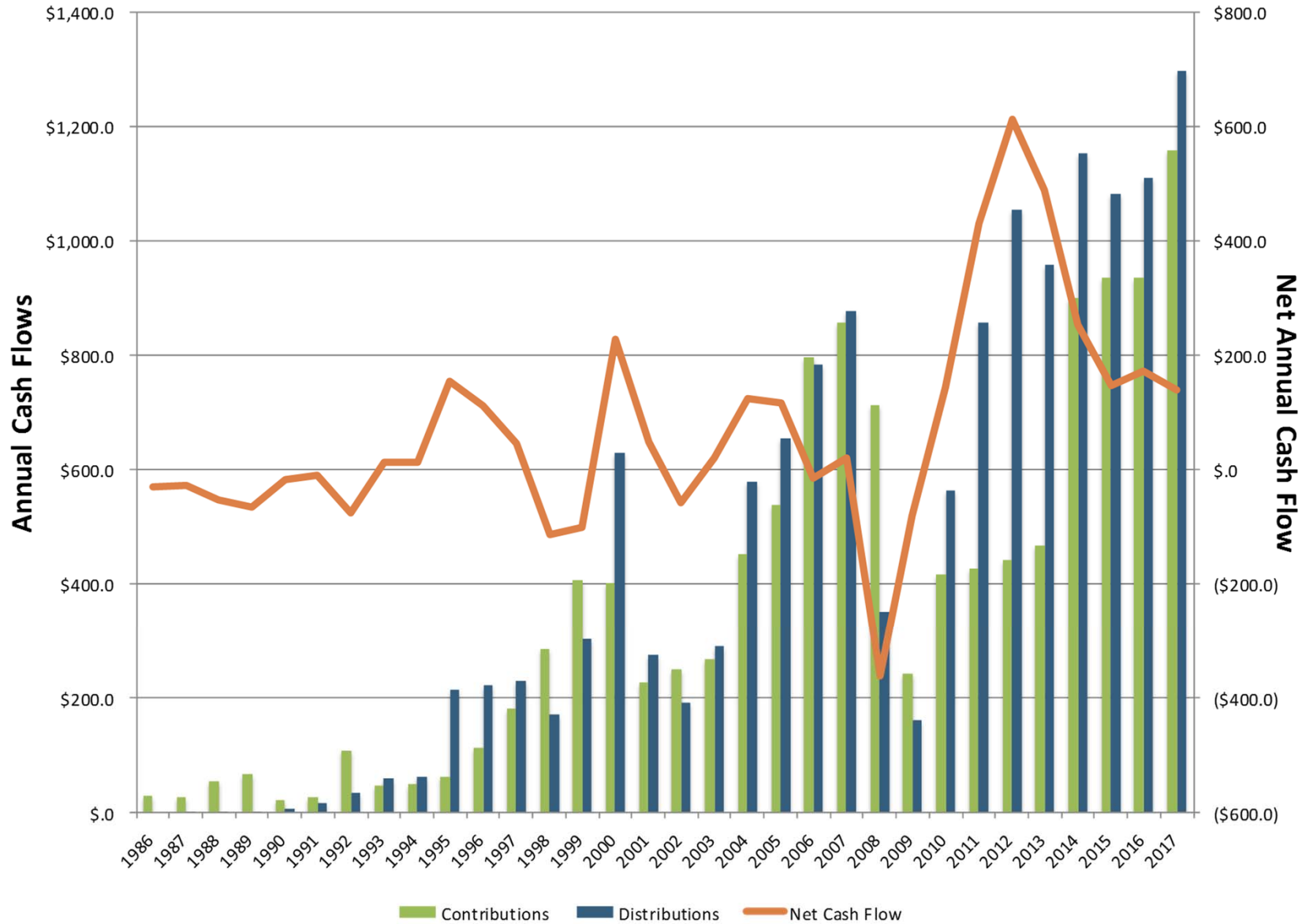
# Portfolio Company Diversification by Industry Sector

As of December 31, 2017



# Annual Cash Flow Activity

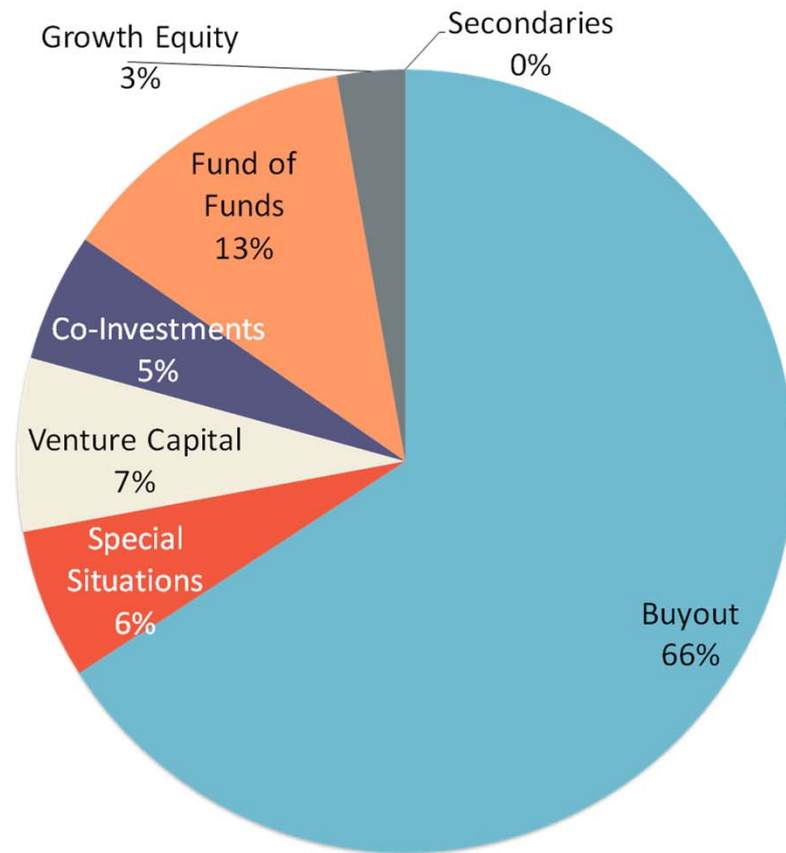
As of December 31, 2017 (\$ in Millions)



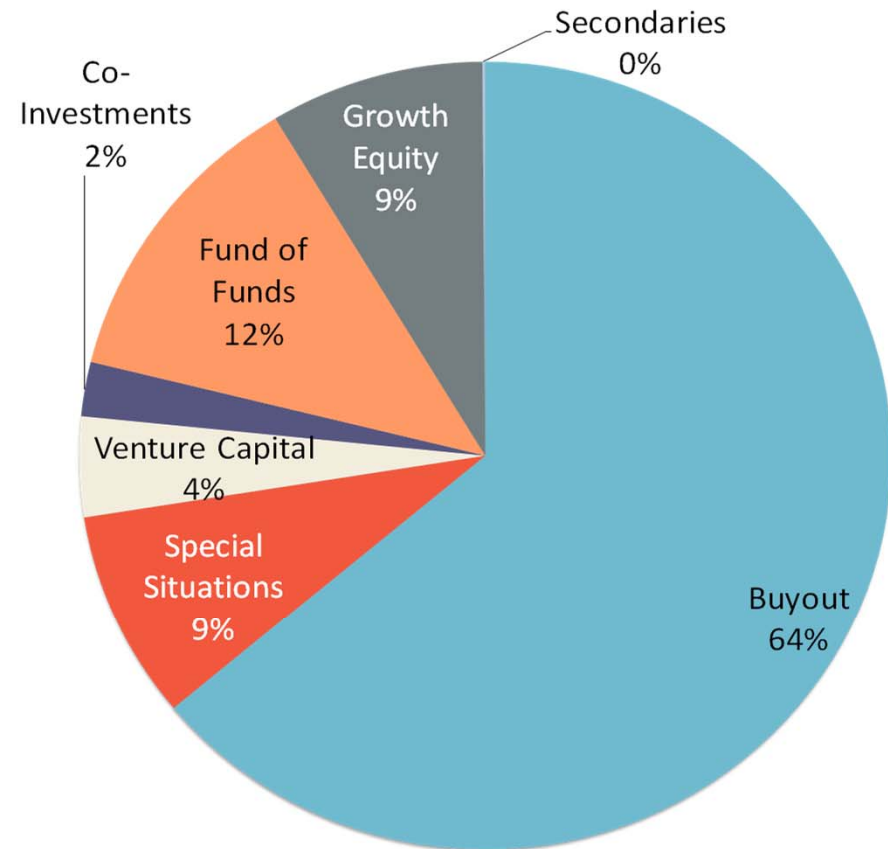
# Annual Cash Flow By Strategy in 2017

As of December 31, 2017

### Total Contributions

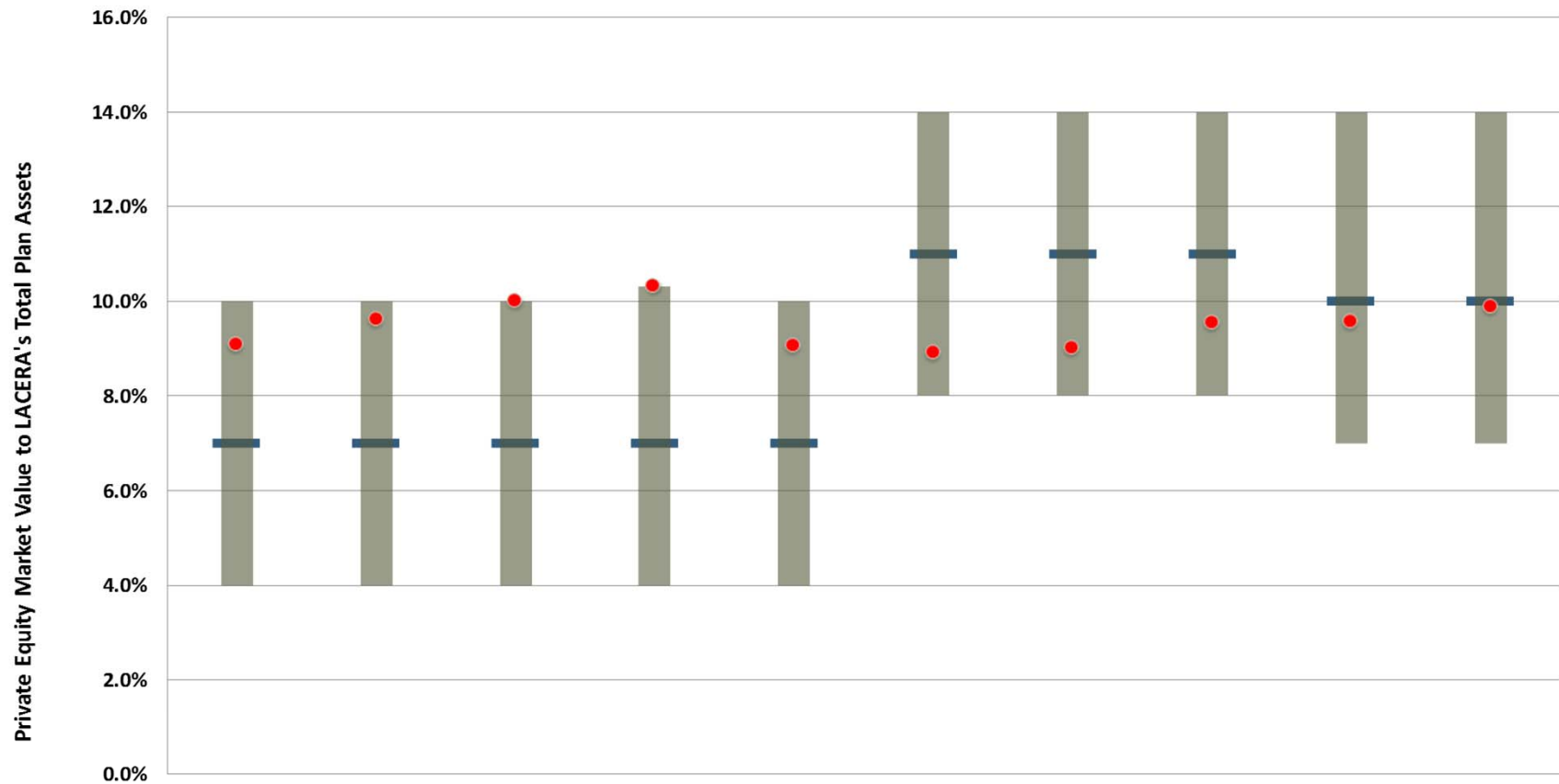


### Total Distributions



# 10 Year Allocation History

As of December 31, 2017



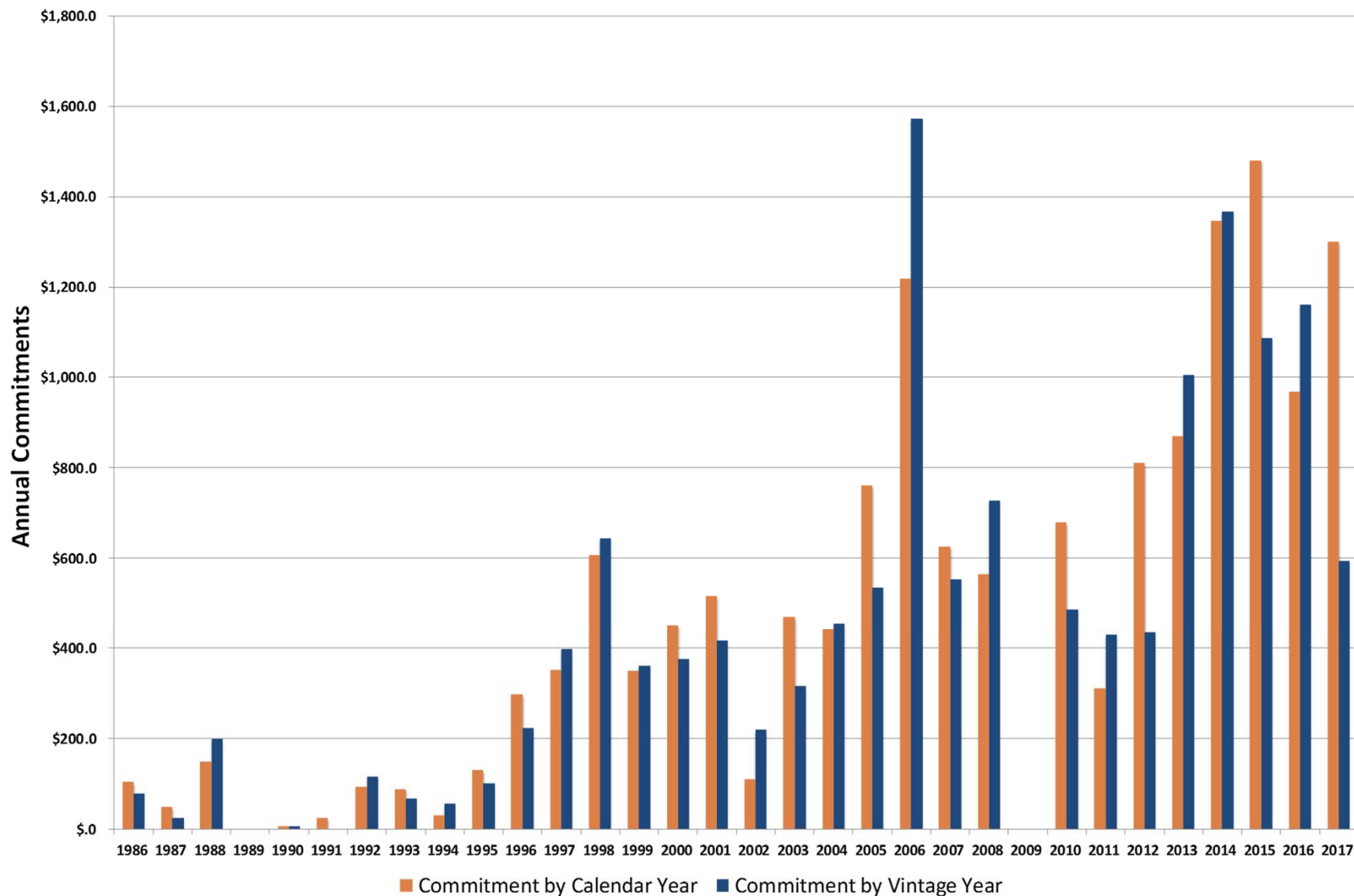
	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
— Target	7.0%	7.0%	7.0%	7.0%	7.0%	11.0%	11.0%	11.0%	10.0%	10.0%
█ Top Target Range	10.0%	10.0%	10.0%	10.0%	10.0%	14.0%	14.0%	14.0%	14.0%	14.0%
█ Bottom Target Range	4.0%	4.0%	4.0%	4.0%	4.0%	8.0%	8.0%	8.0%	7.0%	7.0%
● Actual Allocation	9.1%	9.6%	10.0%	10.3%	9.0%	8.9%	9.0%	9.5%	9.6%	9.9%

LACERA Total Plan Assets is the quarterly performance book market value adjusted for actual period ending private equity market values.



# Commitments by Year

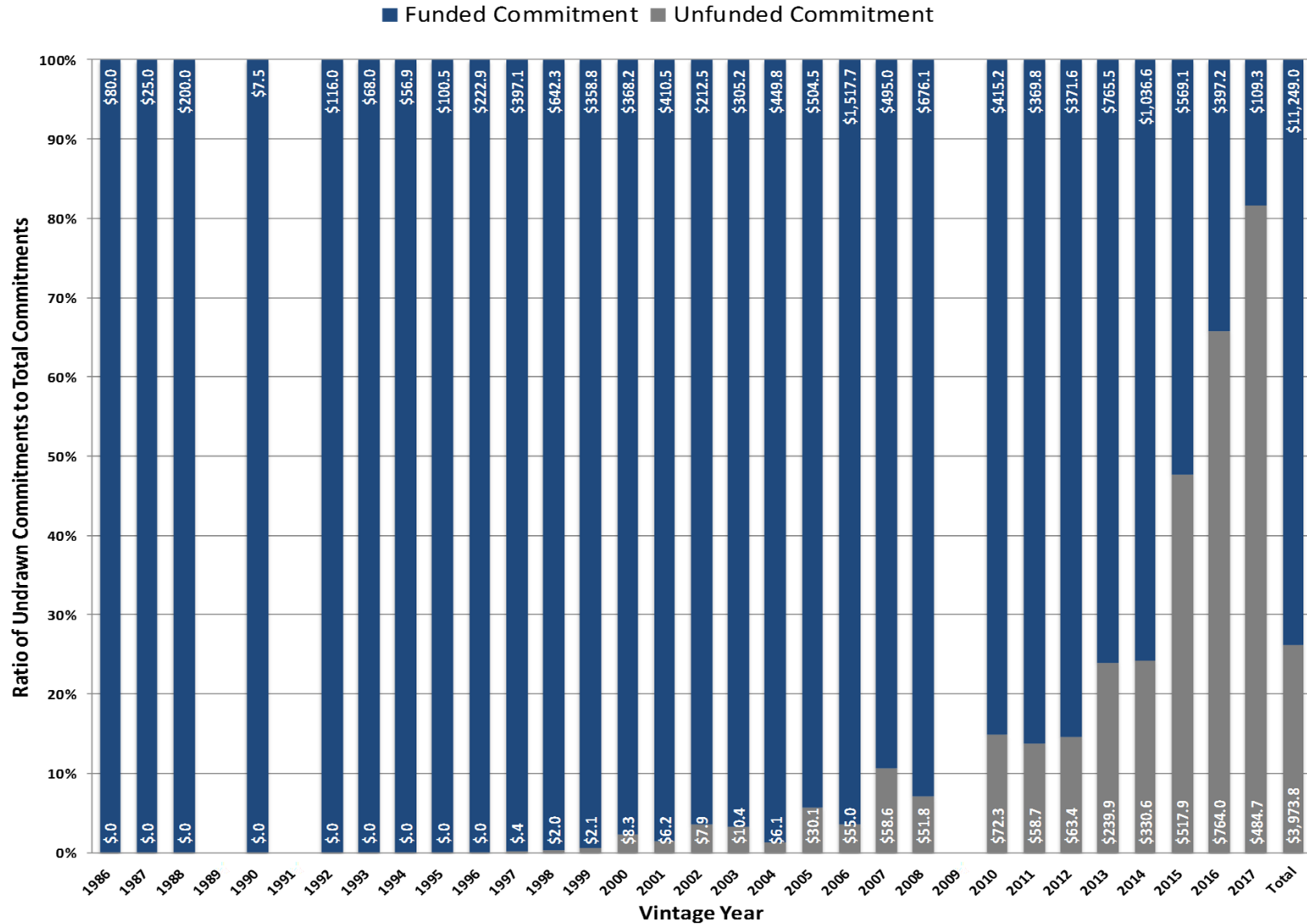
As of December 31, 2017 (\$ in Millions)



Includes commitments made after the reporting period and vintage year classification may change to a future year if no cash is drawn before the end of year.

# Percentage of Undrawn Commitments by Vintage Year

As of December 31, 2017 (\$ in Millions)



# New Investment History

New Investments through Reporting Period	Commitment Date	Vintage Year <sup>1</sup>	Strategy	Commitment (\$ in Millions)
LAV Biosciences Fund IV, L.P.	February 2017	2017	Venture Capital - Balanced	\$40.0
One Rock Capital Partners II, L.P.	March 2017	2017	Buyout - Small	72.5
Silver Lake Partners V, L.P.	March 2017	2018	Buyout - Global	180.0
CVC Capital Partners VII, L.P.	May 2017	2018	Buyout - Global	240.2
Glendon Opportunities Fund II, L.P.	May 2017	2018	Distressed	100.0
ONEX Partners V, L.P.	July 2017	2018	Buyout - Large	200.0
Canaan XI, L.P.	July 2017	2018	Venture Capital - Early Stage	50.0
Clarion Investors III, L.P.	November 2017	2018	Small-Size Buyout	50.0
Clearlake Capital Partners V, L.P.	November 2017	2018	Buyout - Mid	100.0
Alchemy Special Opportunities Fund IV, L.P.	November 2017	2018	Distressed	87.9
PAI Europe VII, L.P.	December 2017	2018	Buyout - Large	180.1
<b>Total of New Investments through Reporting Period</b>				<b>\$1,300.7</b>

New Investments after Reporting Period (Subsequent)	Commitment Date <sup>2</sup>	Vintage Year <sup>1</sup>	Strategy	Commitment (\$ in Millions)
Sinovation Fund IV, L.P.	March 2018	2018	Venture Capital - Early Stage	\$75.0
Juggernaut Capital Partners IV	March 2018	2018	Buyout - Small	125.0
GTB II-B	April 2018	2018	Fund of Funds	100.0
J.P. Morgan Emerging Managers Program IV	TBD	2018	Fund of Funds	300.0
AE Industrial Partners Fund II, L.P.	TBD	2018	Buyout - Small	100.0
<b>Total of New Investments after Reporting Period</b>				<b>\$700.0</b>

<sup>1</sup>Vintage Year based on LACERA's first cash flow or projected first cash flow, as applicable.

<sup>2</sup>TBD Commitment Date will be available after Limited Partnership Agreement is signed.

# Individual Fund Performance

# Portfolio Investment Report

As of December 31, 2017  
(\$ in millions)

INVESTMENTS	COMMITMENT DATE	VINTAGE YEAR	STATUS	STRATEGY	COMMITMENT	CUMULATIVE CONTRIBUTIONS	CUMULATIVE DISTRIBUTIONS	MARKET VALUE	Exposure	TOTAL VALUE	DPI MULTIPLE	TVPI MULTIPLE	SINCE INCEPTION NET IRR	IRR QUANTILE RANKING	Private IQ Benchmarks			KS-PME	
															UPPER IRR	MEDIAN IRR	LOWER IRR		
<b>1986 Vintage</b>																			
Warburg Pincus Capital Company, L.P.	1/1986	1986	Exited	Buyout - Global	\$50.0	\$50.0	\$218.4	\$-	\$-	\$218.4	4.37x	4.37x	18.41%	2nd	19.1%	12.4%	5.0%	1.24	
Copley Partners 1, L.P.	12/1986	1986	Exited	Venture Capital - Balanced	15.0	15.0	27.3	-	-	27.3	1.82x	1.82x	9.53%	3rd	13.6%	10.3%	6.0%	0.84	
Copley Partners 2, L.P.	12/1986	1986	Exited	Venture Capital - Balanced	15.0	15.0	21.8	-	-	21.8	1.45x	1.45x	5.66%	4th	13.6%	10.3%	6.0%	0.66	
<b>1986 Vintage Total</b>					<b>80.0</b>	<b>80.0</b>	<b>267.5</b>	<b>-</b>	<b>-</b>	<b>267.5</b>	<b>3.34x</b>	<b>3.34x</b>	<b>15.72%</b>					<b>1.02</b>	
<b>1987 Vintage</b>																			
Media Communications Partners, L.P.	1/1986	1987	Exited	Venture Capital - Balanced	25.0	25.0	40.3	-	-	40.3	1.61x	1.61x	7.25%	3rd	19.5%	13.4%	3.1%	0.72	
<b>1987 Vintage Total</b>					<b>25.0</b>	<b>25.0</b>	<b>40.3</b>	<b>-</b>	<b>-</b>	<b>40.3</b>	<b>1.61x</b>	<b>1.61x</b>	<b>7.25%</b>					<b>0.72</b>	
<b>1988 Vintage</b>																			
Prudential Venture Partners II	1/1987	1988	Exited	Venture Capital - Late Stage	50.0	50.0	116.4	-	-	116.4	2.33x	2.33x	23.45%	2nd	24.5%	10.5%	4.1%	1.38	
GKH Investments, L.P.	1/1988	1988	Exited	Buyout - Small	150.0	166.6	350.5	-	-	350.5	2.10x	2.10x	13.13%	2nd	15.1%	10.7%	10.1%	1.01	
<b>1988 Vintage Total</b>					<b>200.0</b>	<b>216.6</b>	<b>466.9</b>	<b>-</b>	<b>-</b>	<b>466.9</b>	<b>2.16x</b>	<b>2.16x</b>	<b>15.54%</b>					<b>1.09</b>	
<b>1990 Vintage</b>																			
Syndicated Communications II, L.P.	1/1990	1990	Exited	Venture Capital - Balanced	7.5	7.5	16.7	-	-	16.7	2.22x	2.22x	12.98%	3rd	33.1%	20.2%	9.4%	0.74	
<b>1990 Vintage Total</b>					<b>7.5</b>	<b>7.5</b>	<b>16.7</b>	<b>-</b>	<b>-</b>	<b>16.7</b>	<b>2.22x</b>	<b>2.22x</b>	<b>12.98%</b>					<b>0.74</b>	
<b>1992 Vintage</b>																			
Oak Investment Partners V, L.P.	11/1991	1992	Exited	Venture Capital - Balanced	11.3	11.3	17.1	-	-	17.1	1.52x	1.52x	10.55%	3rd	32.6%	13.4%	8.2%	0.76	
Kidd Kamm Equity Partners, L.P.	12/1991	1992	Exited	Buyout - Small	15.0	14.9	.6	-	-	.6	0.04x	0.04x	-49.85%	4th	51.6%	21.4%	12.6%	0.02	
Sevin Rosen Fund IV, L.P.	1/1992	1992	Exited	Venture Capital - Early Stage	5.0	5.0	51.2	-	-	51.2	10.18x	10.18x	87.17%	1st	32.6%	13.4%	8.2%	4.90	
Symantec Corp.	1/1992	1992	Exited	Co-Investments	5.6	5.6	2.2	-	-	2.2	0.40x	0.40x	-28.51%	4th	51.6%	21.4%	12.6%	0.32	
Summit Ventures III, L.P.	1/1992	1992	Exited	Venture Capital - Balanced	25.0	20.0	78.8	-	-	78.8	3.94x	3.94x	61.71%	1st	32.6%	13.4%	8.2%	2.13	
Kleiner Perkins Caufield & Byers VI, L.P.	5/1992	1992	Exited	Venture Capital - Balanced	5.0	5.0	16.6	-	-	16.6	3.31x	3.31x	39.44%	1st	32.6%	13.4%	8.2%	1.73	
Churchill Capital Partners II, L.P.	7/1992	1992	Exited	Mezzanine	25.0	25.0	34.3	-	-	34.3	1.37x	1.37x	10.11%	4th	41.3%	20.0%	14.2%	0.84	
Whitman Hefferman & Rhein Fund II, L.P.	7/1992	1992	Exited	Buyout - Small	14.2	14.2	8.3	-	-	8.3	0.59x	0.59x	-23.34%	4th	51.6%	21.4%	12.6%	0.40	
ASC Network Corporation	12/1992	1992	Exited	Co-Investments	5.0	5.0	8.5	-	-	8.5	1.70x	1.70x	14.24%	3rd	51.6%	21.4%	12.6%	0.92	
First Data Corporation	12/1992	1992	Exited	Co-Investments	5.0	5.0	24.9	-	-	24.9	4.98x	4.98x	91.84%	1st	51.6%	21.4%	12.6%	3.80	
<b>1992 Vintage Total</b>					<b>116.0</b>	<b>111.0</b>	<b>242.5</b>	<b>-</b>	<b>-</b>	<b>242.5</b>	<b>2.19x</b>	<b>2.19x</b>	<b>29.03%</b>					<b>1.50</b>	
<b>1993 Vintage</b>																			
Berkshire Fund III, L.P.	10/1992	1993	Exited	Buyout - Large	5.0	4.8	18.5	-	-	18.5	3.82x	3.82x	55.07%	1st	19.1%	17.4%	13.9%	2.01	
Landmark Equity Partners III, L.P.	1/1993	1993	Exited	Secondaries	10.0	10.3	26.8	-	-	26.8	2.60x	2.60x	35.08%	2nd	48.2%	21.6%	14.0%	1.46	
The 1818 Fund II, L.P.	1/1993	1993	Exited	Buyout - Small	15.0	12.9	24.0	-	-	24.0	1.86x	1.86x	12.15%	4th	19.1%	17.4%	13.9%	0.90	
Vestar Equity Partners, L.P.	1/1993	1993	Exited	Buyout - Mid	8.0	6.8	23.9	-	-	23.9	3.51x	3.51x	56.48%	1st	19.1%	17.4%	13.9%	2.00	
Welsh, Carson, Anderson & Stowe VI, L.P.	1/1993	1993	Exited	Buyout - Large	10.0	10.0	20.7	-	-	20.7	2.07x	2.07x	13.94%	3rd	19.1%	17.4%	13.9%	0.92	
Accel IV, L.P.	5/1993	1993	Exited	Venture Capital - Late Stage	5.0	5.0	40.4	-	-	40.4	8.07x	8.07x	78.00%	1st	71.7%	38.1%	16.8%	3.77	
Phillips-Smith Specialty Retail Group III, L.P.	6/1993	1993	Exited	Venture Capital - Balanced	5.0	5.0	10.9	-	-	10.9	2.19x	2.19x	23.26%	3rd	71.7%	38.1%	16.8%	1.17	
Enterprise Partners III, L.P.	12/1993	1993	Exited	Venture Capital - Early Stage	10.0	10.0	74.2	-	-	74.2	7.42x	7.42x	63.67%	2nd	71.7%	38.1%	16.8%	3.44	
<b>1993 Vintage Total</b>					<b>68.0</b>	<b>64.8</b>	<b>239.5</b>	<b>-</b>	<b>-</b>	<b>239.5</b>	<b>3.70x</b>	<b>3.70x</b>	<b>39.68%</b>					<b>1.65</b>	
<b>1994 Vintage</b>																			
Blackstone Capital Partners II, L.P.	1/1993	1994	Exited	Buyout - Global	25.0	26.3	59.0	-	-	59.0	2.24x	2.24x	37.56%	1st	29.1%	15.4%	6.7%	1.47	
Kleiner Perkins Caufield & Byers VII, L.P.	5/1994	1994	Exited	Venture Capital - Balanced	3.8	3.8	121.6	-	-	121.6	32.42x	32.42x	124.57%	1st	72.1%	36.1%	9.8%	13.61	
Oak Investment Partners VI, L.P.	10/1994	1994	Exited	Venture Capital - Balanced	14.0	14.0	40.7	-	-	40.7	2.91x	2.91x	34.57%	3rd	72.1%	36.1%	9.8%	1.52	
Landmark Equity Partners IV, L.P.	12/1994	1994	Exited	Secondaries	10.5	11.0	16.2	-	-	16.2	1.47x	1.47x	15.81%	3rd	37.4%	21.7%	6.9%	1.00	
Best Friends Pet Care	12/1994	1994	Exited	Co-Investments	3.7	3.7	.1	-	-	.1	0.02x	0.02x	0.00%	4th	29.1%	15.4%	6.7%	0.01	
<b>1994 Vintage Total</b>					<b>56.9</b>	<b>58.8</b>	<b>237.6</b>	<b>-</b>	<b>-</b>	<b>237.6</b>	<b>4.04x</b>	<b>4.04x</b>	<b>54.09%</b>					<b>2.37</b>	
<b>1995 Vintage</b>																			
Summit Ventures IV, L.P.	1/1995	1995	Exited	Growth Equity	24.8	24.0	181.7	-	-	181.7	7.57x	7.57x	103.98%	1st	84.8%	28.9%	14.1%	4.39	
Welsh, Carson, Anderson & Stowe VII, L.P.	1/1995	1995	Exited	Buyout - Large	20.0	20.0	43.5	-	-	43.5	2.18x	2.18x	17.71%	2nd	23.9%	10.8%	3.1%	1.39	
Apollo Investment Fund III, L.P.	3/1995	1995	Exited	Buyout - Large	15.0	17.2	24.7	-	-	24.7	1.43x	1.43x	9.62%	3rd	23.9%	10.8%	3.1%	0.98	
GS Capital Partners II, L.P.	4/1995	1995	Exited	Buyout - Mid	20.0	19.7	24.3	-	-	24.3	1.23x	1.23x	4.78%	3rd	23.9%	10.8%	3.1%	0.85	
Sierra Ventures V, L.P.	4/1995	1995	Exited	Venture Capital - Early Stage	5.0	5.0	21.3	-	-	21.3	4.25x	4.25x	80.00%	2nd	84.8%	28.9%	14.1%	2.56	
Cypress Merchant Banking Partners, L.P.	11/1995	1995	Exited	Buyout - Mid	10.0	10.5	12.6	-	-	12.6	1.21x	1.21x	2.57%	4th	23.9%	10.8%	3.1%	0.79	
MetroPCS	11/1995	1995	Exited	Co-Investments	5.8	5.9	54.5	-	-	54.5	9.21x	9.21x	26.34%	1st	23.9%	10.8%	3.1%	4.23	
<b>1995 Vintage Total</b>					<b>100.5</b>	<b>102.3</b>	<b>362.6</b>	<b>-</b>	<b>-</b>	<b>362.6</b>	<b>3.54x</b>	<b>3.54x</b>	<b>43.13%</b>					<b>2.39</b>	
<b>1996 Vintage</b>																			
Questor Partners Fund, L.P.	1/1995	1996	Exited	Buyout - Small	30.0	30.3	42.9	-	-	42.9	1.41x	1.41x	15.70%	1st	14.0%	8.6%	-0.5%	1.00	
Cornerstone Equity Partners IV, L.P.	1/1996	1996	Exited	Buyout - Small	25.0	25.0	40.4	-	-	40.4	1.62x	1.62x	8.58%	3rd	14.0%	8.6%	-0.5%	1.31	
CVC European Equity Partners, L.P.	2/1996	1996	Exited	Buyout - Global	25.0	24.3	61.1	-	-	61.1	2.51x	2.51x	22.96%	1st	20.1%	12.0%	8.9%	1.61	
Accel V, L.P.	3/1996	1996	Exited	Venture Capital - Early Stage	9.0	9.0	176.6	-	-	176.6	19.62x	19.62x	188.44%	1st	177.6%	64.0%	22.9%	12.36	
Bruckmann, Rosser, Sherrill & Co., L.P.	3/1996	1996	Exited	Buyout - Small	28.0	29.3	51.7	-	-	51.7	1.77x	1.77x	10.35%	2nd	14.0%	8.6%	-0.5%	1.29	
Geocapital IV, L.P.	3/1996	1996	Active	Venture Capital - Early Stage	9.0	9.0	14.6	1.0	1.0	15.6	1.62x	1.73x	14.17%	4th	177.6%	64.0%	22.9%	1.15	
Carlyle Partners II, L.P.	4/1996	1996	Exited	Buyout - Global	30.0	33.9	81.6	-	-	81.6	2.40x	2.40x	25.74%	1st	14.0%	8.6%	-0.5%	1.70	
Sevin Rosen Fund V, L.P.	4/1996	1996	Exited	Venture Capital - Early Stage	10.0	10.0	11.1	-	-	11.1	1.10x	1.10x	9.29%	4th	177.6%	64.0%	22.9%	0.89	
Berkshire Fund IV, L.P.	5/1996	1996	Exited	Buyout - Large	20.0	19.2	49.9	-	-	49.9	2.60x	2.60x	33.41%	1st	14.0%	8.6%	-0.5%	1.81	
Indigo N.V.	5/1996	1996	Exited	Co-Investments	8.4	7.0	9.3	-	-	9.3	1.32x	1.32x	5.11%	3rd	14.0%	8.6%	-0.5%	0.74	
Worldview Technology Partners I, L.P.	9/1996	1996	Exited	Venture Capital - Balanced	8.5	8.5	32.2	-	-	32.2	3.79x	3.79x	68.50%	2nd	177.6%	64.0%	22.9%	2.66	
Ripplewood Partners, L.P.	1/1997	1996	Exited	Buyout - Small	20.0	19.6	36.4	-	-	36.4	1.86x	1.86x	13.62%	2nd	14.0%	8.6%	-0.5%	1.54	
<b>1996 Vintage Total</b>					<b>222.9</b>	<b>225.2</b>	<b>607.7</b>	<b>1.0</b>	<b>1.0</b>	<b>608.7</b>	<b>2.70x</b>	<b>2.70x</b>	<b>37.42%</b>					<b>1.81</b>	
<b>1997 Vintage</b>																			
KKR 1996 Fund, L.P.	9/1996	1997	Exited	Buyout - Global	125.0	131.8	235.1	-	-	235.1	1.78x	1.78x	13.18%	1st	7.2%	2.7%	-0.2%	1.38	
Blackstone Capital Partners III Merchant, L.P.	1/1997	1997	Exited	Buyout - Global															

# Portfolio Investment Report

As of December 31, 2017  
(\$ in millions)

INVESTMENTS	COMMITMENT DATE	VINTAGE YEAR	STATUS	STRATEGY	COMMITMENT	CUMULATIVE CONTRIBUTIONS	CUMULATIVE DISTRIBUTIONS	MARKET VALUE	Exposure	TOTAL VALUE	DPI MULTIPLE	TVPI MULTIPLE	SINCE INCEPTION NET IRR	IRR QUANTILE RANKING	Private IQ Benchmarks			KS-PME
															UPPER IRR	MEDIAN IRR	LOWER IRR	
TPG Partners II, L.P.	1/1997	1997	Exited	Buyout - Global	75.0	76.0	132.3	-	-	132.3	1.74x	1.74x	9.93%	1st	7.2%	2.7%	-0.2%	1.35
Vestar Equity Partners III, L.P.	1/1997	1997	Active	Buyout - Mid	17.5	17.2	19.5	1	.6	19.6	1.14x	1.14x	2.67%	3rd	7.2%	2.7%	-0.2%	0.94
The Beacon Group III - Focus Value Fund, L.P.	3/1997	1997	Exited	Venture Capital - Balanced	40.0	39.6	10.1	-	-	10.1	0.25x	0.25x	-18.19%	4th	133.3%	31.2%	1.0%	0.25
William Blair Mezzanine Capital Fund II, L.P.	3/1997	1997	Exited	Mezzanine	10.0	10.0	17.0	-	-	17.0	1.70x	1.70x	11.84%	2nd	12.9%	6.0%	1.3%	1.33
Cardinal Health Partners, L.P.	7/1997	1997	Exited	Venture Capital - Early Stage	10.0	10.0	18.7	-	-	18.7	1.87x	1.87x	9.70%	3rd	133.3%	31.2%	1.0%	1.57
Prospect Venture Partners I, L.P.	10/1997	1997	Exited	Venture Capital - Early Stage	10.0	10.0	7.5	-	-	7.5	0.75x	0.75x	-3.80%	4th	133.3%	31.2%	1.0%	0.58
Halpern Denny Fund II, L.P.	11/1997	1997	Exited	Buyout - Small	10.0	10.2	2.3	-	-	2.3	0.23x	0.23x	-22.36%	4th	7.2%	2.7%	-0.2%	0.20
<b>1997 Vintage Total</b>					<b>397.5</b>	<b>410.4</b>	<b>606.4</b>	<b>1</b>	<b>6</b>	<b>606.5</b>	<b>1.48x</b>	<b>1.48x</b>	<b>7.71%</b>					<b>1.11</b>
<b>1998 Vintage</b>																		
OCM Opportunities Fund II, L.P.	1/1998	1998	Exited	Distressed	25.0	25.0	37.7	-	-	37.7	1.51x	1.51x	8.45%	3rd	15.1%	8.5%	0.3%	1.32
Behrman Capital II, L.P.	5/1998	1998	Exited	Buyout - Mid	34.1	34.1	41.9	-	-	41.9	1.23x	1.23x	3.03%	3rd	15.0%	7.5%	-0.6%	1.05
Accel VI, L.P.	1/1998	1998	Active	Venture Capital - Early Stage	9.0	9.0	3.3	.5	.5	3.7	0.36x	0.41x	-7.40%	4th	21.3%	2.6%	-5.7%	0.30
Apollo Investment Fund IV, L.P.	1/1998	1998	Active	Buyout - Large	50.0	51.2	84.6	1	2	84.6	1.65x	1.65x	8.47%	2nd	15.0%	7.5%	-0.6%	1.46
CVC European Equity Partners II, L.P.	1/1998	1998	Exited	Buyout - Global	50.0	46.4	110.7	-	-	110.7	2.39x	2.39x	18.94%	2nd	19.0%	13.4%	9.3%	1.82
Information Technology Venture II, L.P.	1/1998	1998	Exited	Venture Capital - Early Stage	15.0	15.0	11.6	-	-	11.6	0.77x	0.77x	-11.07%	4th	21.3%	2.6%	-5.7%	0.75
Thomas H. Lee Equity Fund IV, L.P.	1/1998	1998	Exited	Buyout - Global	70.0	63.1	58.7	-	-	54.8	0.87x	0.87x	-2.61%	4th	15.0%	7.5%	-0.6%	0.86
Welsh, Carson, Anderson & Stowe VIII, L.P.	1/1998	1998	Exited	Buyout - Large	25.0	25.0	32.2	-	-	32.2	1.29x	1.29x	3.12%	3rd	15.0%	7.5%	-0.6%	1.05
Summit Ventures V, L.P.	1/1998	1998	Active	Growth Equity	37.0	35.7	49.5	-	-	49.5	1.39x	1.39x	8.12%	2nd	21.3%	2.6%	-5.7%	1.23
McCown DeLeeuw & Co. Fund IV, L.P.	2/1998	1998	Exited	Buyout - Small	25.0	21.3	15.5	-	-	15.5	0.73x	0.73x	-4.50%	4th	15.0%	7.5%	-0.6%	0.64
Aurora Equity Partners II, L.P.	3/1998	1998	Exited	Buyout - Small	30.0	33.8	47.5	-	-	47.5	1.41x	1.41x	4.69%	3rd	15.0%	7.5%	-0.6%	1.05
Levine Leichtman Capital Partners II, L.P.	3/1998	1998	Active	Buyout - Mid	30.0	50.0	57.5	.9	.9	58.4	1.15x	1.17x	5.18%	3rd	15.0%	7.5%	-0.6%	1.04
Lexington Capital Partners II, L.P.	3/1998	1998	Active	Secondaries	50.0	49.4	65.7	-	-	65.7	1.33x	1.33x	8.17%	2nd	15.9%	6.3%	-2.8%	1.22
Sevin Rosen VI, L.P.	3/1998	1998	Exited	Venture Capital - Early Stage	5.0	5.0	9.2	-	-	9.2	1.84x	1.84x	53.46%	1st	21.3%	2.6%	-5.7%	1.64
HarbourVest International Private Equity Partners	4/1998	1998	Active	Fund of Funds	25.0	24.6	38.1	.1	.5	38.2	1.55x	1.55x	8.56%	2nd	16.3%	7.8%	-1.0%	1.25
Quad C Partners V, L.P.	4/1998	1998	Exited	Buyout - Small	25.0	25.0	36.5	-	-	36.5	1.46x	1.46x	9.11%	2nd	15.0%	7.5%	-0.6%	1.34
Sprout VIII, L.P.	5/1998	1998	Exited	Venture Capital - Balanced	20.0	20.0	18.9	-	-	18.9	0.95x	0.95x	-0.89%	3rd	21.3%	2.6%	-5.7%	0.82
Brinson International Partners Fund	7/1998	1998	Active	Fund of Funds	49.3	53.4	89.6	3.0	4.6	92.6	1.68x	1.74x	11.27%	2nd	16.3%	7.8%	-1.0%	1.31
Oak Investment Partners VIII, L.P.	7/1998	1998	Exited	Venture Capital - Balanced	10.0	10.0	18.0	-	-	18.0	1.80x	1.80x	54.28%	1st	21.3%	2.6%	-5.7%	1.60
Berkshire Fund V, L.P.	8/1998	1998	Exited	Buyout - Large	40.0	38.3	100.5	-	-	100.5	2.63x	2.63x	22.98%	1st	15.0%	7.5%	-0.6%	2.07
Worldview Technology Partners II, L.P.	9/1998	1998	Exited	Venture Capital - Balanced	5.0	5.0	8.4	-	-	8.4	1.68x	1.68x	10.06%	2nd	21.3%	2.6%	-5.7%	1.58
Alta California Partners II, L.P.	10/1998	1998	Exited	Venture Capital - Early Stage	15.0	15.0	10.6	-	-	10.6	0.71x	0.71x	-5.57%	3rd	21.3%	2.6%	-5.7%	0.59
<b>1998 Vintage Total</b>					<b>644.4</b>	<b>655.3</b>	<b>942.3</b>	<b>4.6</b>	<b>6.6</b>	<b>946.9</b>	<b>1.44x</b>	<b>1.44x</b>	<b>7.28%</b>					<b>1.27</b>
<b>1999 Vintage</b>																		
Providence Equity Partners III, L.P.	12/1998	1999	Exited	Buyout - Global	21.8	25.3	38.7	-	-	38.7	1.53x	1.53x	14.47%	1st	13.1%	8.5%	-0.7%	1.41
Austin Ventures VII, L.P.	1/1999	1999	Exited	Venture Capital - Balanced	5.0	5.0	4.0	-	-	4.0	0.80x	0.80x	-3.04%	2nd	1.4%	-4.6%	-11.7%	0.59
Cypress Merchant Banking Partners II, L.P.	1/1999	1999	Exited	Buyout - Mid	40.0	41.8	40.6	-	-	40.6	0.97x	0.97x	-0.51%	3rd	13.1%	8.5%	-0.7%	0.77
Lexington Capital Partners III, L.P.	1/1999	1999	Active	Secondaries	25.0	24.7	31.0	.2	.5	31.2	1.26x	1.26x	8.65%	2nd	9.2%	-0.7%	-9.1%	1.13
Madison Dearborn Capital Partners III, L.P.	1/1999	1999	Exited	Buyout - Large	30.0	30.0	45.8	-	-	45.8	1.53x	1.53x	8.59%	2nd	13.1%	8.5%	-0.7%	1.36
OCM Opportunities Fund III, L.P.	1/1999	1999	Exited	Distressed	25.0	26.3	38.9	-	-	38.9	1.48x	1.48x	11.93%	2nd	13.4%	8.7%	-0.2%	1.71
Questor Partners Fund II, L.P.	1/1999	1999	Exited	Buyout - Small	30.0	32.9	39.1	-	-	39.1	1.19x	1.19x	3.89%	3rd	13.1%	8.5%	-0.7%	0.87
Vestar Capital Partners IV, L.P.	1/1999	1999	Active	Buyout - Mid	25.0	24.5	43.2	.3	.3	43.5	1.76x	1.78x	13.47%	1st	13.1%	8.5%	-0.7%	1.37
Apax Europe IV-A, L.P.	2/1999	1999	Exited	Buyout - Global	19.5	20.1	27.3	-	-	27.3	1.36x	1.36x	7.10%	3rd	19.2%	14.9%	-4.3%	1.14
Columbia Capital Equity Partners II (QP), L.P.	5/1999	1999	Exited	Venture Capital - Early Stage	12.0	12.0	9.5	-	-	9.5	0.79x	0.79x	-4.62%	3rd	1.4%	-4.6%	-11.7%	0.79
Knightsbridge Integrated Holdings IV	6/1999	1999	Active	Fund of Funds	12.0	11.8	11.8	-	-	11.8	1.00x	1.00x	0.02%	2nd	9.2%	-0.7%	-9.1%	0.82
Invesco Partnership Fund II, L.P.	7/1999	1999	Active	Fund of Funds	20.0	21.5	16.4	.1	1.2	16.5	0.77x	0.77x	-4.13%	3rd	9.2%	-0.7%	-9.1%	0.66
Bruckmann, Rosser, Sherrill & Co. II, L.P.	8/1999	1999	Active	Buyout - Small	25.0	26.7	49.8	3.2	3.4	53.0	1.87x	1.99x	11.96%	2nd	13.1%	8.5%	-0.7%	1.38
Clearstone Venture Partners II-A, L.P.	8/1999	1999	Exited	Venture Capital - Early Stage	5.0	5.0	1.2	-	-	1.2	0.24x	0.24x	-20.04%	4th	1.4%	-4.6%	-11.7%	0.26
Summit Accelerator Fund, L.P.	8/1999	1999	Active	Venture Capital - Early Stage	5.6	5.4	9.4	.2	.5	9.6	1.73x	1.76x	9.83%	1st	1.4%	-4.6%	-11.7%	1.46
Infinity Capital Venture Fund 1999, L.P.	9/1999	1999	Exited	Venture Capital - Early Stage	15.0	15.0	1.6	-	-	1.6	0.11x	0.11x	-33.68%	4th	1.4%	-4.6%	-11.7%	0.10
Oak Investment Partners IX, L.P.	9/1999	1999	Active	Venture Capital - Balanced	10.0	10.0	6.3	.2	.2	6.5	0.63x	0.65x	-6.67%	3rd	1.4%	-4.6%	-11.7%	0.57
Blackstone Mezzanine Partners, L.P.	10/1999	1999	Exited	Mezzanine	10.0	6.8	9.1	-	-	9.1	1.35x	1.35x	10.15%	2nd	13.4%	8.7%	-0.2%	1.12
Sevin Rosen Fund VII, L.P.	10/1999	1999	Active	Venture Capital - Early Stage	10.0	9.9	5.5	1.5	1.7	2.0	0.05x	0.21x	-10.56%	3rd	1.4%	-4.6%	-11.7%	0.11
Worldview Technology Partners III, L.P.	12/1999	1999	Exited	Venture Capital - Balanced	10.0	10.0	1.5	-	-	1.5	0.15x	0.15x	-22.59%	4th	1.4%	-4.6%	-11.7%	0.14
Morgan Stanley Dean Witter Venture Partners IV, L.P.	12/1999	1999	Active	Venture Capital - Late Stage	5.0	5.1	4.1	.1	.1	4.2	0.80x	0.83x	-2.48%	2nd	1.4%	-4.6%	-11.7%	0.72
<b>1999 Vintage Total</b>					<b>360.9</b>	<b>369.6</b>	<b>430.0</b>	<b>5.8</b>	<b>7.9</b>	<b>435.7</b>	<b>1.16x</b>	<b>1.18x</b>	<b>3.37%</b>					<b>1.02</b>
<b>2000 Vintage</b>																		
Providence Growth Investors, L.P.	12/1999	2000	Exited	Buyout - Global	10.0	10.2	12.4	-	-	12.4	1.21x	1.21x	4.85%	4th	22.0%	12.7%	8.7%	1.06
Blackstone Communications Partners I, L.P.	1/2000	2000	Active	Buyout - Mid	25.0	27.7	33.7	2	2.5	33.9	1.22x	1.23x	6.55%	4th	22.0%	12.7%	8.7%	0.98
Madison Dearborn Capital Partners IV, L.P.	1/2000	2000	Active	Buyout - Large	25.0	24.3	46.1	1.4	2.1	47.5	1.90x	1.96x	14.05%	2nd	22.0%	12.7%	8.7%	1.32
Providence Equity Partners IV, L.P.	1/2000	2000	Exited	Buyout - Global	35.0	43.9	89.5	-	-	89.5	2.04x	2.04x	23.83%	1st	22.0%	12.7%	8.7%	1.40
TPG Partners III, L.P.	1/2000	2000	Active	Buyout - Global	25.8	27.5	68.5	.1	.3	68.5	2.49x	2.49x	24.49%	1st	22.0%	12.7%	8.7%	2.00
Weston Presidio Capital IV, L.P.	1/2000	2000	Active	Buyout - Small	9.7	9.7	11.3	.0	.0	11.4	1.17x	1.18x	2.94%	2nd	3.9%	-3.1%	-7.6%	0.89
TH Lee Putnam Parallel Ventures, L.P.	2/2000	2000	Exited	Venture Capital - Balanced	5.0	5.1	5.8	-	-	5.8	1.15x	1.15x	3.01%	2nd	3.9%	-3.1%	-7.6%	0.97
Carlyle Partners III, L.P.	2/2000	2000	Exited	Buyout - Global	22.5	26.9	58.8	-	-	58.8	2.19x	2.19x	22.93%	1st	22.0%	12.7%	8.7%	1.54
Syndicated Communications Venture Partners IV, L.P.	3/2000	2000	Active	Venture Capital - Balanced	7.5	7.4	5.2	.0	.1	5.2	0.70x	0.70x	-5.27%	3rd	3.9%	-3.1%	-7.6%	0.

# Portfolio Investment Report

As of December 31, 2017  
(\$ in millions)

INVESTMENTS	COMMITMENT DATE	VINTAGE YEAR	STATUS	STRATEGY	COMMITMENT	CUMULATIVE CONTRIBUTIONS	CUMULATIVE DISTRIBUTIONS	MARKET VALUE	Exposure	TOTAL VALUE	DPI MULTIPLE	TVPI MULTIPLE	SINCE INCEPTION NET IRR	IRR QUARTILE RANKING	Private IQ Benchmarks			KS-PME
															UPPER IRR	MEDIAN IRR	LOWER IRR	
Knightsbridge Integrated Holdings V, L.P.	9/2000	2000	Active	Fund of Funds	20.0	19.7	18.3	2.9	3.2	21.3	0.93x	1.08x	1.01%	3rd	11.2%	3.5%	-5.0%	0.68
Lightspeed Venture Partners VI, L.P.	9/2000	2000	Active	Venture Capital - Early Stage	8.0	7.3	7.7	1.1	7.8	7.8	1.05x	1.06x	1.21%	2nd	3.9%	-3.1%	-7.6%	0.78
Draper Fisher Jurvetson Fund VII, L.P.	10/2000	2000	Active	Venture Capital - Early Stage	10.0	10.0	4.9	2.0	2.0	6.9	0.49x	0.69x	-3.70%	3rd	3.9%	-3.1%	-7.6%	0.35
Worldview Technology Partners IV, L.P.	12/2000	2000	Active	Venture Capital - Balanced	12.1	11.3	5.2	1.7	1.5	6.0	0.46x	0.53x	-8.35%	4th	3.9%	-3.1%	-7.6%	0.41
Forward Ventures IV, L.P.	12/2000	2000	Active	Venture Capital - Balanced	10.0	10.1	4.0	2.6	2.6	6.6	0.40x	0.66x	-4.30%	3rd	3.9%	-3.1%	-7.6%	0.37
Kohlberg Investors IV, L.P.	12/2000	2000	Active	Buyout - Mid	25.0	22.0	28.3	1.8	3.8	30.1	1.28x	1.36x	9.65%	3rd	22.0%	12.7%	8.7%	1.03
<b>2000 Vintage Total</b>					<b>376.5</b>	<b>388.1</b>	<b>560.8</b>	<b>17.3</b>	<b>25.7</b>	<b>578.2</b>	<b>1.45x</b>	<b>1.49x</b>	<b>8.80%</b>					<b>1.10</b>
<b>2001 Vintage</b>																		
Thomas H. Lee Equity Fund V, L.P.	1/2001	2001	Exited	Buyout - Global	45.0	47.1	79.0	-	-	79.0	1.68x	1.68x	13.70%	3rd	25.8%	19.5%	9.2%	1.24
Menlo Ventures IX, L.P.	7/2001	2001	Active	Venture Capital - Early Stage	10.0	10.0	9.4	6	6	10.1	0.94x	1.01x	0.11%	3rd	6.9%	1.8%	-4.8%	0.71
Apollo Investment Fund V, L.P.	10/2001	2001	Active	Buyout - Large	30.0	45.6	92.2	5	2.6	92.7	2.02x	2.03x	37.63%	1st	25.8%	19.5%	9.2%	1.50
Austin Ventures VIII, L.P.	1/2001	2001	Active	Venture Capital - Balanced	11.1	11.6	18.3	6	6	18.9	1.58x	1.63x	6.93%	1st	6.9%	1.8%	-4.8%	1.00
Oak Investment Partners X, L.P.	1/2001	2001	Active	Venture Capital - Balanced	20.0	20.0	20.4	4.2	4.2	24.5	1.02x	1.23x	3.23%	2nd	6.9%	1.8%	-4.8%	0.82
Summit Ventures VI-A, L.P.	1/2001	2001	Active	Growth Equity	50.0	53.1	109.6	1.8	1.8	111.4	2.06x	2.10x	15.38%	1st	6.9%	1.8%	-4.8%	1.48
Apax Europe V-A, L.P.	2/2001	2001	Active	Buyout - Global	58.0	59.0	125.4	-	-	125.4	2.12x	2.12x	36.09%	1st	35.5%	29.0%	20.0%	1.67
Phoenix Equity Partners IV, L.P.	4/2001	2001	Active	Buyout - Small	17.5	23.0	49.8	1.2	1.4	50.9	2.16x	2.21x	31.48%	2nd	35.5%	29.0%	20.0%	1.59
Prospect Venture Partners II, L.P.	5/2001	2001	Active	Venture Capital - Early Stage	20.0	18.5	23.8	2	1.7	24.0	1.29x	1.30x	5.28%	2nd	6.9%	1.8%	-4.8%	1.02
CVC European Equity Partners III, L.P.	6/2001	2001	Active	Buyout - Global	30.0	29.6	83.3	2.2	2.6	85.4	2.82x	2.89x	41.05%	1st	35.5%	29.0%	20.0%	1.84
T3 Partners II, L.P.	7/2001	2001	Active	Venture Capital - Balanced	18.7	18.4	56.2	4	1.7	56.5	3.06x	3.08x	93.85%	1st	6.9%	1.8%	-4.8%	2.39
Accel VI-S, L.P.	7/2001	2001	Active	Venture Capital - Early Stage	1.5	1.2	4.5	1.0	1.3	5.5	3.89x	4.78x	15.04%	1st	6.9%	1.8%	-4.8%	2.36
Oxford Bioscience Partners IV, L.P.	9/2001	2001	Active	Venture Capital - Early Stage	20.0	20.0	12.3	2	12.5	0.62x	0.63x	-9.08%	4th	6.9%	1.8%	-4.8%	0.43	
OCM Opportunities Fund IV, L.P.	10/2001	2001	Exited	Distressed	35.0	35.0	57.8	-	-	57.8	1.65x	1.65x	28.03%	1st	24.8%	17.1%	8.4%	1.39
Lexington Capital Partners V, L.P.	11/2001	2001	Active	Secondaries	50.0	49.8	81.5	2.5	2.7	83.9	1.64x	1.69x	18.27%	1st	17.7%	7.6%	-0.4%	1.31
<b>2001 Vintage Total</b>					<b>416.7</b>	<b>441.9</b>	<b>823.4</b>	<b>15.3</b>	<b>21.5</b>	<b>838.7</b>	<b>1.86x</b>	<b>1.90x</b>	<b>21.69%</b>					<b>1.41</b>
<b>2002 Vintage</b>																		
KKR Millennium Fund, L.P.	7/2002	2002	Active	Buyout - Global	50.0	67.8	116.8	5.7	5.7	122.5	1.72x	1.80x	16.36%	2nd	24.2%	15.3%	9.2%	1.26
Berkshire Fund VI, L.P.	10/2002	2002	Active	Buyout - Large	60.0	59.7	141.2	31.9	36.1	173.5	2.37x	2.91x	25.19%	1st	24.2%	15.3%	9.2%	1.96
Lindsay Goldberg & Bessemer, L.P.	2/2002	2002	Exited	Buyout - Mid	30.0	29.2	70.6	-	-	70.2	2.41x	2.41x	33.25%	1st	24.2%	15.3%	9.2%	1.70
Solera Partners, L.P.	3/2002	2002	Active	Buyout - Small	10.0	5.1	14.4	7	4.4	15.1	2.83x	2.96x	9.71%	3rd	24.2%	15.3%	9.2%	1.21
Carlyle Management Group Partners, L.P.	3/2002	2002	Exited	Buyout - Global	5.4	5.4	5.8	-	-	5.8	1.08x	1.08x	6.01%	4th	24.2%	15.3%	9.2%	0.88
Morgan Stanley Venture Partners 2002 Fund, L.P.	6/2002	2002	Active	Venture Capital - Late Stage	5.0	5.6	8.5	3	3	8.8	1.52x	1.57x	9.41%	1st	7.9%	1.5%	-3.1%	1.29
Mediaphase Venture Partners II, L.P.	7/2002	2002	Active	Venture Capital - Early Stage	10.0	9.7	17.5	3	3	17.8	1.80x	1.83x	7.62%	2nd	7.9%	1.5%	-3.1%	0.90
The Resolute Fund, L.P.	9/2002	2002	Active	Buyout - Large	50.0	47.8	120.8	-	-	120.8	2.53x	2.53x	16.96%	2nd	24.2%	15.3%	9.2%	1.72
<b>2002 Vintage Total</b>					<b>220.4</b>	<b>230.3</b>	<b>495.6</b>	<b>38.9</b>	<b>46.8</b>	<b>534.5</b>	<b>2.15x</b>	<b>2.32x</b>	<b>19.01%</b>					<b>1.54</b>
<b>2003 Vintage</b>																		
Blackstone Capital Partners IV, L.P.	11/2003	2003	Active	Buyout - Global	75.0	89.1	205.3	5.0	9.4	210.2	2.30x	2.36x	37.54%	1st	25.1%	14.2%	9.4%	1.77
GTCR Fund VIII, L.P.	1/2003	2003	Active	Buyout - Mid	75.0	69.4	114.7	5.1	10.7	119.8	1.65x	1.73x	22.28%	2nd	25.1%	14.2%	9.4%	1.42
Nordic Capital V, L.P.	3/2003	2003	Active	Buyout - Large	46.0	51.6	141.7	2.5	2.5	144.3	2.75x	2.80x	20.63%	3rd	47.3%	33.0%	13.6%	1.84
Falcon Mezzanine Partners, L.P.	5/2003	2003	Exited	Mezzanine	20.0	19.6	37.7	-	-	37.7	1.93x	1.93x	26.03%	1st	22.8%	13.7%	8.9%	1.44
Olympus Growth Fund IV, L.P.	5/2003	2003	Active	Buyout - Mid	18.0	16.4	27.0	-	-	27.0	1.65x	1.65x	8.43%	4th	25.1%	14.2%	9.4%	1.12
Reliant Equity Partners, L.P.	7/2003	2003	Exited	Buyout - Small	10.0	9.1	1	-	-	1	0.01x	0.01x	-48.09%	4th	25.1%	14.2%	9.4%	0.08
TPG Partners IV, L.P.	10/2003	2003	Active	Buyout - Global	69.8	81.0	153.6	6.3	6.7	159.9	1.90x	1.97x	15.46%	2nd	25.1%	14.2%	9.4%	1.42
Weston Presidio Capital IV - Secondary	10/2003	2003	Active	Secondaries	1.8	1.8	2.3	0	0	2.3	1.27x	1.27x	5.20%	4th	25.1%	14.2%	9.4%	0.97
<b>2003 Vintage Total</b>					<b>315.6</b>	<b>337.9</b>	<b>682.4</b>	<b>18.9</b>	<b>29.3</b>	<b>701.3</b>	<b>2.02x</b>	<b>2.08x</b>	<b>21.29%</b>					<b>1.55</b>
<b>2004 Vintage</b>																		
Permira Europe III, L.P.	7/2004	2004	Active	Buyout - Global	95.2	106.8	174.3	4	4	174.7	1.63x	1.64x	25.84%	1st	24.0%	15.6%	4.7%	1.42
TCV V, L.P.	12/2004	2004	Active	Growth Equity	39.0	38.7	56.9	12.6	12.9	69.5	1.47x	1.80x	10.59%	1st	5.7%	-0.3%	-4.7%	1.20
Kelso Investment Associates VII, L.P.	12/2004	2004	Active	Buyout - Mid	46.0	49.5	77.6	1.2	1.2	78.7	1.57x	1.59x	11.45%	3rd	17.9%	12.4%	8.3%	1.23
First Reserve Fund X, L.P.	12/2004	2004	Active	Energy	50.0	50.0	91.2	2	2	91.4	1.82x	1.83x	31.05%	1st	15.4%	11.2%	7.1%	1.56
Onex Partners, L.P.	2/2004	2004	Active	Buyout - Large	75.0	71.4	204.7	10.6	14.2	215.3	2.87x	3.02x	38.29%	1st	23.8%	13.3%	7.5%	2.30
Hellman & Friedman Capital Partners V, L.P.	6/2004	2004	Active	Buyout - Global	40.0	38.0	101.1	7	2.7	101.8	2.66x	2.68x	27.87%	1st	17.9%	12.4%	8.3%	2.08
Oak Investment Partners XI, L.P.	7/2004	2004	Active	Venture Capital - Balanced	32.1	32.0	20.0	11.3	11.3	31.3	0.62x	0.98x	-0.29%	3rd	5.7%	-0.3%	-4.7%	0.59
Exponent Private Equity Partners, L.P.	8/2004	2004	Active	Buyout - Mid	46.3	52.9	69.1	1.2	1.2	70.3	1.31x	1.33x	7.32%	3rd	24.0%	15.6%	4.7%	0.98
OCM Opportunities Fund V, L.P.	8/2004	2004	Active	Distressed	32.4	32.4	52.9	6	6	53.5	1.63x	1.65x	14.19%	2nd	15.4%	11.2%	7.1%	1.21
<b>2004 Vintage Total</b>					<b>455.9</b>	<b>471.7</b>	<b>847.8</b>	<b>38.7</b>	<b>44.8</b>	<b>886.5</b>	<b>1.80x</b>	<b>1.88x</b>	<b>19.84%</b>					<b>1.46</b>
<b>2005 Vintage</b>																		
Providence Equity Partners V, L.P.	9/2004	2005	Active	Buyout - Global	73.0	69.5	84.2	4.8	11.2	89.0	1.21x	1.28x	3.62%	4th	14.1%	9.9%	5.4%	0.96
CHS Private Equity V, L.P.	11/2004	2005	Active	Buyout - Mid	60.0	53.5	98.5	5	8.4	99.0	1.84x	1.85x	9.84%	3rd	14.1%	9.9%	5.4%	1.14
Carlyle Partners IV, L.P.	12/2004	2005	Active	Buyout - Global	75.0	77.6	151.5	1.5	7.5	153.0	1.95x	1.97x	12.98%	2nd	14.1%	9.9%	5.4%	1.49
Southwest Fund V, L.P.	12/2004	2005	Active	Buyout - Small	8.8	8.6	16.8	1.8	2.0	18.6	1.95x	2.16x	15.60%	1st	14.1%	9.9%	5.4%	1.38
Union Square Ventures 2004, L.P.	2/2005	2005	Active	Venture Capital - Early Stage	10.0	8.9	121.2	2.3	3.4	123.5	13.62x	13.87x	68.03%	1st	9.4%	3.6%	-2.6%	9.06
Weston Presidio V, L.P.	2/2005	2005	Active	Buyout - Small	35.0	34.7	76.6	2.5	2.7	79.1	2.21x	2.28x	15.34%	1st	14.1%	9.9%	5.4%	1.49
Canaan VII, L.P.	4/2005	2005	Active	Venture Capital - Early Stage	9.5	9.5	19.6	3.8	3.8	23.4	2.07x	2.47x	15.24%	1st	9.4%	3.6%	-2.6%	1.42
Insight Venture Partners V Coinvestment Fund, L.P.	4/2005	2																



# Portfolio Investment Report

As of December 31, 2017  
(\$ in millions)

INVESTMENTS	COMMITMENT DATE	VINTAGE YEAR	STATUS	STRATEGY	COMMITMENT	CUMULATIVE CONTRIBUTIONS	CUMULATIVE DISTRIBUTIONS	MARKET VALUE	Exposure	TOTAL VALUE	DPI MULTIPLE	TVPI MULTIPLE	SINCE INCEPTION NET IRR	IRR QUARTILE RANKING	Private IQ Benchmarks			
															UPPER IRR	MEDIAN IRR	LOWER IRR	KS-PME
<b>2006 Vintage</b>																		
Spectrum Equity Investors V, L.P.	2/2005	2006	Active	Venture Capital - Late Stage	35.0	32.8	75.2	2.6	4.8	77.8	2.29x	2.37x	17.84%	1st	12.6%	4.5%	-5.7%	1.76
Montagu III, L.P.	6/2005	2006	Exited	Buyout - Large	76.4	74.3	97.9	-	-	97.9	1.32x	1.32x	7.34%	2nd	9.6%	7.3%	-2.7%	1.06
Candover 2005 Fund, L.P.	8/2005	2006	Active	Buyout - Large	78.2	93.8	51.2	-	3	51.3	0.55x	0.55x	-11.16%	4th	9.6%	7.3%	-2.7%	0.53
Austin Ventures IX, L.P.	4/2005	2006	Active	Venture Capital - Balanced	7.6	7.7	8.5	1.9	1.9	10.4	1.11x	1.35x	5.12%	2nd	12.6%	4.5%	-5.7%	0.75
Summit Partners Private Equity Fund VII-A, L.P.	5/2005	2006	Active	Growth Equity	69.9	71.7	105.5	34.4	34.4	139.9	1.47x	1.95x	11.73%	2nd	12.6%	4.5%	-5.7%	1.10
Summit Partners Venture Capital Fund II-A, L.P.	5/2005	2006	Active	Venture Capital - Balanced	8.4	9.8	18.7	2.0	20.7	20.7	1.90x	2.10x	19.70%	1st	12.6%	4.5%	-5.7%	1.39
Blackstone Capital Partners V, L.P.	10/2005	2006	Active	Buyout - Global	74.1	73.7	114.5	9.0	12.7	123.5	1.55x	1.68x	7.69%	3rd	13.5%	8.0%	3.1%	0.97
TCV VI, L.P.	11/2005	2006	Active	Growth Equity	50.0	51.7	72.2	11.8	12.0	83.9	1.40x	1.62x	13.50%	1st	12.6%	4.5%	-5.7%	1.29
Quad-C Partners VII, L.P.	12/2005	2006	Active	Buyout - Small	43.7	44.9	72.2	1.4	1.6	73.6	1.61x	1.64x	11.03%	2nd	13.5%	8.0%	3.1%	1.05
Wayzata Opportunities Fund, LLC	1/2006	2006	Active	Distressed	40.0	37.4	62.6	3	7.9	62.9	1.67x	1.68x	8.42%	2nd	13.3%	7.7%	2.9%	1.17
Madison Dearborn Capital Partners V-A, L.P.	2/2006	2006	Active	Buyout - Large	75.0	64.9	103.2	3.7	16.0	106.9	1.59x	1.65x	7.01%	3rd	13.5%	8.0%	3.1%	1.03
M/C Venture Partners VI, L.P.	3/2006	2006	Active	Venture Capital - Balanced	19.0	18.8	39.6	2	4	39.9	2.11x	2.12x	13.35%	1st	12.6%	4.5%	-5.7%	1.32
Nordic Capital Fund VI, L.P.	3/2006	2006	Active	Buyout - Large	59.0	62.1	92.1	3.8	3.8	95.9	1.48x	1.54x	6.89%	3rd	9.6%	7.3%	-2.7%	1.11
TA X, L.P.	3/2006	2006	Active	Buyout - Large	7.9	7.6	9.9	2	4	10.0	1.30x	1.32x	5.18%	3rd	13.5%	8.0%	3.1%	0.93
TPG Partners V, L.P.	4/2006	2006	Active	Buyout - Global	75.0	65.4	77.2	18.9	23.7	96.0	1.18x	1.47x	5.23%	3rd	13.5%	8.0%	3.1%	0.97
Onex Partners II, L.P.	4/2006	2006	Active	Buyout - Large	60.0	53.6	96.8	5.8	12.5	102.7	1.81x	1.91x	13.41%	1st	13.3%	7.9%	1.2%	1.44
Oak Investment Partners XII, L.P.	5/2006	2006	Active	Venture Capital - Balanced	40.0	39.9	28.2	12.0	12.0	40.1	0.71x	1.00x	0.08%	3rd	12.6%	4.5%	-5.7%	0.59
Intersouth Partners VII, L.P.	5/2006	2006	Active	Venture Capital - Early Stage	6.7	6.5	9	2.5	2.6	3.4	0.14x	0.51x	-11.01%	4th	12.6%	4.5%	-5.7%	0.24
RLH Investors II, L.P.	5/2006	2006	Active	Buyout - Small	10.0	10.1	19.0	5.6	6.3	24.6	1.89x	2.45x	22.58%	1st	13.5%	8.0%	3.1%	1.58
GTCR Fund IX(A), L.P.	6/2006	2006	Active	Buyout - Mid	60.0	57.1	95.3	6.0	8.9	101.3	1.67x	1.77x	13.59%	1st	13.5%	8.0%	3.1%	1.06
GTB Capital Partners, L.P.	6/2006	2006	Active	Co-Investments	250.0	257.0	395.0	113.2	113.9	508.2	1.54x	1.98x	12.48%	2nd	13.1%	6.8%	0.5%	1.14
Permira Europe IV, L.P.	7/2006	2006	Active	Buyout - Global	66.8	73.4	99.3	14.9	16.1	114.2	1.35x	1.56x	8.75%	2nd	9.6%	7.3%	-2.7%	0.97
Berkshire Fund VII, L.P.	7/2006	2006	Active	Buyout - Large	60.0	61.0	98.6	20.7	21.7	119.4	1.62x	1.96x	16.62%	1st	13.5%	8.0%	3.1%	1.22
Thomas H. Lee Equity Fund VI, L.P.	7/2006	2006	Active	Buyout - Global	60.0	60.6	66.6	30.1	33.1	96.8	1.10x	1.60x	7.83%	3rd	13.5%	8.0%	3.1%	0.92
First Reserve Fund XI, L.P.	7/2006	2006	Active	Energy	60.0	60.0	36.1	3.4	3.4	39.5	0.60x	0.66x	-9.06%	4th	13.3%	7.7%	2.9%	0.57
KKR 2006 Fund, L.P.	7/2006	2006	Active	Buyout - Global	60.0	64.1	85.5	20.2	21.3	105.7	1.33x	1.65x	8.57%	2nd	13.5%	8.0%	3.1%	1.11
Centerbridge Capital Partners, L.P.	8/2006	2006	Active	Distressed	60.0	57.3	118.7	13.2	17.6	132.0	2.07x	2.30x	19.65%	1st	13.3%	7.7%	2.9%	1.29
Hellman & Friedman Capital Partners VI, L.P.	10/2006	2006	Active	Buyout - Global	60.0	61.6	95.2	14.7	16.4	109.8	1.54x	1.78x	11.84%	2nd	13.5%	8.0%	3.1%	1.21
<b>2006 Vintage Total</b>					<b>1,572.7</b>	<b>1,579.0</b>	<b>2,235.5</b>	<b>352.8</b>	<b>407.8</b>	<b>2,588.3</b>	<b>1.42x</b>	<b>1.64x</b>	<b>9.23%</b>					<b>1.06</b>
<b>2007 Vintage</b>																		
Bertram Growth Capital I, L.P.	8/2006	2007	Active	Buyout - Small	10.0	9.4	10.2	4.0	4.7	14.2	1.08x	1.51x	9.41%	3rd	15.7%	11.7%	6.1%	1.01
Providence Equity Partners VI, L.P.	12/2006	2007	Active	Buyout - Global	80.0	77.7	77.2	35.1	39.3	112.4	0.99x	1.45x	6.33%	3rd	15.7%	11.7%	6.1%	0.86
CVX European Equity Partners Tandem Fund, L.P.	1/2007	2007	Active	Buyout - Global	30.5	28.7	38.2	3	2.6	38.5	1.33x	1.34x	6.57%	2nd	9.6%	5.1%	-3.1%	0.94
The Resolute Fund II, L.P.	1/2007	2007	Active	Buyout - Large	60.0	61.4	64.4	26.7	32.6	91.1	1.05x	1.48x	9.05%	3rd	15.7%	11.7%	6.1%	0.90
Silver Lake Partners III, L.P.	1/2007	2007	Active	Buyout - Global	60.0	55.9	80.1	39.1	45.5	119.2	1.43x	2.13x	18.86%	1st	15.7%	11.7%	6.1%	1.25
Quad-C Partners VII Co-Investment Fund, L.P.	2/2007	2007	Active	Buyout - Small	13.6	13.5	18.5	1.3	1.4	19.8	1.37x	1.47x	8.73%	3rd	15.7%	11.7%	6.1%	0.95
Excellere Capital Fund, L.P.	2/2007	2007	Exited	Buyout - Small	25.0	21.4	45.1	-	-	45.1	2.11x	2.11x	32.68%	1st	15.7%	11.7%	6.1%	1.68
OCM Opportunities Fund VII, L.P.	3/2007	2007	Active	Distressed	30.0	30.0	38.8	2.7	2.7	41.5	1.29x	1.38x	7.47%	3rd	14.6%	10.1%	4.6%	1.21
Carlyle Partners V, L.P.	5/2007	2007	Active	Buyout - Global	75.0	67.3	107.7	16.9	30.4	125.6	1.61x	1.87x	13.73%	2nd	15.7%	11.7%	6.1%	1.10
Kelso Investment Associates VIII, L.P.	6/2007	2007	Active	Buyout - Mid	75.0	73.9	61.8	39.6	50.9	101.3	0.84x	1.37x	7.52%	3rd	15.7%	11.7%	6.1%	0.81
JMI Equity Fund VI, L.P.	7/2007	2007	Active	Growth Equity	19.5	19.5	32.4	1.0	1.0	33.3	1.66x	1.71x	11.11%	2nd	16.9%	11.1%	3.3%	0.98
Wayzata Opportunities Fund II, L.P.	11/2007	2007	Active	Distressed	75.0	23.2	94.2	6.1	20.3	100.3	4.07x	4.33x	16.54%	1st	14.6%	10.1%	4.6%	1.21
<b>2007 Vintage Total</b>					<b>553.6</b>	<b>482.0</b>	<b>669.7</b>	<b>172.7</b>	<b>231.4</b>	<b>842.4</b>	<b>1.39x</b>	<b>1.75x</b>	<b>11.74%</b>					<b>1.04</b>
<b>2008 Vintage</b>																		
OCM Opportunities Fund VII b, L.P.	3/2007	2008	Active	Distressed	45.0	40.5	66.8	3.2	7.7	70.0	1.65x	1.73x	16.61%	2nd	17.5%	11.7%	7.3%	1.11
TCV VIII, L.P.	10/2007	2008	Active	Growth Equity	75.0	73.8	126.1	67.5	68.7	193.6	1.71x	2.62x	23.27%	1st	20.2%	5.9%	0.5%	1.36
Exponent Private Equity Partners II, L.P.	12/2007	2008	Active	Buyout - Mid	42.5	41.4	57.6	4.8	6.9	62.4	1.39x	1.51x	9.09%	2nd	14.5%	7.6%	4.4%	0.98
Nordic Capital VII Beta, L.P.	1/2008	2008	Active	Buyout - Large	67.7	66.2	48.5	43.1	46.3	91.6	0.73x	1.38x	5.42%	3rd	14.5%	7.6%	4.4%	0.73
Union Square Ventures 2008, L.P.	3/2008	2008	Active	Venture Capital - Early Stage	10.0	9.5	15.5	16.1	16.6	31.6	1.63x	3.32x	20.89%	1st	20.2%	5.9%	0.5%	1.48
Vista Equity Partners Fund III, L.P.	4/2008	2008	Active	Buyout - Large	50.0	51.1	119.7	14.7	18.7	134.3	2.34x	2.63x	28.62%	1st	20.3%	13.6%	8.3%	1.64
CVX European Equity Partners V (A), L.P.	5/2008	2008	Active	Buyout - Global	87.7	91.6	133.4	30.9	31.8	164.3	1.46x	1.79x	15.34%	1st	14.5%	7.6%	4.4%	1.08
TPG Partners VI, L.P.	5/2008	2008	Active	Buyout - Global	100.0	96.7	102.8	50.8	56.0	153.6	1.06x	1.59x	11.27%	3rd	20.3%	13.6%	8.3%	0.92
Onex Partners III, L.P.	6/2008	2008	Active	Buyout - Large	75.0	81.0	99.1	46.4	53.5	145.4	1.22x	1.80x	14.94%	2nd	16.6%	9.6%	4.5%	0.99
Madison Dearborn Capital Partners VI, L.P.	9/2008	2008	Active	Buyout - Large	75.0	66.7	101.2	32.7	53.6	133.9	1.52x	2.01x	23.43%	1st	20.3%	13.6%	8.3%	1.22
First Reserve Fund XII, L.P.	10/2008	2008	Active	Energy	100.0	99.7	41.4	26.1	28.2	67.5	0.41x	0.68x	-8.40%	4th	17.5%	11.7%	7.3%	0.43
<b>2008 Vintage Total</b>					<b>727.9</b>	<b>718.2</b>	<b>912.0</b>	<b>336.3</b>	<b>388.1</b>	<b>1,248.2</b>	<b>1.27x</b>	<b>1.74x</b>	<b>13.67%</b>					<b>1.00</b>
<b>2010 Vintage</b>																		
J.P. Morgan Emerging Managers Program	1/2010	2010	Active	Fund of Funds	150.0	155.0	144.3	121.6	137.5	265.9	0.93x	1.72x	19.34%	1st	19.2%	13.2%	8.1%	1.15
Gateway Private Equity Fund, L.P.	5/2010	2010	Active	Fund of Funds	300.0	260.7	107.0	237.0	293.4	344.0	0.41x	1.32x	9.76%	3rd	19.2%	13.2%	8.1%	0.89
Oaktree Opportunities Fund VIII, L.P.	7/2010	2010	Active	Distressed	37.5	38.5	46.8	6.9	6.9	53.6	1.21x	1.39x	8.52%	3rd	17.7%	12.6%	8.2%	0.78
<b>2010 Vintage Total</b>					<b>487.5</b>	<b>454.2</b>	<b>298.1</b>	<b>365.4</b>	<b>437.7</b>	<b>663.5</b>	<b>0.66x</b>	<b>1.46x</b>	<b>13.05%</b>					<b>0.97</b>
<b>2011 Vintage</b>																		
JMI Equity Fund VII, L.P.	7/2010	2011	Active	Growth Equity	30.0	29.3	19.6	27.6	28.3	47.2	0.67x	1.61x	13.06%	3rd	24.3%	14.9%	6.2%	0.96
Oaktree Opportunities Fund VIII b, L.P.	7/2010	2011	Active	Distressed	37.5	37.8	27.3	20.1	20.1	47.4	0.72x							



# Portfolio Investment Report

As of December 31, 2017  
(\$ in millions)

INVESTMENTS	COMMITMENT DATE	VINTAGE YEAR	STATUS	STRATEGY	COMMITMENT	CUMULATIVE CONTRIBUTIONS	CUMULATIVE DISTRIBUTIONS	MARKET VALUE	Exposure	TOTAL VALUE	DPI MULTIPLE	TVPI MULTIPLE	SINCE INCEPTION NET IRR	IRR QUANTILE RANKING	Private IQ Benchmarks			KS-PME
															UPPER IRR	MEDIAN IRR	LOWER IRR	
<b>2012 Vintage</b>																		
Summit Partners Growth Equity Fund VIII-A, L.P.	8/2011	2012	Active	Growth Equity	75.0	86.6	74.4	69.5	87.4	143.9	0.86x	1.66x	23.01%	1st	21.4%	15.1%	8.3%	1.21
Juggernaut Capital Partners II, L.P.	2/2012	2012	Active	Buyout - Small	75.0	73.5	25.2	87.9	89.5	113.1	0.34x	1.54x	14.45%	3rd	23.9%	15.5%	8.9%	1.05
Northgate Venture Partners VI, L.P.	3/2012	2012	Active	Fund of Funds	50.0	43.0	-	53.5	60.5	53.5	0.00x	1.24x	8.22%	3rd	21.3%	14.3%	7.8%	0.87
GGV Capital IV, L.P.	5/2012	2012	Active	Venture Capital - Balanced	50.0	49.7	14.1	97.9	98.7	112.1	0.28x	2.26x	20.97%	1st	20.8%	16.0%	9.3%	1.29
Clearlake Capital Partners III, L.P.	8/2012	2012	Active	Buyout - Mid	75.0	102.5	115.4	101.3	119.7	216.8	1.13x	2.11x	39.13%	1st	23.9%	15.5%	8.9%	1.61
Lightyear Fund III, L.P.	8/2012	2012	Active	Buyout - Small	105.0	104.4	99.3	90.6	108.1	189.9	0.95x	1.82x	22.86%	2nd	23.9%	15.5%	8.9%	1.22
Blackstone Capital Partners IV - Secondary	12/2012	2012	Active	Secondaries	5.0	3.1	3.5	3	6	3.9	1.15x	1.26x	13.69%	3rd	23.9%	15.5%	8.9%	0.92
<b>2012 Vintage Total</b>					<b>435.0</b>	<b>462.8</b>	<b>332.0</b>	<b>501.1</b>	<b>564.5</b>	<b>833.1</b>	<b>0.72x</b>	<b>1.80x</b>	<b>22.84%</b>					<b>1.25</b>
<b>2013 Vintage</b>																		
Oaktree Opportunities Fund IX, L.P.	2/2012	2013	Active	Distressed	100.0	100.0	32.9	77.7	77.7	110.6	0.33x	1.11x	2.92%	4th	22.0%	13.6%	8.7%	0.74
Institutional Venture Partners XIV, L.P.	6/2012	2013	Active	Venture Capital - Late Stage	60.0	60.1	26.5	65.2	65.2	91.8	0.44x	1.53x	15.94%	2nd	23.7%	15.2%	9.3%	1.08
Wayzata Opportunities Fund III, L.P.	9/2012	2013	Active	Distressed	100.0	47.5	23.7	23.7	97.1	47.3	0.50x	1.00x	-0.11%	4th	22.0%	13.6%	8.7%	0.76
Nordic Capital VIII Beta, L.P.	11/2012	2013	Active	Buyout - Large	90.4	67.3	30.7	72.6	104.2	103.3	0.46x	1.54x	17.95%	1st	13.8%	9.5%	7.4%	1.12
Riverside Capital Appreciation Fund VI, L.P.	12/2012	2013	Active	Buyout - Mid	100.0	74.5	21.2	93.7	119.1	114.9	0.28x	1.54x	19.08%	2nd	24.2%	18.5%	12.0%	1.13
Silver Lake Partners IV, L.P.	3/2013	2013	Active	Buyout - Global	105.0	104.9	36.7	115.2	131.7	151.9	0.35x	1.45x	26.48%	1st	24.2%	18.5%	12.0%	1.16
RLH Investors III, L.P.	3/2013	2013	Active	Buyout - Small	50.0	43.7	9.0	54.1	60.9	63.1	0.21x	1.44x	13.29%	3rd	24.2%	18.5%	12.0%	0.99
Marlin Equity IV, L.P.	4/2013	2013	Active	Distressed	50.0	41.9	.5	44.9	53.0	45.4	0.01x	1.08x	4.26%	4th	22.0%	13.6%	8.7%	0.84
Carlyle Partners VI, L.P.	8/2013	2013	Active	Buyout - Global	150.0	146.2	32.0	148.9	166.1	181.0	0.22x	1.24x	13.09%	3rd	24.2%	18.5%	12.0%	1.00
MBK Partners Fund III, L.P.	8/2013	2013	Active	Buyout - Large	100.0	98.2	9.3	158.8	164.1	168.1	0.10x	1.71x	26.33%	1st	21.6%	13.5%	8.5%	1.27
Insignia Capital Partners (Parallel A), L.P.	9/2013	2013	Active	Buyout - Small	100.0	49.4	9.3	47.6	103.3	56.9	0.19x	1.15x	9.66%	4th	24.2%	18.5%	12.0%	0.95
<b>2013 Vintage Total</b>					<b>1,005.4</b>	<b>833.6</b>	<b>231.9</b>	<b>902.5</b>	<b>1,142.4</b>	<b>1,134.4</b>	<b>0.28x</b>	<b>1.36x</b>	<b>14.14%</b>					<b>1.02</b>
<b>2014 Vintage</b>																		
Sterling Investment Partners III, L.P.	6/2013	2014	Active	Buyout - Small	100.0	51.4	9.4	61.5	110.1	70.9	0.18x	1.38x	14.86%	2nd	20.8%	13.4%	7.5%	1.05
CVC Capital Partners VI (B) L.P.	7/2013	2014	Active	Buyout - Global	115.8	108.9	19.0	108.5	123.8	127.5	0.17x	1.17x	13.71%	3rd	24.3%	13.9%	2.3%	0.99
J.P. Morgan Emerging Managers Program II	12/2013	2014	Active	Fund of Funds	100.0	72.0	60.8	90.1	124.4	150.9	0.84x	2.09x	47.67%	1st	20.0%	12.6%	6.4%	1.66
USV 2014, L.P.	1/2014	2014	Active	Venture Capital - Early Stage	8.3	6.6	-	8.7	10.4	8.7	0.00x	1.32x	16.24%	2nd	16.4%	9.9%	3.6%	1.02
USV Opportunity 2014, L.P.	1/2014	2014	Active	Venture Capital - Early Stage	8.3	4.2	-	5.8	9.8	5.8	0.00x	1.37x	14.99%	2nd	16.4%	9.9%	3.6%	1.04
GTB Capital Partners II, L.P.	2/2014	2014	Active	Co-Investments	300.0	245.3	19.7	308.3	370.6	328.0	0.08x	1.34x	17.15%	2nd	20.0%	12.6%	6.4%	1.04
Onex Partners IV, L.P.	2/2014	2014	Active	Buyout - Large	150.0	103.1	6.5	101.1	148.1	107.6	0.06x	1.04x	2.35%	4th	22.6%	14.1%	6.7%	0.83
Palladium Equity Partners IV, L.P.	2/2014	2014	Active	Buyout - Small	100.0	79.9	39.3	73.2	100.9	112.5	0.49x	1.41x	17.46%	2nd	20.8%	13.4%	7.5%	1.07
The Energy & Minerals Group Fund III, L.P.	3/2014	2014	Active	Energy	150.0	141.3	8.3	120.8	130.9	129.1	0.06x	0.91x	-3.27%	4th	20.8%	13.4%	7.5%	0.67
Vista Equity Partners Fund V, L.P.	3/2014	2014	Active	Buyout - Large	200.0	202.5	46.1	226.7	270.2	272.8	0.23x	1.35x	14.69%	2nd	20.8%	13.4%	7.5%	1.03
GGV Capital V L.P.	4/2014	2014	Active	Venture Capital - Balanced	50.0	46.3	5.5	76.3	80.1	81.8	0.12x	1.77x	26.93%	1st	19.6%	11.7%	3.8%	1.31
ABRY Advanced Securities Fund III, L.P.	4/2014	2014	Active	Distressed	25.0	11.5	1.0	14.2	28.8	15.3	0.09x	1.33x	12.65%	3rd	21.1%	14.1%	7.6%	0.99
Glendon Opportunities Fund, L.P.	12/2014	2014	Active	Distressed	60.0	42.3	-	51.6	69.6	51.6	0.00x	1.22x	7.95%	3rd	21.1%	14.1%	7.6%	0.90
<b>2014 Vintage Total</b>					<b>1,367.3</b>	<b>1,115.4</b>	<b>215.6</b>	<b>1,247.0</b>	<b>1,577.6</b>	<b>1,462.6</b>	<b>0.19x</b>	<b>1.31x</b>	<b>14.08%</b>					<b>1.02</b>
<b>2015 Vintage</b>																		
ABRY Partners VIII, L.P.	8/2014	2015	Active	Buyout - Mid	35.0	31.0	4.5	31.4	39.9	35.9	0.15x	1.16x	8.91%	2nd	19.0%	8.8%	0.9%	0.91
Centerbridge Capital Partners III, L.P.	10/2014	2015	Active	Distressed	75.0	36.4	4.8	39.0	82.5	43.8	0.13x	1.21x	14.09%	2nd	19.7%	10.2%	-0.6%	0.99
Siris Partners III, L.P.	12/2014	2015	Active	Buyout - Mid	60.0	38.8	2.6	40.8	64.5	43.4	0.07x	1.12x	9.59%	2nd	19.0%	8.8%	0.9%	0.93
Juggernaut Capital Partners III, L.P.	2/2015	2015	Active	Buyout - Small	100.0	83.1	1.8	90.5	107.4	92.3	0.02x	1.11x	11.98%	NM	19.0%	8.8%	0.9%	NM
Carlyle U.S. Equity Opportunity Fund II, L.P.	3/2015	2015	Active	Buyout - Mid	200.0	91.5	11.2	88.0	207.7	99.2	0.12x	1.08x	7.90%	NM	19.0%	8.8%	0.9%	NM
Storm Ventures Fund V, L.P.	3/2015	2015	Active	Venture Capital - Early Stage	50.0	25.5	-	32.8	57.3	32.8	0.00x	1.29x	15.96%	NM	18.7%	5.1%	-3.0%	NM
Institutional Venture Partners XV, L.P.	4/2015	2015	Active	Venture Capital - Late Stage	90.0	64.8	5.1	64.9	90.1	70.0	0.08x	1.08x	6.27%	NM	18.7%	5.1%	-3.0%	NM
BDCM Opportunity Fund IV, L.P.	6/2015	2015	Active	Distressed	100.0	57.3	5.8	61.9	110.2	67.8	0.10x	1.18x	13.83%	NM	19.7%	10.2%	-0.6%	NM
Clearlake Capital Partners IV, L.P.	6/2015	2015	Active	Buyout - Mid	77.0	65.9	43.5	47.8	76.9	91.3	0.66x	1.38x	33.16%	NM	19.0%	8.8%	0.9%	NM
Gateway Private Equity Fund-B, L.P.	9/2015	2015	Active	Fund of Funds	300.0	123.0	-	119.9	298.3	119.9	0.00x	0.97x	-2.64%	NM	19.3%	8.2%	-0.9%	NM
<b>2015 Vintage Total</b>					<b>1,087.0</b>	<b>617.3</b>	<b>79.4</b>	<b>617.0</b>	<b>1,134.8</b>	<b>696.4</b>	<b>0.13x</b>	<b>1.13x</b>	<b>10.88%</b>					<b>0.94</b>
<b>2016 Vintage</b>																		
Hellman & Friedman Capital Partners VIII, L.P.	9/2014	2016	Active	Buyout - Global	125.0	59.2	7.3	61.6	129.6	68.9	0.12x	1.16x	51.80%	1st	17.8%	5.6%	-7.2%	1.08
Blackstone Capital Partners VII, L.P.	5/2015	2016	Active	Buyout - Global	200.0	40.8	3.6	39.2	205.1	42.8	0.09x	1.05x	8.98%	NM	17.8%	5.6%	-7.2%	NM
Excellere Capital Fund III, L.P.	7/2015	2016	Active	Buyout - Small	70.0	10.2	-	8.8	68.6	8.8	0.00x	0.86x	-8.73%	NM	17.8%	5.6%	-7.2%	NM
GBOF V Feeder SCS	11/2015	2016	Active	Buyout - Mid	88.7	27.7	-	22.8	87.8	26.8	0.00x	0.97x	-4.22%	NM	11.9%	-1.4%	-8.3%	NM
Australis Partners Fund, L.P.	12/2015	2016	Active	Growth Equity	125.0	21.6	.0	18.0	121.5	18.0	0.00x	0.83x	-25.44%	NM	15.1%	1.6%	-12.1%	NM
Harvest Partners VII, L.P.	12/2015	2016	Active	Buyout - Mid	80.0	29.8	5.4	24.0	79.6	29.4	0.18x	0.99x	-2.08%	NM	17.8%	5.6%	-7.2%	NM
GGV Capital VI, L.P.	2/2016	2016	Active	Venture Capital - Balanced	45.0	16.9	-	16.9	45.0	16.9	0.00x	1.00x	0.00%	NM	15.1%	1.6%	-12.1%	NM
GGV Discovery I, L.P.	2/2016	2016	Active	Venture Capital - Late Stage	15.0	6.3	-	6.9	15.6	6.9	0.00x	1.09x	14.37%	NM	15.1%	1.6%	-12.1%	NM
Lightyear Fund IV, L.P.	2/2016	2016	Active	Buyout - Small	150.0	42.5	2.0	35.2	143.7	37.2	0.05x	0.88x	-17.75%	NM	17.8%	5.6%	-7.2%	NM
USV 2016, L.P.	3/2016	2016	Active	Venture Capital - Early Stage	9.0	2.3	-	2.4	9.0	2.4	0.00x	1.02x	2.67%	NM	16.1%	1.8%	-10.7%	NM
Vista Equity Partners Fund VI, L.P.	3/2016	2016	Active	Buyout - Large	200.0	159.0	15.0	150.7	206.3	165.8	0.09x	1.04x	5.56%	NM	17.8%	5.6%	-7.2%	NM
Livingbridge 6, L.P.	7/2016	2016	Active	Buyout - Small	53.6	10.9	-	10.3	53.0	10.3	0.00x	0.94x	-10.84%	NM	11.9%	-1.4%	-8.3%	NM
<b>2016 Vintage Total</b>					<b>1,161.3</b>	<b>427.2</b>	<b>33.4</b>	<b>400.7</b>	<b>1,164.8</b>	<b>434.1</b>	<b>0.08x</b>	<b>1.02x</b>	<b>2.53%</b>					<b>0.91</b>

# Portfolio Investment Report

As of December 31, 2017  
(\$ in millions)


INVESTMENTS	COMMITMENT DATE	VINTAGE YEAR	STATUS	STRATEGY	COMMITMENT	CUMULATIVE CONTRIBUTIONS	CUMULATIVE DISTRIBUTIONS	MARKET VALUE	Exposure	TOTAL VALUE	DPI MULTIPLE	TVPI MULTIPLE	SINCE INCEPTION NET IRR	IRR QUARTILE RANKING	Private IQ Benchmarks			KS-PME
															UPPER IRR	MEDIAN IRR	LOWER IRR	
<b>2017 Vintage</b>																		
Green Equity Investors VII, L.P.	2/2016	2017	Active	Buyout - Mid	150.0	40.1	-	37.7	147.6	37.7	0.00x	0.94x	-10.61%	NM	19.0%	-10.6%	-41.6%	NM
Binary Capital Fund II, L.P.	5/2016	2017	Active	Venture Capital - Early Stage	34.0	2.1	-	1.6	33.5	1.6	0.00x	0.75x	-36.24%	NM	-3.0%	-11.5%	-19.4%	NM
BRV Aster Fund II, L.P.	9/2016	2017	Active	Venture Capital - Early Stage	40.0	8.0	-	7.5	39.5	7.5	0.00x	0.94x	-9.00%	NM	-3.0%	-11.5%	-19.4%	NM
J.P. Morgan Emerging Managers Program III	9/2016	2017	Active	Fund of Funds	100.0	12.9	1.0	13.2	101.5	14.2	0.08x	1.10x	42.62%	NM	2.8%	-10.5%	-24.2%	NM
MBK Partners Fund IV, L.P.	11/2016	2017	Active	Buyout - Large	120.0	26.0	-	29.1	123.1	29.1	0.00x	1.12x	15.37%	NM	1.0%	-10.6%	-22.4%	NM
Incline Equity Partners IV, L.P.	12/2016	2017	Active	Buyout - Small	37.5	.6	-	(.0)	36.8	(.0)	0.00x	-0.01x	0.00%	NM	19.0%	-10.6%	-41.6%	NM
LAV Biosciences Fund IV, L.P.	2/2017	2017	Active	Venture Capital - Balanced	40.0	10.0	-	10.2	40.3	10.2	0.00x	1.03x	3.74%	NM	-1.6%	-10.8%	-18.3%	NM
One Rock Capital Partners II, L.P.	3/2017	2017	Active	Buyout - Small	72.5	10.8	-	10.4	72.1	10.4	0.00x	0.96x	-3.63%	NM	19.0%	-10.6%	-41.6%	NM
<b>2017 Vintage Total</b>					<b>594.0</b>	<b>110.5</b>	<b>1.0</b>	<b>109.6</b>	<b>594.3</b>	<b>110.7</b>	<b>0.01x</b>	<b>1.00x</b>	<b>0.37%</b>					<b>0.93</b>
<b>2018 Vintage</b>																		
GGV Capital VI Plus, L.P.	2/2016	2018	Active	Venture Capital - Late Stage	15.0	-	-	-	15.0	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
Silver Lake Partners V, L.P.	3/2017	2018	Active	Buyout - Global	180.0	-	-	-	180.0	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
CVC Capital Partners VII, L.P.	5/2017	2018	Active	Buyout - Global	240.2	-	-	-	240.2	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
Glendon Opportunities Fund II, L.P.	5/2017	2018	Active	Distressed	100.0	-	-	-	100.0	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
Onex Partners V, L.P.	7/2017	2018	Active	Buyout - Large	200.0	-	-	-	200.0	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
Canaan XI, L.P.	7/2017	2018	Active	Venture Capital - Early Stage	50.0	-	-	-	50.0	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
Clarion Investors III, L.P.	11/2017	2018	Active	Small-Size Buyout	50.0	-	-	-	50.0	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
Clearlake Capital Partners V, L.P.	11/2017	2018	Active	Buyout - Mid	100.0	-	-	-	100.0	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
Alchemy Special Opportunities Fund IV, L.P.	11/2017	2018	Active	Distressed	87.9	-	-	-	87.9	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
PAI Europe VII, L.P.	12/2017	2018	Active	Buyout - Large	180.1	-	-	-	180.1	-	0.00x	0.00x	0.00%	NM	N/A	N/A	N/A	NM
<b>2018 Vintage Total</b>					<b>1,203.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,203.2</b>	<b>-</b>	<b>0.00x</b>	<b>0.00x</b>	<b>0.00%</b>					<b>NM</b>
<b>Total Portfolio Investments</b>					<b>\$15,222.8</b>	<b>\$11,915.8</b>	<b>\$14,201.4</b>	<b>\$5,523.1</b>	<b>\$9,496.9</b>	<b>\$19,724.5</b>	<b>1.19x</b>	<b>1.66x</b>	<b>16.09 %</b>					<b>1.19</b>

The Since Inception Net IRR and return multiples are calculated by LACERA using all the outflows to and inflows from the underlying fund investments, including cash flows for expenses and fees paid by the Portfolio to those underlying fund investments. The terminal values used are the capital account balances as of the reporting period, as stated by the General Partners of the underlying fund investment, whether at cost or fair value. If the underlying fund investment's terminal value is prior to the reporting period, the IRR and return multiples are calculated as of the last valuation date indicated by the fund manager. None of the information contained herein has been reviewed or approved by the General Partners of the Funds.

Vintage years are based on LACERA's initial cash contribution to the fund.  
Fund benchmark data provided by Burgiss Private IQ as of the reporting date and represents comparable strategies aggregated by Vintage Year. Quartile rankings are reported as not material (NM) if commitment date is within 3 years of reporting date.  
A Kaplan & Schoar Public Market Equivalent ("KS-PME") value greater than one indicates that an investor benefited from investing in the respective private equity fund rather than the index (Russell 3000).

May 24, 2018

TO: Each Member  
Board of Investments

FROM: James Rice, CFA   
Senior Investment Officer

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **2018 FIRST QUARTER  
HEDGE FUND PERFORMANCE REPORT**

Attached for your review is the Hedge Fund Performance Report for the first quarter of 2018. 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").

Staff will present the performance of this program at the June Board meeting.

### **BACKGROUND**

As of March 31, 2018, 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. Apart from the fund of fund strategies, LACERA began making its first investments in a direct hedge portfolio effective April 1, 2018, so those investments are not yet included in this report. The total investment in hedge funds was \$1.4 billion as of March 31, 2018, and represented 2.4% of LACERA's Total Fund.

Since program inception in October 2011 through March 2018, 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 March 31, 2018, this Diversified portfolio, made up of 30 funds, was valued at \$479.1 million.
- LACERA has invested \$200 million in the Grosvenor Opportunistic Credit 2013 portfolio, since its inception in January 2013. As of March 31, 2018, this portfolio, comprised of five funds, was valued at \$36.0 million. This portfolio is now in a scheduled wind down phase. In the quarter ended March 31, 2018, \$57.7 million was distributed to LACERA. Through quarter-end, a total of \$227.6 million has been distributed.

- In May 2015, LACERA began investing in the GSAM Diversified portfolio. As of March 31, 2018, the GSAM Diversified portfolio was invested in 26 funds valued at \$479.7 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 March 31, 2018, this portfolio was valued at \$357.6 million and was invested in 15 funds.

Aggregated performance for the four funded portfolios (“Total Portfolio”) is summarized in **Table 1** below.

**Table 1**  
**Total Portfolio**  
**Net Performance through March 31, 2018**

<b>Net of All Fees and Expenses</b>	<b>Quarter</b>	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Inception to Date<sup>1</sup></b>
<b>Total of Four Portfolios</b>	0.9%	5.0%	2.8%	4.3%	5.0%
T-Bills + 5% (Primary Benchmark)	1.6%	6.1%	5.5%	5.3%	5.3%
HFRX Global Hedge Fund Index (Secondary Benchmark)	-1.0%	3.2%	0.5%	1.3%	1.9%
Excess Return, Primary Benchmark	-70 bps	-110 bps	-270 bps	-100 bps	-30 bps
Excess Return, Secondary Benchmark	190 bps	180 bps	230 bps	300 bps	300 bps

<sup>1</sup> Annualized returns of Total Portfolio and its benchmarks since October 2011.

## STAFF DISCUSSION

### 1Q 2018 Overview

During the first quarter of 2018, the Total Portfolio returned 0.9%. The Total Portfolio underperformed the 1.6% 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 across broad strategy categories<sup>1</sup>. LACERA’s Total Portfolio outperformed the -1.0% 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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<sup>1</sup> 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 two of four categories. The best performance was in the equity hedge category (+1.2%), followed by relative value (+1.0%). Negative performance occurred in the Macro/CTA (-2.0%) and event driven (-4.8%) categories.

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 30 bps but outperformed the secondary benchmark by 300 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 1.2 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 0.14, 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 March 31, 2018**

<b>Net of All Fees and Expenses</b>	<b>Net Return<sup>1</sup></b>	<b>Standard Deviation</b>	<b>Sharpe Ratio</b>	<b>Beta to MSCI ACWI<sup>2</sup></b>
LACERA Hedge Fund Program	5.0%	2.7%	1.76	0.14
LACERA Total Public Assets: Equities, Fixed Income, Commodities and Cash	9.3%	7.4%	1.23	0.64

<sup>1</sup> Annualized Return net of all fees and expenses since October 2011 Program inception.

<sup>2</sup> Morgan Stanley Capital International All Country World Index.

Performance Detail

Grosvenor’s Diversified, Opportunistic Credit 2013, and Opportunistic Credit 2016 portfolio returns were 1.7%, -0.7%, and 1.0%, respectively, in the first quarter as shown in **Table 3**. The two credit portfolios underperformed their primary benchmark return of 1.6%, while the diversified portfolio outperformed by 10 basis points. One credit portfolio outperformed and one underperformed their secondary benchmark return of -0.4% while the Grosvenor Diversified portfolio outperformed its secondary benchmark return of -1.0%. Quarterly performance for the GSAM Diversified portfolio was 0.4%, underperforming its primary benchmark return of 1.6%

and outperforming its secondary benchmark return of -1.0%. While performance was broadly positive across categories, large contributors to performance included macro, relative value, and equity long/short categories.

**Table 3**  
**Diversified and Opportunistic Credit Portfolios**  
**Net Performance through March 31, 2018**

<b>Net of All Fees and Expenses</b>	<b>Quarter</b>	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Inception to Date<sup>1</sup></b>
<b>Grosvenor Diversified Portfolio (San Gabriel)</b>	1.7%	4.4%	1.6%	3.0%	3.8%
T-Bills + 5% (Primary Benchmark)	1.6%	6.1%	5.5%	5.3%	5.3%
HFRX Global Hedge Fund Index (Secondary Benchmark)	-1.0%	3.2%	0.5%	1.3%	1.9%
Excess Return, Primary Benchmark	10 bps	-170 bps	-390 bps	-230 bps	-150 bps
Excess Return, Secondary Benchmark	270 bps	120 bps	110 bps	170 bps	190 bps
<b>Grosvenor Opportunistic Credit 2013 Portfolio (San Gabriel 2)</b>	-0.7%	4.5%	2.7%	4.9%	6.0%
T-Bills + 5% (Primary Benchmark)	1.6%	6.1%	5.5%	5.3%	5.3%
HFRX Fixed Income Credit Fund Index (Secondary Benchmark)	-0.4%	2.3%	0.9%	1.1%	1.7%
Excess Return, Primary Benchmark	-230 bps	-160 bps	-280 bps	-40 bps	70 bps
Excess Return, Secondary Benchmark	-30 bps	220 bps	180 bps	380 bps	430 bps
<b>Grosvenor Opportunistic Credit 2016 Portfolio (San Gabriel 3)</b>	1.0%	6.7%	N/A	N/A	10.5%
T-Bills + 5% (Primary Benchmark)	1.6%	6.1%	N/A	N/A	5.7%
HFRX Fixed Income Credit Fund Index (Secondary Benchmark)	-0.4%	2.3%	N/A	N/A	4.8%
Excess Return, Primary Benchmark	-60 bps	60 bps	N/A	N/A	480 bps
Excess Return, Secondary Benchmark	140 bps	450 bps	N/A	N/A	570 bps
<b>GSAM Diversified Portfolio</b>	0.4%	4.1%	N/A	N/A	2.2%
T-Bills + 5% (Primary Benchmark)	1.6%	6.1%	N/A	N/A	5.5%
HFRX Global Hedge Fund Index (Secondary Benchmark)	-1.0%	3.2%	N/A	N/A	0.4%
Excess Return, Primary Benchmark	-120 bps	-210 bps	N/A	N/A	-330 bps
Excess Return, Secondary Benchmark	140 bps	90 bps	N/A	N/A	180 bps

<sup>1</sup> 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 1.7% in the first quarter, three strategy categories had returns above the 1.6% absolute return of the primary benchmark. Macro, Relative Value, and Equities had positive relative performance, returning 5.2%, 2.7%, and 1.9%, respectively. Credit, Quantitative, and Multi-strategy had positive but poorer relative performance, returning 1.4%, 0.8%, and 0.5%, respectively. Commodities had poor negative performance of -3.6%.

The Opportunistic Credit 2013 portfolio returned -0.7% in the first quarter. This portfolio is winding down after its five-year investment period. At quarter end, the portfolio was comprised of six liquidating credit fund positions, cash and accrued expenses. Losses in the portfolio were largely the result of write-downs of some real estate credit positions in the UK in one fund.

The Opportunistic Credit 2016 portfolio has over two years of performance to date. During the quarter, the portfolio returned 1.0% with its entire allocation in credit strategies. In this portfolio, the largest contributions to return came from the sub-strategy categories of structured credit, specialist credit, and emerging market credit.

In the first quarter, the GSAM Diversified portfolio had performance of 0.4%. GSAM's portfolio benefitted from positive performance from equity long/short (+2.1%) strategies. Underperformance relative to benchmark or negative performance occurred in the tactical trading (+0.5%), event driven (-0.1%), and relative value (-0.9%) 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 the diversified Grosvenor portfolio were outside two of its guidelines for fund liquidity and strategy level leverage as of March 31, 2018. Changes to these guidelines were adopted at the April Board meeting and the portfolio is in compliance with the new guidelines. The San Gabriel 2 portfolio is no longer subject to compliance guideline limitations as it is in its final liquidation phase. The San Gabriel 3 and GSAM diversified portfolios were within their guidelines as of March 31, 2018.

Each Member, Board of Investments

May 24, 2018

Page 6 of 6

Summary

Over longer-term measured time periods of three years or greater, LACERA's hedge fund program, has underperformed its cash plus 5% benchmark with only slight underperformance over the since inception period. 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, equity-long short, and event driven 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:



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Jonathan Grabel  
Chief Investment Officer

JR:ct:mm



# LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

## 2018 First Quarter Hedge Fund Performance

June 13, 2018



# Program Returns

## March 31, 2018

### Total Portfolio Net Performance through March 31, 2018

<b>Net of All Fees and Expenses</b>	<b>Quarter</b>	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Inception to Date<sup>1</sup></b>
<b>Total of Four Portfolios</b>	0.9%	5.0%	2.8%	4.3%	5.0%
T-Bills + 5% (Primary Benchmark)	1.6%	6.1%	5.5%	5.3%	5.3%
HFRX Global Hedge Fund Index (Secondary Benchmark)	-1.0%	3.2%	0.5%	1.3%	1.9%
Excess Return, Primary Benchmark	-70 bps	-110 bps	-270 bps	-100 bps	-30 bps
Excess Return, Secondary Benchmark	190 bps	180 bps	230 bps	300 bps	300 bps

<sup>1</sup> Annualized returns of Total Portfolio and its benchmarks since October 2011.

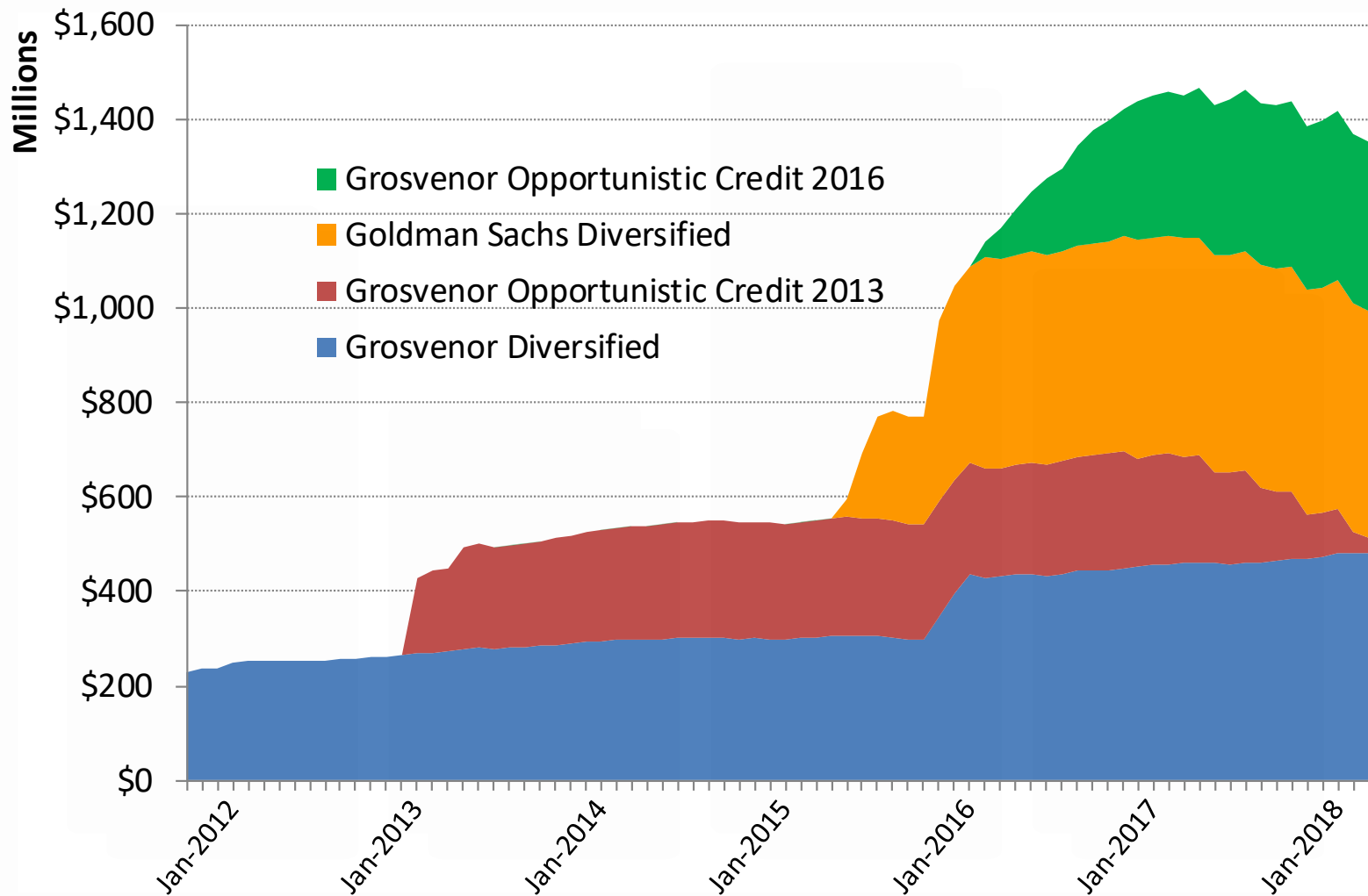
# Plan Allocation Status

## March 31, 2018

LACERA Assets	\$55,605.0 mm
Hedge Fund Program Target Allocation at 4.2% of Total Fund	\$2,335.4 mm
Grosvenor Diversified (San Gabriel) Portfolio Market Value	\$479.1 mm
Grosvenor Opportunistic Credit (San Gabriel 2) Portfolio Market Value	\$36.0 mm
Grosvenor Opportunistic Credit 2 (San Gabriel 3) Portfolio Market Value	\$357.6 mm
<b>Total GCM Grosvenor Hedge Fund Program Market Value</b>	<b>\$872.8 mm</b>
Goldman Diversified Hedge Fund Portfolio Market Value	\$479.7 mm
<b>Total GSAM Goldman Sachs Hedge Fund Program Market Value</b>	<b>\$479.7 mm</b>
<b>Total Hedge Fund Program Market Value</b>	<b>\$1,352.5 mm</b>

# Portfolio Allocation Over Time (in dollars)

## March 31, 2018



# Portfolio Returns

## March 31, 2018

Total Hedge Fund Composite	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>3</sup>
Hedge Fund Program Aggregate Portfolio <sup>1,2</sup>	0.92%	0.92%	4.99%	2.81%	4.31%	4.95%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

Goldman Sachs Diversified Portfolio	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>4</sup>
Goldman Sachs Hedge Fund of Fund <sup>1</sup>	0.36%	0.36%	4.07%	n/a	n/a	2.23%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	n/a	n/a	5.54%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	n/a	n/a	0.45%

Total Grosvenor Composite	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>3</sup>
Total Grosvenor Composite <sup>1,2</sup>	1.23%	1.23%	5.50%	3.00%	4.43%	5.05%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

Grosvenor Diversified Portfolio	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>5</sup>
San Gabriel Fund, L.P. <sup>1</sup> (Diversified)	1.72%	1.72%	4.40%	1.60%	3.03%	3.79%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

Grosvenor Opportunistic Credit Portfolio 2013	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>6</sup>
San Gabriel Fund 2, L.P. <sup>1</sup> (Opportunistic Credit)	-0.70%	-0.70%	4.50%	2.71%	4.94%	6.00%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.32%
HFRX Fixed Income Credit Index	-0.39%	-0.39%	2.27%	0.90%	1.13%	1.66%

Grosvenor Opportunistic Credit Portfolio 2016	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>7</sup>
San Gabriel Fund 3, L.P. <sup>1</sup> (Opportunistic Credit)	0.96%	0.96%	6.74%	n/a	n/a	10.54%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	n/a	n/a	5.70%
HFRX Fixed Income Credit Index	-0.39%	-0.39%	2.27%	n/a	n/a	4.82%

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).

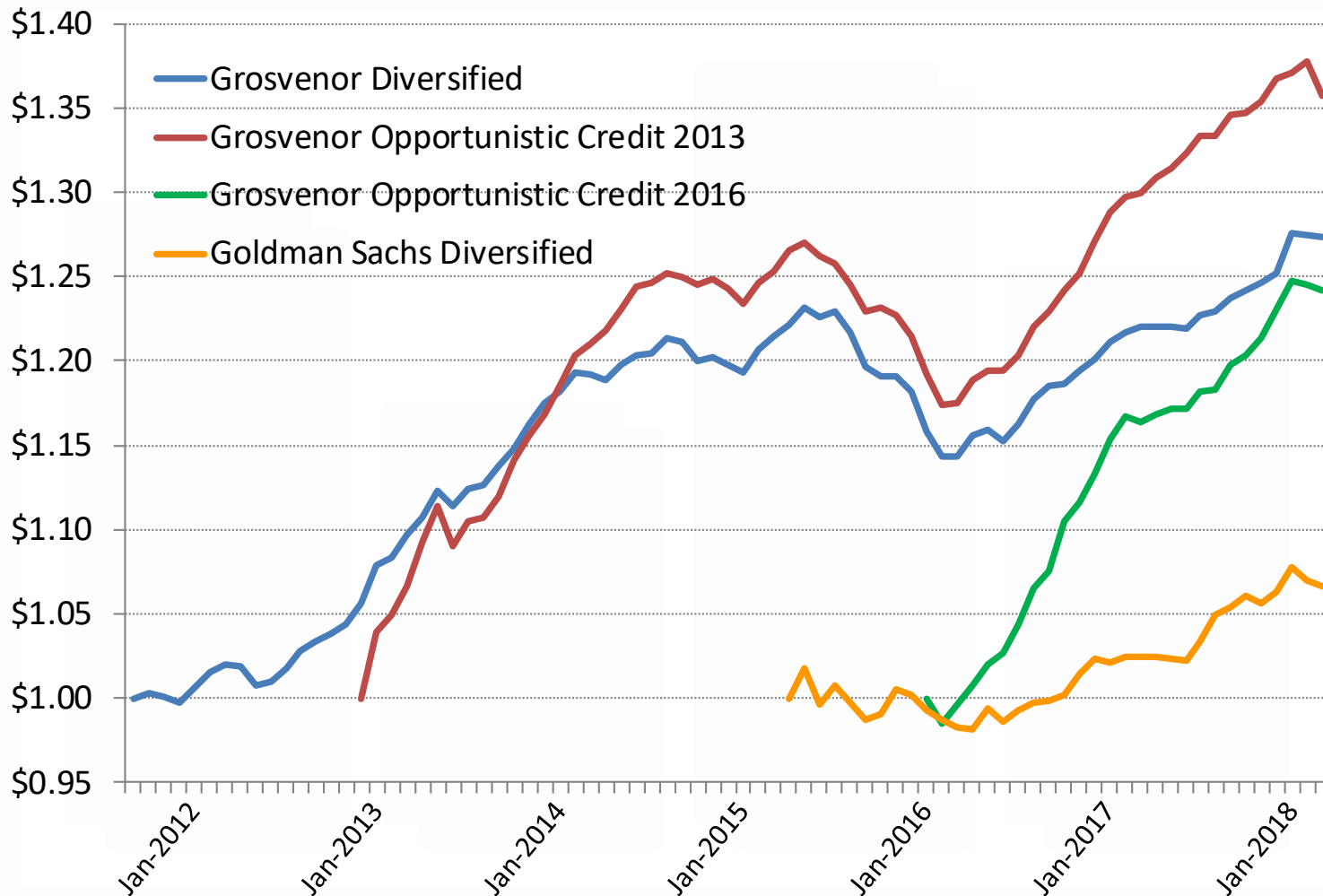
6 ITD returns for San Gabriel Fund 2, L.P. and benchmarks commence on 1/1/2013 (the inception date of the Fund).

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.

# Growth of a Dollar

## March 31, 2018



# Portfolio Risk and Return Statistics Measured Since Inception Through March 31, 2018

## LACERA Hedge Fund Portfolios

	Return <sup>1</sup>	Standard Deviation	Sharpe Ratio	Beta to MSCI ACWI	Inception
<b>Total Hedge Fund Program</b>	4.95%	2.68%	1.76	0.14	10/1/2011
<b>Goldman Sachs Diversified</b>	2.23%	3.06%	0.56	0.12	5/1/2015
<b>Grosvenor Diversified (San Gabriel)</b>	3.79%	2.59%	1.36	0.13	10/1/2011
<b>Grosvenor Opportunistic Credit (San Gabriel 2)</b>	6.00%	3.56%	1.60	0.19	1/1/2013
<b>Grosvenor Opportunistic Credit (San Gabriel 3)</b>	10.54%	3.05%	3.23	0.13	2/1/2016

## LACERA Custom Composites With and Without Hedge Funds <sup>2</sup>

	Return <sup>1</sup>	Standard Deviation	Sharpe Ratio	Beta to MSCI ACWI	Inception
<b>Total Public Equities, Fixed Income, Commodities and Cash</b>	9.32%	7.37%	1.229	0.645	10/1/2011
<b>Total Public Equities, Fixed Income, Commodities, Cash, and Hedge Funds</b>	9.26%	7.31%	1.233	0.639	10/1/2011
<b>Impact of Hedge Funds:</b>	-0.06%	-0.06%	0.003	-0.006	

<sup>1</sup> Returns are net of all fees and expenses and annualized for periods greater than one year.

<sup>2</sup> State Street, LACERA's custodian, began compiling these custom composites in June of 2013. Composite information prior to June 2013 was prepared by LACERA.

# Grosvenor Capital Management Portfolio Summary

## March 31, 2018

	1Q18	YTD	1 Year	Annualized		
				3 Year	5 Year	ITD <sup>3</sup>
Grosvenor Aggregate Portfolio <sup>1,2</sup>	1.23%	1.23%	5.50%	3.00%	4.43%	5.05%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

	1Q18	YTD	1 Year	Annualized		
				3 Year	5 Year	ITD <sup>4</sup>
San Gabriel Fund, L.P. <sup>1</sup> (Diversified)	1.72%	1.72%	4.40%	1.60%	3.03%	3.79%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

	1Q18	YTD	1 Year	Annualized		
				3 Year	5 Year	ITD <sup>5</sup>
San Gabriel Fund 2, L.P. <sup>1</sup> (Opportunistic Credit)	-0.70%	-0.70%	4.50%	2.71%	4.94%	6.00%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.32%
HFRX Fixed Income Credit Index	-0.39%	-0.39%	2.27%	0.90%	1.13%	1.66%

	1Q18	YTD	1 Year	Annualized		
				3 Year	5 Year	ITD <sup>6</sup>
San Gabriel Fund 3, L.P. <sup>1</sup> (Opportunistic Credit)	0.96%	0.96%	6.74%	-	-	10.54%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	-	-	5.70%
HFRX Fixed Income Credit Index	-0.39%	-0.39%	2.27%	-	-	4.82%

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).

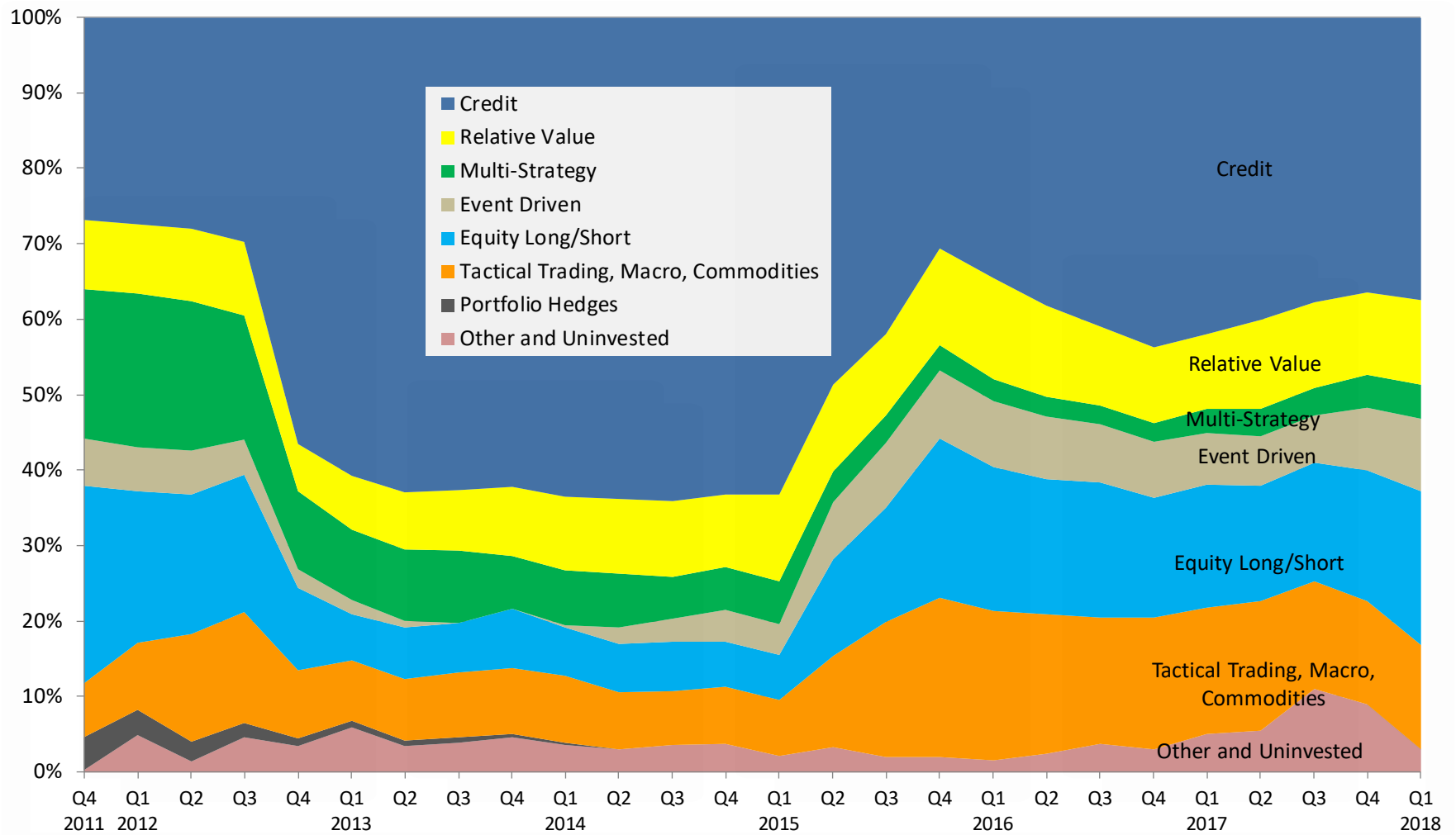
5 ITD returns for San Gabriel Fund 2, L.P. and benchmarks commence on 1/1/2013 (the inception date of the Fund).

6 ITD returns for San Gabriel Fund 3, L.P. and benchmarks commence on 2/1/2016 (the inception date of the Fund).



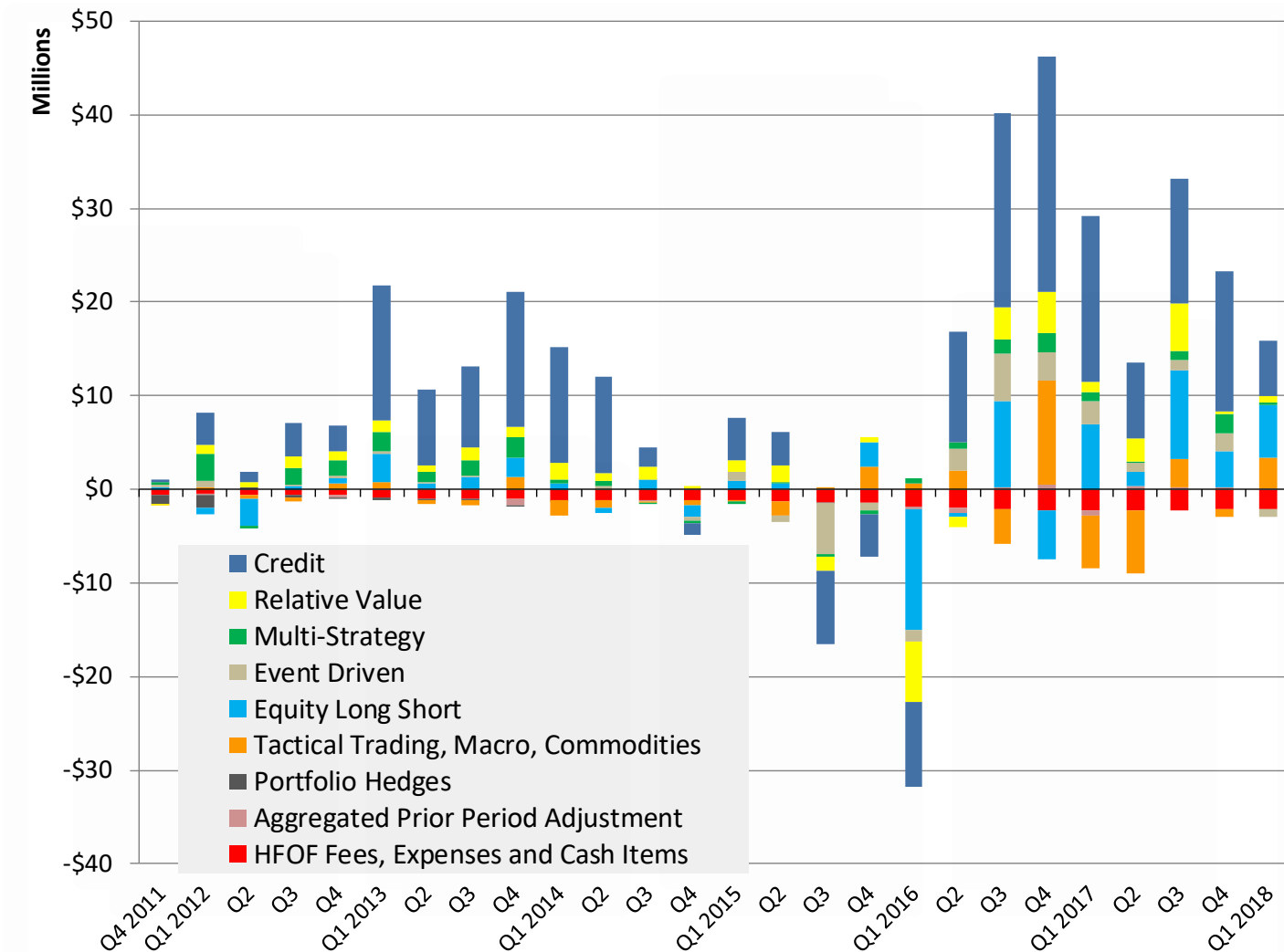
# Strategy Allocation Over Time

## March 31, 2018



# Sources of Return; Gain or Loss by Strategy in Dollars

## March 31, 2018



# Grosvenor Capital Management Summary by Category

## March 31, 2018

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 3/31/18)	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>1</sup>
Credit	\$138,352,100	(\$3,658,806)	\$1,941,586	\$136,634,881	28.52%	1.44%	1.44%	6.92%	3.76%	5.97%	7.70%
Equities	\$89,909,819	\$26,250,011	\$1,695,521	\$117,855,352	24.60%	1.89%	1.89%	5.96%	0.18%	3.09%	3.00%
Quantitative	\$19,456,915	\$2,800,000	\$304,174	\$22,561,089	4.71%	0.80%	0.80%	-0.47%	-	-	-6.75%
Macro	\$66,037,703	(\$9,652,017)	\$3,386,316	\$59,772,002	12.47%	5.16%	5.16%	6.26%	5.22%	5.60%	4.97%
Relative Value	\$58,415,814	(\$2,596,413)	\$1,536,710	\$57,356,110	11.97%	2.73%	2.73%	5.69%	3.15%	5.63%	7.45%
Multi-Strategy	\$60,033,824	\$835,814	\$286,661	\$61,156,298	12.76%	0.47%	0.47%	6.33%	6.67%	6.16%	7.80%
Commodities	\$18,605,372	(\$14,052,133)	(\$184,237)	\$4,369,002	0.91%	-3.64%	-3.64%	-13.33%	-6.22%	-8.99%	-8.22%
Portfolio Hedges	-	-	-	-	-	-	-	-	-	-	-13.68%
APPA <sup>4</sup>	-	-	(\$35,192)	(\$35,192)	-0.01%	-	-	-	-	-	-
Other <sup>5</sup>	\$1,034,725	(\$40,806)	\$18,326	\$1,012,245	0.21%	1.84%	1.84%	-	-	-	-
Uninvested <sup>6</sup>	\$19,236,755	\$114,350	(\$867,448)	\$18,483,658	3.86%	-	-	-	-	-	-
<b>Net asset value</b>	<b>\$471,083,027</b>	<b>-</b>	<b>\$8,082,419</b>	<b>\$479,165,445</b>	<b>100.00%</b>	<b>1.72%</b>	<b>1.72%</b>	<b>4.40%</b>	<b>1.60%</b>	<b>3.03%</b>	<b>3.79%</b>

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 3/31/18)	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>2</sup>
Credit	\$90,500,110	(\$59,955,421)	\$86,988	\$30,631,677	84.91%	0.25%	0.25%	7.44%	4.77%	6.64%	7.66%
Relative Value	\$2,399,115	(\$2,399,115)	-	-	-	-	-	-	-	-	-8.09%
APPA <sup>4</sup>	-	-	\$9,758	\$9,758	0.03%	-	-	-	-	-	-
Other <sup>5</sup>	-	\$710,352	(\$28,113)	\$682,239	1.89%	-3.96%	-3.96%	-	-	-	-
Uninvested <sup>6</sup>	\$905,946	\$3,944,184	(\$99,332)	\$4,750,798	13.17%	-	-	-	-	-	-
<b>Net asset value</b>	<b>\$93,805,171</b>	<b>(\$57,700,000)</b>	<b>(\$30,699)</b>	<b>\$36,074,472</b>	<b>100.00%</b>	<b>-0.70%</b>	<b>-0.70%</b>	<b>4.50%</b>	<b>2.71%</b>	<b>4.94%</b>	<b>6.00%</b>

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 3/31/18)	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>3</sup>
Credit	\$345,989,046	\$4,383,801	\$4,281,170	\$354,654,017	99.16%	1.26%	1.26%	7.75%	-	-	11.85%
APPA <sup>4</sup>	-	-	(\$201,905)	(\$201,905)	-0.06%	-	-	-	-	-	-
Uninvested <sup>6</sup>	\$8,273,835	(\$4,383,801)	(\$673,416)	\$3,216,617	0.90%	-	-	-	-	-	-
<b>Net asset value</b>	<b>\$354,262,880</b>	<b>-</b>	<b>\$3,405,849</b>	<b>\$357,668,730</b>	<b>100.00%</b>	<b>0.96%</b>	<b>0.96%</b>	<b>6.74%</b>	<b>-</b>	<b>-</b>	<b>10.54%</b>

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.

# Grosvenor Capital Management Portfolio Characteristics

## March 31, 2018

	San Gabriel Fund, L.P. <sup>1,2,6</sup>				San Gabriel Fund 2, L.P. <sup>1,3,7,8</sup>				San Gabriel Fund 3, L.P. <sup>1,3,7</sup>				Total Hedge Fund Program <sup>1,4</sup>			
<b>Volatility</b>	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	Guideline	Forward looking estimate	Realized since inception	
Standard deviation of returns	5-7%	4.4%	2.6%	≤10%	2.6%	3.6%	≤8%	4.4%	3.0%	5-8%	4.3%	2.8%			1.7	
Sharpe Ratio	≥1.0	1.41	1.39	>1.0	1.05	1.59	>1.0	1.53	3.28							
<b>Diversification</b>	Guideline	10-year historical simulation	Forward looking estimate <sup>5</sup>	Realized since inception	Guideline	10-year historical simulation	Forward looking estimate <sup>5</sup>	Realized since inception	Guideline	10-year historical simulation	Forward looking estimate <sup>5</sup>	Realized since inception	Guideline	10-year historical simulation	Forward looking estimate <sup>5</sup>	Realized since inception
Portfolio beta to MSCI World	≤0.20	0.20	0.20	0.14	≤0.30	0.06	0.06	0.20	≤0.25	0.19	0.12	0.13	≤0.25	0.19	0.17	0.15
<b>Manager Allocation</b>	Guideline	Actual			Guideline	Actual			Guideline	Actual			Guideline	Actual		
Number of investment managers	20-40	23			7-15	1			7-15	11				30		
<b>Portfolio category</b>	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%	28.1%				55.4%				99.8%				58.6%	
Relative Value	0-30%	15%	11.8%				0.0%				0.0%				6.5%	
Multi-Strategy	0-30%	15%	12.8%				0.0%				0.0%				7.0%	
Event Driven	0-25%	2%	2.4%				0.0%				0.0%				1.3%	
Equities	5-40%	20%	27.9%				0.0%				0.0%				15.3%	
Macro	0-20%	13%	13.3%				0.0%				0.0%				7.3%	
Commodities	0-15%	4%	0.9%				0.0%				0.0%				0.5%	
Portfolio Hedges	0-10%	1%	0.0%				0.0%				0.0%				0.0%	
<b>Look-through exposure category</b>					Target range	Maximum	Capital allocation		Target range	Maximum	Capital allocation					
Corporate Credit					15-40%		4.4%		<50%		29.2%					
Mortgage Credit					30-60%		33.2%		<50%		33.3%					
Structured Credit					10-25%		9.9%		<50%		23.9%					
Relative Value					0-15%		0.0%									
Other (Event Driven, Macro, Equities)					0-10%		1.9%									

- 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.

# Goldman Sachs Asset Management Portfolio Summary

## March 31, 2018

### Goldman Sachs Diversified Portfolio

	1Q18	YTD	1 Year	---- Annualized ----		ITD <sup>2</sup>
				3 Year	5 Year	
Goldman Sachs Hedge Fund of Fund <sup>1</sup>	0.36%	0.36%	4.07%	n/a	n/a	2.23%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	n/a	n/a	5.54%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	n/a	n/a	0.45%

1 Portfolio returns are net of all fees and expenses.

2 ITD returns for Goldman Sachs and benchmarks commence on 5/1/2015 (the inception date of the Fund).

# Goldman Sachs Asset Management Summary by Category

## March 31, 2018

Hedge Fund Category	QTD Opening Balance	QTD Subscriptions/ (Redemptions)	QTD Gain/(Loss)	QTD Ending Balance	% of Nav (as of 3/31/2018) <sup>2</sup>	Cumulative Returns			Annualized Returns	
						1Q2018 <sup>1</sup>	YTD	1 Year	3 Year	ITD <sup>1</sup>
Equity Long/Short	138,887,224.94	-	2,965,168.02	141,852,392.96	29.56%	2.13%	2.13%	11.53%	N/A	6.13%
Event Driven	103,911,655.18	13,120,360.00	(184,743.94)	116,847,271.24	24.35%	-0.10%	-0.10%	4.62%	N/A	2.16%
Relative Value	96,558,895.87	-	(833,086.18)	95,725,809.69	19.95%	-0.86%	-0.86%	6.55%	N/A	2.28%
Tactical Trading	105,679,567.63	13,500,000.00	185,273.06	119,364,840.69	24.88%	0.49%	0.49%	-1.38%	N/A	-0.27%
<b>Net Asset Value</b>				479,852,723.41						

<sup>1</sup> The LACERA Portfolio inceptioned on May 1, 2015. Returns less than 12 months are cumulative, not annualized. **Past performance does not guarantee future results, which may vary.**

<sup>2</sup> Based on the end equity value of the Fund.

# Grosvenor Capital Management Risk Summary

## March 31, 2018

	San Gabriel Fund, L.P.		San Gabriel Fund 2, L.P.		San Gabriel Fund 3, L.P.		Total hedge fund program	
	Guideline maximum	Leverage	Guideline maximum	Leverage	Guideline maximum	Leverage	Guideline maximum	Leverage
<b>Leverage within hedge funds</b>								
<b>Hedge fund category</b>								
Credit	3.0x	1.5x	3.0x	1.0x	3.0x	1.1x		1.3x
Relative Value	7.0x	7.7x						6.3x
Event Driven	3.0x	1.6x						1.5x
Equities	4.0x	2.6x						2.5x
Macro	20.0x	9.3x						9.2x
Other	5.0x	-	3.0x	1.0x	3.0x	2.2x%		--
<b>Downside loss</b>	Guideline	Current portfolio	Guideline	Current portfolio	Guideline	Current portfolio	Guideline	Current portfolio
Actual allocation to single fund, % of capital (at market)	7% maximum	6.0%						8.0%
% ROR impact of Severe Case Loss in a single fund (at market)	≥ -3%	-2.0%						-1.1%
Impact of Severe Case Loss in a single sub-strategy (at market)	≥ -6%	-3.8%						-2.1%
Fund-Level ROR Impact of Severe Case Loss (at market)	≥ -10%	-8.0% <sup>1</sup>	≥ -15%	-5.3% <sup>1</sup>	≥ -15%	-6.1% <sup>1</sup>		-6.5% <sup>1</sup>
Actual allocation to single investment manager, % of capital (at cost)			20% maximum	22.7%	25% maximum	16.0%		9.3%
Actual allocation to Self Liquidating Funds, % of capital (at cost)	5% maximum	3.3%						
	5% maximum	3.6%						
Actual allocation to Self Liquidating Funds, % of capital (at market)								
% ROR impact of Severe Case Loss in a single investment manager (at market)			≥ -5%	-5.2%	≥ -7%	-2.6%		-1.1%
<b>Liquidity excluding fund level and discretionary gates, notice periods, and side pocket investments<sup>2</sup></b>	Guideline	Actual	Guideline	Actual	Guideline	Actual	Guideline	Actual
Fund capital with lockups greater than 1 year but less than 2 years	<20%	6.3%						23.8%
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%	52.2%						
Fund capital available within one year, after lockups expire, including the effect of mandatory investor-level gates	>85%	84.4%					>50%	63.4%
Fund capital with quarterly or more frequent liquidity after lockups expire, excluding the effects of mandatory investor-level gates							>50%	65.1%
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.**



# Grosvenor Capital Management Compliance Summary

## March 31, 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	NO	San Gabriel Fund, L.P.'s Relative Value ("RV") leverage constraint came out of compliance as of April 1, 2018, at 7.7x compared to a 7.0x maximum, due to recent fluctuations in several underlying portfolios funds' gross notional exposure to RV and not due to any allocation changes.
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.
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	NO	Irrelevant; Portfolio in liquidation.
Allocation to single investment manager	NO	Irrelevant; Portfolio in liquidation.
Downside risk to a single investment manager	NO	Irrelevant; Portfolio in liquidation.
Maximum leverage	YES	-
Look-through exposure categories	NO	Irrelevant; Portfolio in liquidation.

### 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	-



# Goldman Sachs Asset Management Guidelines Summary

## March 31, 2018

Performance Objectives	Investment Guidelines	LACERA Portfolio	Measurement Period	In Compliance?	Date of Certification
•Target annualized return					
–Absolute: 3-month T-Bills + 500 bps	5.60%	2.3%	3 year rolling	N/A <sup>4</sup>	3/31/2018
–Relative: HFRX Global Hedge Fund Index	0.45%	2.3%	3 year rolling	N/A <sup>4</sup>	3/31/2018
•Target range of annualized volatility	3.0% – 8.0%	3.1%	3 year rolling	N/A <sup>4</sup>	3/31/2018
•Sharpe ratio	0.6 - 1.0	0.5	3 year rolling	N/A <sup>4</sup>	3/31/2018
•Beta to equity markets	0.2	0.2 <sup>1,2</sup>	3 year rolling	N/A <sup>4</sup>	3/31/2018
•Beta to fixed income markets	0.2	-0.2 <sup>3</sup>	3 year rolling	N/A <sup>4</sup>	3/31/2018
<b>Capital Allocation Constraints</b>					
•Number of investment managers	15-35	26	Monthly	Yes	3/31/2018
	Equity Hedge: 10-50%	29.6%	Monthly	Yes	3/31/2018
	Event Driven: 10-50%	24.4%	Monthly	Yes	3/31/2018
•Target/compliance range of allocation to strategies (at market)	Directional/Tactical: 10-50%	24.9%	Monthly	Yes	3/31/2018
	Relative Value: 0-40%	19.9%	Monthly	Yes	3/31/2018
	Other Assets / Liabilities (cash): <5%	1.3%	Monthly	Yes	3/31/2018
•Maximum allocation to a single fund (at market)	10%	5.9%	Monthly	Yes	3/31/2018
•Maximum allocation to a single advisor (at market)	15%	5.9%	Monthly	Yes	3/31/2018
•Maximum percentage ownership of a single fund	30%	4.9%	Quarterly	Yes	3/31/2018
<b>Downside Risk Case (See risk report)</b>					
•Portfolio-level RoR Impact of Severe Case Loss (at market)	25%	20.6%	Monthly	Yes	3/31/2018
•Severe Case Loss in a single fund (at market)	<3% Capital at Risk	1.4%	Monthly	Yes	3/31/2018
•Severe Case Loss in a single advisor (at market)	<6% Capital at Risk	1.4%	Monthly	Yes	3/31/2018
<b>Liquidity</b>					
•Hard lockup period of 1 year or greater	<20%	0.0%	Monthly	Yes	3/31/2018
•Quarterly liquidity or better (excluding locks)	>75%	79.2%	Monthly	Yes	3/31/2018
•Percent of portfolio available within 1 year (excluding locks)	>65%	81.3%	Monthly	Yes	3/31/2018
•Hard lockup more than 2 years (not to exceed three years)	<10%	0.0%	Monthly	Yes	3/31/2018
<b>Leverage</b>					
	Tactical Trading: 20x	7.2	Quarterly	Yes	3/31/2018
•Strategy level leverage	Event Driven: 4x	2.0	Quarterly	Yes	3/31/2018
	Equity Long / Short: 4x	1.8	Quarterly	Yes	3/31/2018
	Relative Value: 8x	6.2	Quarterly	Yes	3/31/2018

As of March 2018. 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 Indices 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.

# LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

## 2018 First Quarter Hedge Fund Performance

June 13, 2018



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- ❖ Tab 5 Glossary of Hedge Fund Terms

# Plan Allocation Status

## March 31, 2018

LACERA Assets	\$55,605.0 mm
Hedge Fund Program Target Allocation at 4.2% of Total Fund	\$2,335.4 mm
Grosvenor Diversified (San Gabriel) Portfolio Market Value	\$479.1 mm
Grosvenor Opportunistic Credit (San Gabriel 2) Portfolio Market Value	\$36.0 mm
Grosvenor Opportunistic Credit 2 (San Gabriel 3) Portfolio Market Value	\$357.6 mm
<b>Total GCM Grosvenor Hedge Fund Program Market Value</b>	<b>\$872.8 mm</b>
Goldman Diversified Hedge Fund Portfolio Market Value	\$479.7 mm
<b>Total GSAM Goldman Sachs Hedge Fund Program Market Value</b>	<b>\$479.7 mm</b>
<b>Total Hedge Fund Program Market Value</b>	<b>\$1,352.5 mm</b>

# Portfolio Returns

## March 31, 2018

Total Hedge Fund Composite	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>3</sup>
Hedge Fund Program Aggregate Portfolio <sup>1,2</sup>	0.92%	0.92%	4.99%	2.81%	4.31%	4.95%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

Goldman Sachs Diversified Portfolio	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>4</sup>
Goldman Sachs Hedge Fund of Fund <sup>1</sup>	0.36%	0.36%	4.07%	n/a	n/a	2.23%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	n/a	n/a	5.54%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	n/a	n/a	0.45%

Total Grosvenor Composite	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>3</sup>
Total Grosvenor Composite <sup>1,2</sup>	1.23%	1.23%	5.50%	3.00%	4.43%	5.05%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

Grosvenor Diversified Portfolio	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>5</sup>
San Gabriel Fund, L.P. <sup>1</sup> (Diversified)	1.72%	1.72%	4.40%	1.60%	3.03%	3.79%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

Grosvenor Opportunistic Credit Portfolio 2013	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>6</sup>
San Gabriel Fund 2, L.P. <sup>1</sup> (Opportunistic Credit)	-0.70%	-0.70%	4.50%	2.71%	4.94%	6.00%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.32%
HFRX Fixed Income Credit Index	-0.39%	-0.39%	2.27%	0.90%	1.13%	1.66%

Grosvenor Opportunistic Credit Portfolio 2016	--- Annualized ---					
	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>7</sup>
San Gabriel Fund 3, L.P. <sup>1</sup> (Opportunistic Credit)	0.96%	0.96%	6.74%	n/a	n/a	10.54%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	n/a	n/a	5.70%
HFRX Fixed Income Credit Index	-0.39%	-0.39%	2.27%	n/a	n/a	4.82%

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 March 31, 2018

## LACERA Hedge Fund Portfolios

	Return <sup>1</sup>	Standard Deviation	Sharpe Ratio	Beta to MSCI ACWI	Inception
<b>Total Hedge Fund Program</b>	4.95%	2.68%	1.76	0.14	10/1/2011
<b>Goldman Sachs Diversified</b>	2.23%	3.06%	0.56	0.12	5/1/2015
<b>Grosvenor Diversified (San Gabriel)</b>	3.79%	2.59%	1.36	0.13	10/1/2011
<b>Grosvenor Opportunistic Credit (San Gabriel 2)</b>	6.00%	3.56%	1.60	0.19	1/1/2013
<b>Grosvenor Opportunistic Credit (San Gabriel 3)</b>	10.54%	3.05%	3.23	0.13	2/1/2016

## LACERA Custom Composites With and Without Hedge Funds <sup>2</sup>

	Return <sup>1</sup>	Standard Deviation	Sharpe Ratio	Beta to MSCI ACWI	Inception
<b>Total Public Equities, Fixed Income, Commodities and Cash</b>	9.32%	7.37%	1.229	0.645	10/1/2011
<b>Total Public Equities, Fixed Income, Commodities, Cash, and Hedge Funds</b>	9.26%	7.31%	1.233	0.639	10/1/2011
<b>Impact of Hedge Funds:</b>	-0.06%	-0.06%	0.003	-0.006	

<sup>1</sup> Returns are net of all fees and expenses and annualized for periods greater than one year.

<sup>2</sup> State Street, LACERA's custodian, began compiling these custom composites in June of 2013. Composite information prior to June 2013 was prepared by LACERA.

# Grosvenor Capital Management

## Portfolio Fund Summary

# Portfolio Returns

Los Angeles County Employees Retirement Association (March 31, 2018)

	1Q18	YTD	1 Year	Annualized		
				3 Year	5 Year	ITD <sup>3</sup>
Grosvenor Aggregate Portfolio <sup>1,2</sup>	1.23%	1.23%	5.50%	3.00%	4.43%	5.05%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

	1Q18	YTD	1 Year	Annualized		
				3 Year	5 Year	ITD <sup>4</sup>
San Gabriel Fund, L.P. <sup>1</sup> (Diversified)	1.72%	1.72%	4.40%	1.60%	3.03%	3.79%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.27%
HFRX Global Hedge Fund Index	-1.02%	-1.02%	3.20%	0.51%	1.29%	1.94%

	1Q18	YTD	1 Year	Annualized		
				3 Year	5 Year	ITD <sup>5</sup>
San Gabriel Fund 2, L.P. <sup>1</sup> (Opportunistic Credit)	-0.70%	-0.70%	4.50%	2.71%	4.94%	6.00%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	5.52%	5.33%	5.32%
HFRX Fixed Income Credit Index	-0.39%	-0.39%	2.27%	0.90%	1.13%	1.66%

	1Q18	YTD	1 Year	Annualized		
				3 Year	5 Year	ITD <sup>6</sup>
San Gabriel Fund 3, L.P. <sup>1</sup> (Opportunistic Credit)	0.96%	0.96%	6.74%	-	-	10.54%
90-Day U.S. T-Bills plus 500 basis points	1.58%	1.58%	6.12%	-	-	5.70%
HFRX Fixed Income Credit Index	-0.39%	-0.39%	2.27%	-	-	4.82%

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 (March 31, 2018)

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 3/31/18)	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>1</sup>
Credit	\$138,352,100	(\$3,658,806)	\$1,941,586	\$136,634,881	28.52%	1.44%	1.44%	6.92%	3.76%	5.97%	7.70%
Equities	\$89,909,819	\$26,250,011	\$1,695,521	\$117,855,352	24.60%	1.89%	1.89%	5.96%	0.18%	3.09%	3.00%
Quantitative	\$19,456,915	\$2,800,000	\$304,174	\$22,561,089	4.71%	0.80%	0.80%	-0.47%	-	-	-6.75%
Macro	\$66,037,703	(\$9,652,017)	\$3,386,316	\$59,772,002	12.47%	5.16%	5.16%	6.26%	5.22%	5.60%	4.97%
Relative Value	\$58,415,814	(\$2,596,413)	\$1,536,710	\$57,356,110	11.97%	2.73%	2.73%	5.69%	3.15%	5.63%	7.45%
Multi-Strategy	\$60,033,824	\$835,814	\$286,661	\$61,156,298	12.76%	0.47%	0.47%	6.33%	6.67%	6.16%	7.80%
Commodities	\$18,605,372	(\$14,052,133)	(\$184,237)	\$4,369,002	0.91%	-3.64%	-3.64%	-13.33%	-6.22%	-8.99%	-8.22%
Portfolio Hedges	-	-	-	-	-	-	-	-	-	-	-13.68%
APPA <sup>4</sup>	-	-	(\$35,192)	(\$35,192)	-0.01%	-	-	-	-	-	-
Other <sup>5</sup>	\$1,034,725	(\$40,806)	\$18,326	\$1,012,245	0.21%	1.84%	1.84%	-	-	-	-
Uninvested <sup>6</sup>	\$19,236,755	\$114,350	(\$867,448)	\$18,483,658	3.86%	-	-	-	-	-	-
<b>Net asset value</b>	<b>\$471,083,027</b>	<b>-</b>	<b>\$8,082,419</b>	<b>\$479,165,445</b>	<b>100.00%</b>	<b>1.72%</b>	<b>1.72%</b>	<b>4.40%</b>	<b>1.60%</b>	<b>3.03%</b>	<b>3.79%</b>

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 3/31/18)	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>2</sup>
Credit	\$90,500,110	(\$59,955,421)	\$86,988	\$30,631,677	84.91%	0.25%	0.25%	7.44%	4.77%	6.64%	7.66%
Relative Value	\$2,399,115	(\$2,399,115)	-	-	-	-	-	-	-	-	-8.09%
APPA <sup>4</sup>	-	-	\$9,758	\$9,758	0.03%	-	-	-	-	-	-
Other <sup>5</sup>	-	\$710,352	(\$28,113)	\$682,239	1.89%	-3.96%	-3.96%	-	-	-	-
Uninvested <sup>6</sup>	\$905,946	\$3,944,184	(\$99,332)	\$4,750,798	13.17%	-	-	-	-	-	-
<b>Net asset value</b>	<b>\$93,805,171</b>	<b>(\$57,700,000)</b>	<b>(\$30,699)</b>	<b>\$36,074,472</b>	<b>100.00%</b>	<b>-0.70%</b>	<b>-0.70%</b>	<b>4.50%</b>	<b>2.71%</b>	<b>4.94%</b>	<b>6.00%</b>

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 3/31/18)	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>3</sup>
Credit	\$345,989,046	\$4,383,801	\$4,281,170	\$354,654,017	99.16%	1.26%	1.26%	7.75%	-	-	11.85%
APPA <sup>4</sup>	-	-	(\$201,905)	(\$201,905)	-0.06%	-	-	-	-	-	-
Uninvested <sup>6</sup>	\$8,273,835	(\$4,383,801)	(\$673,416)	\$3,216,617	0.90%	-	-	-	-	-	-
<b>Net asset value</b>	<b>\$354,262,880</b>	<b>-</b>	<b>\$3,405,849</b>	<b>\$357,668,730</b>	<b>100.00%</b>	<b>0.96%</b>	<b>0.96%</b>	<b>6.74%</b>	<b>-</b>	<b>-</b>	<b>10.54%</b>

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.**

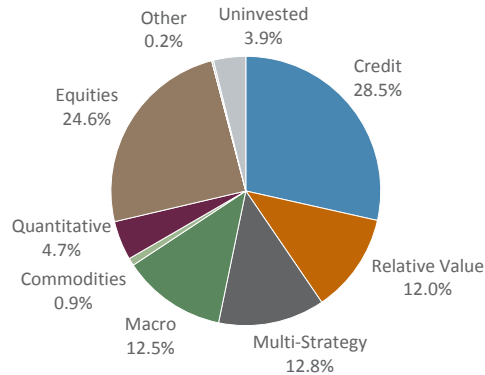
# Hedge Fund Categories

Los Angeles County Employees Retirement Association (March 31, 2018)

## San Gabriel Fund, L.P.

Asset allocation by strategy<sup>1,2</sup>

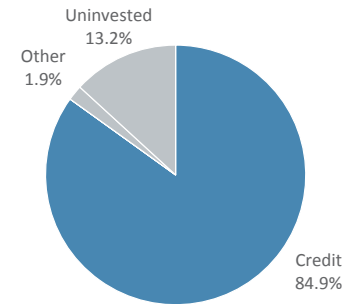
Percent of fund's net asset value



## San Gabriel Fund 2, L.P.

Asset allocation by strategy<sup>1,2</sup>

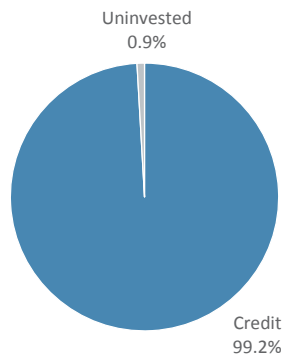
Percent of fund's net asset value



## San Gabriel Fund 3, L.P.

Asset allocation by strategy<sup>1,2</sup>

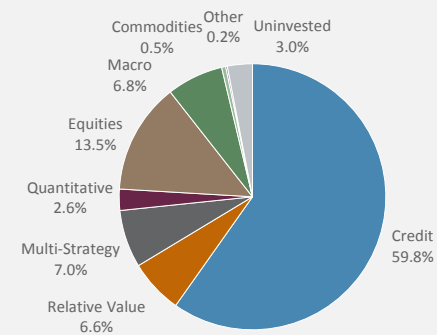
Percent of fund's net asset value



## Total Hedge Fund Program

Asset allocation by strategy<sup>1,2</sup>

Percent of fund's net asset value



<sup>1</sup> "Other" (if present) may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.

<sup>2</sup> "Uninvested" may include: cash, expenses, management fees, and net receivables/payables.

# Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (March 31, 2018)

San Gabriel Fund, L.P.						Cumulative returns			Annualized returns		
Fund Name	Fund Category	QTD ending balance	% of NAV (as of 3/31/18)	Start date of investment	End date of investment	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>1</sup>
Fund 1	Credit	\$18,088,849	3.78%	04/01/2013	Present	2.52%	2.52%	12.24%	6.05%	7.07%	7.07%
Fund 2	Credit	\$28,742,990	6.00%	02/01/2014	Present	0.67%	0.67%	8.52%	6.84%	-	6.76%
Fund 3	Credit	\$14,898,034	3.11%	05/01/2013	Present	-0.30%	-0.30%	3.94%	2.82%	-	6.26%
Fund 4	Credit	\$24,513,756	5.12%	10/01/2011	Present	1.94%	1.94%	6.37%	4.62%	7.41%	8.83%
Fund 5	Credit	\$4,949,081	1.03%	10/01/2012	Present	3.96%	3.96%	16.58%	2.54%	5.07%	5.90%
Fund 6	Credit	\$26,570,199	5.55%	10/01/2011	Present	0.32%	0.32%	4.04%	2.95%	6.76%	7.88%
Fund 7	Credit	\$16,809,940	3.51%	11/01/2017	Present	3.64%	3.64%	-	-	-	3.77%
Fund 8	Equities	\$16,302,394	3.40%	11/01/2015	Present	2.22%	2.22%	11.86%	-	-	5.20%
Fund 9	Equities	\$8,753,165	1.83%	08/01/2016	Present	-2.36%	-2.36%	2.08%	-	-	4.36%
Fund 10	Equities	\$12,387,724	2.59%	05/01/2017	Present	-1.68%	-1.68%	-	-	-	1.15%
Fund 11	Equities	\$3,035,970	0.63%	10/01/2012	Present	1.92%	1.92%	13.71%	7.38%	12.64%	12.44%
Fund 12	Equities	\$11,662,984	2.43%	07/01/2014	Present	-4.95%	-4.95%	-8.40%	-3.37%	-	-4.42%
Fund 13	Equities	\$16,595,155	3.46%	02/01/2018	Present	-1.48%	-1.48%	-	-	-	-1.48%
Fund 14	Equities	\$17,103,585	3.57%	11/01/2017	Present	5.67%	5.67%	-	-	-	4.40%
Fund 15	Equities	\$5,939,071	1.24%	11/01/2012	Present	-1.23%	-1.23%	-10.02%	-6.98%	-0.17%	2.17%
Fund 16	Equities	\$26,075,303	5.44%	11/01/2015	Present	7.33%	7.33%	27.58%	-	-	16.34%
Fund 17	Quantitative	\$22,561,089	4.71%	08/01/2017	Present	0.80%	0.80%	-	-	-	5.15%
Fund 18	Macro	\$27,924,877	5.83%	04/01/2012	Present	11.23%	11.23%	18.42%	16.89%	14.98%	13.37%
Fund 19	Macro	\$14,297,920	2.98%	05/01/2017	Present	1.61%	1.61%	-	-	-	-4.68%
Fund 20	Macro	\$17,549,206	3.66%	10/01/2013	Present	1.36%	1.36%	8.54%	3.98%	-	4.68%
Fund 21	Relative Value	\$25,581,067	5.34%	03/01/2013	Present	4.35%	4.35%	15.05%	10.04%	14.41%	14.21%
Fund 22	Relative Value	\$2,673,141	0.56%	10/01/2011	Present	0.21%	0.21%	1.90%	-0.23%	2.26%	5.89%
Fund 23	Relative Value	\$18,631,249	3.89%	05/01/2015	Present	1.57%	1.57%	7.06%	-	-	4.23%
Fund 24	Relative Value	\$3,769,077	0.79%	08/01/2015	Present	2.95%	2.95%	1.96%	-	-	-3.00%
Fund 25	Relative Value	\$6,701,577	1.40%	11/01/2015	Present	1.11%	1.11%	-24.87%	-	-	-14.86%
Fund 26	Multi-Strategy	\$24,458,430	5.10%	11/01/2011	Present	1.66%	1.66%	6.91%	8.38%	8.12%	8.54%
Fund 27	Multi-Strategy	\$17,000,956	3.55%	04/01/2017	Present	-0.25%	-0.25%	7.65%	-	-	7.65%
Fund 28	Multi-Strategy	\$19,696,913	4.11%	02/01/2017	Present	-0.35%	-0.35%	3.40%	-	-	3.91%
Fund 29	Commodities	\$4,369,002	0.91%	01/01/2015	Present	-1.95%	-1.95%	-6.92%	-12.34%	-	-13.11%
Terminated Fund 43	Macro	-	-	01/01/2016	02/01/2018	1.07%	1.07%	-4.55%	-	-	-5.86%
Terminated Fund 44	Commodities	-	-	10/01/2012	02/01/2018	-0.69%	-0.69%	-12.38%	-	-	2.10%
Terminated Fund 45	Credit	\$2,062,032	0.43%	10/01/2011	04/01/2018	1.04%	1.04%	0.88%	2.44%	4.00%	6.07%
APPA	APPA <sup>2</sup>	(\$35,192)	-0.01%	-	-	-	-	-	-	-	-
Other	Other <sup>3</sup>	\$1,012,245	0.21%	-	-	1.84%	1.84%	-	-	-	-
Total Uninvested	Uninvested <sup>4</sup>	\$18,483,658	3.86%	-	-	-	-	-	-	-	-
<b>Net asset value</b>	<b>Total</b>	<b>\$479,165,445</b>	<b>100.00%</b>			<b>1.72%</b>	<b>1.72%</b>	<b>4.40%</b>	<b>1.60%</b>	<b>3.03%</b>	<b>3.79%</b>

- 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.

**Past performance is not necessarily indicative of future results.**

# Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (March 31, 2018)

San Gabriel Fund 2, L.P.						Cumulative returns			Annualized returns		
Fund name	Fund category	QTD ending balance	% of NAV (As of 3/31/18)	Start date of investment	End date of investment	1Q18	YTD	1 Year	3 Year	5 Year	ITD <sup>1</sup>
Fund 1	Credit	\$2,758,073	7.65%	01/01/2013	Present	0.38%	0.38%	0.27%	0.11%	1.87%	2.29%
Fund 2	Credit	\$6,269,234	17.38%	04/01/2013	Present	-5.67%	-5.67%	-5.12%	4.63%	6.59%	6.59%
Fund 3	Credit	\$10,939,816	30.33%	06/01/2014	Present	3.96%	3.96%	16.58%	2.54%	-	2.45%
Terminated Fund 13	Credit	\$9,156,577	25.38%	04/01/2013	04/01/2018	-0.28%	-0.28%	3.96%	2.83%	6.27%	6.27%
Terminated Fund 14	Credit	\$1,507,977	4.18%	03/01/2014	04/01/2018	4.55%	4.55%	12.21%	10.39%	-	6.34%
APPA	APPA <sup>2</sup>	\$9,758	0.03%	-	-	-	-	-	-	-	-
Other	Other <sup>3</sup>	\$682,239	1.89%	-	-	-3.96%	-3.96%	-	-	-	-
Total Uninvested	Uninvested <sup>4</sup>	\$4,750,798	13.17%	-	-	-	-	-	-	-	-
<b>Net asset value</b>	<b>Total</b>	<b>\$36,074,472</b>	<b>100.00%</b>			<b>-0.70%</b>	<b>-0.70%</b>	<b>4.50%</b>	<b>2.71%</b>	<b>4.94%</b>	<b>6.00%</b>

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 "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.

**Past performance is not necessarily indicative of future results.**

# Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (March 31, 2018)

San Gabriel Fund 3, L.P.						Cumulative returns			Annualized returns		
Fund name	Fund category	QTD ending balance	% of NAV (As of 3/31/18)	Start date of investment	End date of investment	1Q18	YTD	1 Year	3 Year	5 year	ITD <sup>1</sup>
Fund 1	Credit	\$41,212,672	11.52%	02/01/2016	Present	0.67%	0.67%	8.52%	-	-	10.32%
Fund 2	Credit	\$30,208,153	8.45%	02/01/2016	Present	3.52%	3.52%	8.08%	-	-	6.40%
Fund 3	Credit	\$12,257,592	3.43%	02/01/2016	Present	-0.30%	-0.30%	3.95%	-	-	4.59%
Fund 4	Credit	\$41,202,224	11.52%	02/01/2016	Present	1.94%	1.94%	6.37%	-	-	8.62%
Fund 5	Credit	\$17,587,481	4.92%	06/01/2017	Present	2.25%	2.25%	-	-	-	5.68%
Fund 6	Credit	\$19,827,643	5.54%	02/01/2016	Present	2.98%	2.98%	11.00%	-	-	16.96%
Fund 7	Credit	\$10,128,338	2.83%	02/01/2018	Present	1.28%	1.28%	-	-	-	1.28%
Fund 8	Credit	\$21,562,901	6.03%	08/01/2016	Present	-12.67%	-12.67%	-17.84%	-	-	6.99%
Fund 9	Credit	\$8,869,492	2.48%	02/01/2016	Present	8.23%	8.23%	30.92%	-	-	23.58%
Fund 10	Credit	\$22,859,234	6.39%	06/01/2017	Present	1.87%	1.87%	-	-	-	11.10%
Fund 11	Credit	\$21,152,412	5.91%	02/01/2016	Present	2.85%	2.85%	17.88%	-	-	29.73%
Fund 12	Credit	\$34,721,144	9.71%	04/01/2016	Present	2.30%	2.30%	10.30%	-	-	8.89%
Fund 13	Credit	\$18,035,164	5.04%	02/01/2016	Present	2.09%	2.09%	8.68%	-	-	7.77%
Fund 14	Credit	\$18,289,216	5.11%	04/01/2017	Present	2.00%	2.00%	8.86%	-	-	8.86%
Fund 15	Credit	\$36,740,352	10.27%	03/01/2016	Present	2.66%	2.66%	9.63%	-	-	9.64%
APPA	APPA <sup>2</sup>	(\$201,905)	-0.06%	-	-	-	-	-	-	-	-
Total Uninvested	Uninvested <sup>3</sup>	\$3,216,617	0.90%	-	-	-	-	-	-	-	-
<b>Net asset value</b>	<b>Total</b>	<b>\$357,668,730</b>	<b>100.00%</b>			<b>0.96%</b>	<b>0.96%</b>	<b>6.74%</b>	-	-	<b>10.54%</b>

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.

**Past performance is not necessarily indicative of future results.**

# Portfolio Characteristics

Los Angeles County Employees Retirement Association (Allocation Period: April 1, 2018)

	San Gabriel Fund 1, L.P. <sup>1,2,6</sup>				San Gabriel Fund 2, L.P. <sup>1,3,7,8</sup>				San Gabriel Fund 3, L.P. <sup>1,3,7</sup>				Total Hedge Fund Program <sup>1,4</sup>			
	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	
<b>Volatility</b>																
Standard deviation of returns	5-7%	4.4%	2.6%		≤10%	2.6%	3.6%		≤8%	4.4%	3.0%		5-8%	4.3%	2.8%	
Sharpe Ratio	≥1.0	1.41	1.39		>1.0	1.05	1.59		>1.0	1.53	3.28				1.7	
<b>Diversification</b>																
Portfolio beta to MSCI World	≤0.20	0.20	0.20	0.14	≤0.30	0.06	0.06	0.20	≤0.25	0.19	0.12	0.13	≤0.25	0.19	0.17	0.15
<b>Manager Allocation</b>																
Number of investment managers	20-40	Actual	23		7-15	Actual	1		7-15	Actual	11			Actual	30	
<b>Portfolio category</b>																
	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%	28.1%				55.4%				99.8%				58.6%	
Relative Value	0-30%	15%	11.8%				0.0%				0.0%				6.5%	
Multi-Strategy	0-30%	15%	12.8%				0.0%				0.0%				7.0%	
Event Driven	0-25%	2%	2.4%				0.0%				0.0%				1.3%	
Equities	5-40%	20%	27.9%				0.0%				0.0%				15.3%	
Macro	0-20%	13%	13.3%				0.0%				0.0%				7.3%	
Commodities	0-15%	4%	0.9%				0.0%				0.0%				0.5%	
Portfolio Hedges	0-10%	1%	0.0%				0.0%				0.0%				0.0%	
<b>Look-through exposure category</b>																
Corporate Credit					15-40%		4.4%		<50%		29.2%					
Mortgage Credit					30-60%		33.2%		<50%		33.3%					
Structured Credit					10-25%		9.9%		<50%		23.9%					
Relative Value					0-15%		0.0%									
Other (Event Driven, Macro, Equities)					0-10%		1.9%									

- 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: April 1, 2018)

	San Gabriel Fund, L.P.		San Gabriel Fund 2, L.P.		San Gabriel Fund 3, L.P.		Total hedge fund program	
	Guideline maximum	Leverage	Guideline maximum	Leverage	Guideline maximum	Leverage	Guideline maximum	Leverage
<b>Leverage within hedge funds</b>								
<b>Hedge fund category</b>								
Credit	3.0x	1.5x	3.0x	1.0x	3.0x	1.1x		1.3x
Relative Value	7.0x	7.7x						6.3x
Event Driven	3.0x	1.6x						1.5x
Equities	4.0x	2.6x						2.5x
Macro	20.0x	9.3x						9.2x
Other	5.0x	-	3.0x	1.0x	3.0x	2.2x%		--
<b>Downside loss</b>	Guideline	Current portfolio	Guideline	Current portfolio	Guideline	Current portfolio	Guideline	Current portfolio
Actual allocation to single fund, % of capital (at market)	7% maximum	6.0%						8.0%
% ROR impact of Severe Case Loss in a single fund (at market)	≥ -3%	-2.0%						-1.1%
Impact of Severe Case Loss in a single sub-strategy (at market)	≥ -6%	-3.8%						-2.1%
Fund-Level ROR Impact of Severe Case Loss (at market)	≥ -10%	-8.0% <sup>1</sup>	≥ -15%	-5.3% <sup>1</sup>	≥ -15%	-6.1% <sup>1</sup>		-6.5% <sup>1</sup>
Actual allocation to single investment manager, % of capital (at cost)			20% maximum	22.7%	25% maximum	16.0%		9.3%
Actual allocation to Self Liquidating Funds, % of capital (at cost)	5% maximum	3.3%						
	5% maximum	3.6%						
Actual allocation to Self Liquidating Funds, % of capital (at market)								
% ROR impact of Severe Case Loss in a single investment manager (at market)			≥ -5%	-5.2%	≥ -7%	-2.6%		-1.1%
<b>Liquidity excluding fund level and discretionary gates, notice periods, and side pocket investments<sup>2</sup></b>	Guideline	Actual	Guideline	Actual	Guideline	Actual	Guideline	Actual
Fund capital with lockups greater than 1 year but less than 2 years	<20%	6.3%						23.8%
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%	52.2%						
Fund capital available within one year, after lockups expire, including the effect of mandatory investor-level gates							>50%	63.4%
							>50%	65.1%
Fund capital with quarterly or more frequent liquidity after lockups expire, excluding the effects of mandatory investor-level gates			60 months from San Gabriel 2 inception		At least 90% of the Fund's capital (at cost) 60 months from San Gabriel 3 inception			
Initial Anticipated End Date								

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: April 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	NO	San Gabriel Fund, L.P.'s Relative Value ("RV") leverage constraint came out of compliance as of April 1, 2018, at 7.7x compared to a 7.0x maximum, due to recent fluctuations in several underlying portfolios funds' gross notional exposure to RV and not due to any allocation changes.
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.
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	NO	Irrelevant; Portfolio in liquidation.
Allocation to single investment manager	NO	Irrelevant; Portfolio in liquidation.
Downside risk to a single investment manager	NO	Irrelevant; Portfolio in liquidation.
Maximum leverage	YES	-
Look-through exposure categories	NO	Irrelevant; Portfolio in liquidation.

## 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	-



## Allocation Report – San Gabriel Fund, L.P.

**Allocation Report**

Expressed in US Dollars

Period is 01 April 2018

**GABRIEL - San Gabriel Fund, L.P. (the "Fund")**

Ending Balance as of 31 March 2018 Before EOM Activity						Allocation as of 01 April 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
<u>Credit</u>											
<b>Fundamental Credit</b>											
Fund 1	18,088,849	38.63%	13.24%	3.93%	3.78%	-	18,088,849	38.63%	13.54%	3.89%	3.78%
Fund 2	28,742,990	61.37%	21.04%	6.24%	6.00%	-	28,742,990	61.37%	21.51%	6.18%	6.00%
<b>Total - Fundamental Credit</b>	<b>46,831,839</b>	<b>100.00%</b>	<b>34.28%</b>	<b>10.17%</b>	<b>9.77%</b>	<b>-</b>	<b>46,831,839</b>	<b>100.00%</b>	<b>35.04%</b>	<b>10.07%</b>	<b>9.77%</b>
<b>Structured Credit</b>											
Fund 3	14,898,034	33.58%	10.90%	3.23%	3.11%	-	14,898,034	34.31%	11.15%	3.20%	3.11%
Fund 4	24,513,756	55.26%	17.94%	5.32%	5.12%	-	24,513,756	56.46%	18.34%	5.27%	5.12%
Fund 5	4,949,081	11.16%	3.62%	1.07%	1.03%	(939,182)	4,009,899	9.23%	3.00%	0.86%	0.84%
<b>Total - Structured Credit</b>	<b>44,360,872</b>	<b>100.00%</b>	<b>32.47%</b>	<b>9.63%</b>	<b>9.26%</b>	<b>(939,182)</b>	<b>43,421,690</b>	<b>100.00%</b>	<b>32.49%</b>	<b>9.34%</b>	<b>9.06%</b>
<b>Long/Short Credit</b>											
Fund 6	26,570,199	58.47%	19.45%	5.77%	5.55%	-	26,570,199	61.25%	19.88%	5.71%	5.55%
Terminated Fund 45	2,062,032	4.54%	1.51%	0.45%	0.43%	(2,062,032)	-	-	-	-	-
Fund 7	16,809,940	36.99%	12.30%	3.65%	3.51%	-	16,809,940	38.75%	12.58%	3.62%	3.51%
<b>Total - Long/Short Credit</b>	<b>45,442,171</b>	<b>100.00%</b>	<b>33.26%</b>	<b>9.86%</b>	<b>9.48%</b>	<b>(2,062,032)</b>	<b>43,380,138</b>	<b>100.00%</b>	<b>32.46%</b>	<b>9.33%</b>	<b>9.05%</b>
<b>Total Credit</b>	<b>136,634,881</b>		<b>100.00%</b>	<b>29.66%</b>	<b>28.52%</b>	<b>(3,001,215)</b>	<b>133,633,667</b>		<b>100.00%</b>	<b>28.74%</b>	<b>27.89%</b>
<u>Equities</u>											
<b>Directional Equity / U.S./Canada</b>											
Fund 8	16,302,394	100.00%	13.83%	3.54%	3.40%	-	16,302,394	100.00%	13.53%	3.51%	3.40%
<b>Total - Directional Equity / U.S./Canada</b>	<b>16,302,394</b>	<b>100.00%</b>	<b>13.83%</b>	<b>3.54%</b>	<b>3.40%</b>	<b>-</b>	<b>16,302,394</b>	<b>100.00%</b>	<b>13.53%</b>	<b>3.51%</b>	<b>3.40%</b>
<b>Fundamental Market Neutral Equity / Global</b>											
Fund 9	8,753,165	36.20%	7.43%	1.90%	1.83%	(2,188,291)	6,564,874	29.86%	5.45%	1.41%	1.37%
Fund 10	12,387,724	51.24%	10.51%	2.69%	2.59%	-	12,387,724	56.34%	10.28%	2.66%	2.59%
Fund 11	3,035,970	12.56%	2.58%	0.66%	0.63%	-	3,035,970	13.81%	2.52%	0.65%	0.63%
<b>Total - Fundamental Market Neutral Equity / Global</b>	<b>24,176,859</b>	<b>100.00%</b>	<b>20.51%</b>	<b>5.25%</b>	<b>5.05%</b>	<b>(2,188,291)</b>	<b>21,988,568</b>	<b>100.00%</b>	<b>18.25%</b>	<b>4.73%</b>	<b>4.59%</b>
<b>Event Driven</b>											
Fund 12	11,662,984	100.00%	9.90%	2.53%	2.43%	-	11,662,984	100.00%	9.68%	2.51%	2.43%
<b>Total - Event Driven</b>	<b>11,662,984</b>	<b>100.00%</b>	<b>9.90%</b>	<b>2.53%</b>	<b>2.43%</b>	<b>-</b>	<b>11,662,984</b>	<b>100.00%</b>	<b>9.68%</b>	<b>2.51%</b>	<b>2.43%</b>

Portfolio Fund Name	Ending Balance as of 31 March 2018 Before EOM Activity					Allocation as of 01 April 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
<b>Specialist Equity / U.S./Canada</b>											
Fund 13	16,595,155	100.00%	14.08%	3.60%	3.46%	2,400,000	18,995,155	100.00%	15.77%	4.09%	3.96%
<b>Total - Specialist Equity / U.S./Canada</b>	16,595,155	100.00%	14.08%	3.60%	3.46%	2,400,000	18,995,155	100.00%	15.77%	4.09%	3.96%
<b>Specialist Equity / Asia</b>											
Fund 14	17,103,585	100.00%	14.51%	3.71%	3.57%	2,400,000	19,503,585	100.00%	16.19%	4.19%	4.07%
<b>Total - Specialist Equity / Asia</b>	17,103,585	100.00%	14.51%	3.71%	3.57%	2,400,000	19,503,585	100.00%	16.19%	4.19%	4.07%
<b>Specialist Equity / Global</b>											
Fund 15	5,939,071	18.55%	5.04%	1.29%	1.24%	-	5,939,071	18.55%	4.93%	1.28%	1.24%
Fund 16	26,075,303	81.45%	22.12%	5.66%	5.44%	-	26,075,303	81.45%	21.65%	5.61%	5.44%
<b>Total - Specialist Equity / Global</b>	32,014,374	100.00%	27.16%	6.95%	6.68%	-	32,014,374	100.00%	26.58%	6.89%	6.68%
Total Equities	117,855,352		100.00%	25.58%	24.60%	2,611,709	120,467,061		100.00%	25.91%	25.14%
<u>Quantitative</u>											
<b>Non-Directional Quantitative</b>											
Fund 17	22,561,089	100.00%	100.00%	4.90%	4.71%	2,400,000	24,961,089	100.00%	100.00%	5.37%	5.21%
<b>Total - Non-Directional Quantitative</b>	22,561,089	100.00%	100.00%	4.90%	4.71%	2,400,000	24,961,089	100.00%	100.00%	5.37%	5.21%
Total Quantitative	22,561,089		100.00%	4.90%	4.71%	2,400,000	24,961,089		100.00%	5.37%	5.21%
<u>Macro</u>											
<b>Diversified Macro</b>											
Fund 18	27,924,877	66.14%	46.72%	6.06%	5.83%	-	27,924,877	62.72%	43.93%	6.01%	5.83%
Fund 19	14,297,920	33.86%	23.92%	3.10%	2.98%	2,300,000	16,597,920	37.28%	26.11%	3.57%	3.46%
<b>Total - Diversified Macro</b>	42,222,797	100.00%	70.64%	9.17%	8.81%	2,300,000	44,522,797	100.00%	70.04%	9.58%	9.29%
<b>Specialist Macro</b>											
Fund 20	17,549,206	100.00%	29.36%	3.81%	3.66%	1,500,000	19,049,206	100.00%	29.96%	4.10%	3.98%
<b>Total - Specialist Macro</b>	17,549,206	100.00%	29.36%	3.81%	3.66%	1,500,000	19,049,206	100.00%	29.96%	4.10%	3.98%
Total Macro	59,772,002		100.00%	12.97%	12.47%	3,800,000	63,572,002		100.00%	13.67%	13.27%
<u>Relative Value</u>											
<b>Diversified Relative Value</b>											
Fund 21	25,581,067	54.56%	44.60%	5.55%	5.34%	-	25,581,067	55.63%	45.32%	5.50%	5.34%
Fund 22	2,673,141	5.70%	4.66%	0.58%	0.56%	(904,777)	1,768,364	3.85%	3.13%	0.38%	0.37%
Fund 23	18,631,249	39.74%	32.48%	4.04%	3.89%	-	18,631,249	40.52%	33.00%	4.01%	3.89%
<b>Total - Diversified Relative Value</b>	46,885,457	100.00%	81.74%	10.18%	9.78%	(904,777)	45,980,680	100.00%	81.45%	9.89%	9.60%
<b>Option Volatility Arbitrage</b>											
Fund 24	3,769,077	36.00%	6.57%	0.82%	0.79%	-	3,769,077	36.00%	6.68%	0.81%	0.79%
Fund 25	6,701,577	64.00%	11.68%	1.45%	1.40%	-	6,701,577	64.00%	11.87%	1.44%	1.40%
<b>Total - Option Volatility Arbitrage</b>	10,470,654	100.00%	18.26%	2.27%	2.19%	-	10,470,654	100.00%	18.55%	2.25%	2.19%
Total Relative Value	57,356,110		100.00%	12.45%	11.97%	(904,777)	56,451,334		100.00%	12.14%	11.78%

Ending Balance as of 31 March 2018 Before EOM Activity						Allocation as of 01 April 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
<b>Multi-Strategy</b>											
<b>Diversified Multi-Strategy</b>											
Fund 26	24,458,430	39.99%	39.99%	5.31%	5.10%	-	24,458,430	39.99%	39.99%	5.26%	5.10%
Fund 27	17,000,956	27.80%	27.80%	3.69%	3.55%	-	17,000,956	27.80%	27.80%	3.66%	3.55%
Fund 28	19,696,913	32.21%	32.21%	4.28%	4.11%	-	19,696,913	32.21%	32.21%	4.24%	4.11%
<b>Total - Diversified Multi-Strategy</b>	<b>61,156,298</b>	<b>100.00%</b>	<b>100.00%</b>	<b>13.28%</b>	<b>12.76%</b>	<b>-</b>	<b>61,156,298</b>	<b>100.00%</b>	<b>100.00%</b>	<b>13.15%</b>	<b>12.76%</b>
Total Multi-Strategy	61,156,298		100.00%	13.28%	12.76%	-	61,156,298		100.00%	13.15%	12.76%
<b>Commodities</b>											
<b>Specialist Commodities</b>											
Fund 29	4,369,002	100.00%	100.00%	0.95%	0.91%	-	4,369,002	100.00%	100.00%	0.94%	0.91%
<b>Total - Specialist Commodities</b>	<b>4,369,002</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.95%</b>	<b>0.91%</b>	<b>-</b>	<b>4,369,002</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.94%</b>	<b>0.91%</b>
Total Commodities	4,369,002		100.00%	0.95%	0.91%	-	4,369,002		100.00%	0.94%	0.91%
<b>Aggregated Prior Period Adjustment</b>											
<b>Multi-Manager</b>											
APPA USD	(35,192)	100.00%	100.00%	-0.01%	-0.01%	-	(35,192)	100.00%	100.00%	-0.01%	-0.01%
<b>Total - Multi-Manager</b>	<b>(35,192)</b>	<b>100.00%</b>	<b>100.00%</b>	<b>-0.01%</b>	<b>-0.01%</b>	<b>-</b>	<b>(35,192)</b>	<b>100.00%</b>	<b>100.00%</b>	<b>-0.01%</b>	<b>-0.01%</b>
Total Aggregated Prior Period Adjustment	(35,192)		100.00%	-0.01%	-0.01%	-	(35,192)		100.00%	-0.01%	-0.01%
<b>Other</b>											
<b>Other Investments</b>											
Terminated Fund 38	627,089	61.95%	61.95%	0.14%	0.13%	(627,089)	-	-	-	-	-
Terminated Fund 25	12,174	1.20%	1.20%	0.00%	0.00%	-	12,174	3.25%	3.25%	0.00%	0.00%
Terminated Fund 32	285,100	28.17%	28.17%	0.06%	0.06%	(10,633)	274,467	73.28%	73.28%	0.06%	0.06%
Terminated Fund 4	87,882	8.68%	8.68%	0.02%	0.02%	-	87,882	23.47%	23.47%	0.02%	0.02%
<b>Total - Other Investments</b>	<b>1,012,245</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.22%</b>	<b>0.21%</b>	<b>(637,722)</b>	<b>374,523</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.08%</b>	<b>0.08%</b>
Total Other	1,012,245		100.00%	0.22%	0.21%	(637,722)	374,523		100.00%	0.08%	0.08%
<b>Total ALLOCATED</b>	<b>460,681,788</b>			<b>100.00%</b>	<b>96.14%</b>	<b>4,267,995</b>	<b>464,949,783</b>			<b>100.00%</b>	<b>97.03%</b>
Cash	5,311,366				1.11%	6,264,778	11,576,145				2.42%
Expenses	(219,819)				-0.05%	38,481	(181,338)				-0.04%
Management Fees	(252)				0.00%	838,546	838,294				0.17%
Net Rec/(Pay)	13,392,362				2.79%	(11,409,801)	1,982,561				0.41%
<b>Total UNALLOCATED</b>	<b>18,483,658</b>				<b>3.86%</b>	<b>(4,267,995)</b>	<b>14,215,662</b>				<b>2.97%</b>
<b>NET ASSET VALUE</b>	<b>479,165,445</b>				<b>100.00%</b>	<b>0</b>	<b>479,165,445</b>				<b>100.00%</b>

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Run Date: 17 May 2018 07:19 PM

## Allocation Report – San Gabriel Fund 2, L.P.

**Allocation Report**

Expressed in US Dollars

Period is 01 April 2018

**GABRIEL2 - San Gabriel Fund 2, L.P. (the "Fund")**

Portfolio Fund Name	Ending Balance as of 31 March 2018 Before EOM Activity					Allocation as of 01 April 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
<u>Credit</u>											
<b>Structured Credit</b>											
Fund 1	2,758,073	9.47%	9.00%	8.81%	7.65%	-	2,758,073	15.42%	15.42%	14.84%	7.65%
Terminated Fund 13	9,156,577	31.44%	29.89%	29.23%	25.38%	(9,156,577)	-	-	-	-	-
Fund 2	6,269,234	21.53%	20.47%	20.01%	17.38%	-	6,269,234	35.04%	35.04%	33.74%	17.38%
Fund 3	10,939,816	37.56%	35.71%	34.93%	30.33%	(2,076,038)	8,863,778	49.54%	49.54%	47.70%	24.57%
<b>Total - Structured Credit</b>	<b>29,123,700</b>	<b>100.00%</b>	<b>95.08%</b>	<b>92.98%</b>	<b>80.73%</b>	<b>(11,232,615)</b>	<b>17,891,085</b>	<b>100.00%</b>	<b>100.00%</b>	<b>96.28%</b>	<b>49.59%</b>
<b>Emerging Market Credit</b>											
Terminated Fund 14	1,507,977	100.00%	4.92%	4.81%	4.18%	(1,507,977)	-	-	-	-	-
<b>Total - Emerging Market Credit</b>	<b>1,507,977</b>	<b>100.00%</b>	<b>4.92%</b>	<b>4.81%</b>	<b>4.18%</b>	<b>(1,507,977)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Credit</b>	<b>30,631,677</b>		<b>100.00%</b>	<b>97.79%</b>	<b>84.91%</b>	<b>(12,740,592)</b>	<b>17,891,085</b>		<b>100.00%</b>	<b>96.28%</b>	<b>49.59%</b>
<u>Aggregated Prior Period Adjustment</u>											
<b>Multi-Manager</b>											
APPA USD	9,758	100.00%	100.00%	0.03%	0.03%	-	9,758	100.00%	100.00%	0.05%	0.03%
<b>Total - Multi-Manager</b>	<b>9,758</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>-</b>	<b>9,758</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.05%</b>	<b>0.03%</b>
Total Aggregated Prior Period Adjustment	9,758		100.00%	0.03%	0.03%	-	9,758		100.00%	0.05%	0.03%
<u>Other</u>											
<b>Other Investments</b>											
Terminated Fund 11	682,239	100.00%	100.00%	2.18%	1.89%	-	682,239	100.00%	100.00%	3.67%	1.89%
<b>Total - Other Investments</b>	<b>682,239</b>	<b>100.00%</b>	<b>100.00%</b>	<b>2.18%</b>	<b>1.89%</b>	<b>-</b>	<b>682,239</b>	<b>100.00%</b>	<b>100.00%</b>	<b>3.67%</b>	<b>1.89%</b>
Total Other	682,239		100.00%	2.18%	1.89%	-	682,239		100.00%	3.67%	1.89%
<b>Total ALLOCATED</b>	<b>31,323,674</b>			<b>100.00%</b>	<b>86.83%</b>	<b>(12,740,592)</b>	<b>18,583,082</b>			<b>100.00%</b>	<b>51.51%</b>
Cash	1,307,223				3.62%	14,091,481	15,398,704				42.69%
Expenses	(72,024)				-0.20%	10,041	(61,982)				-0.17%
Management Fees	(4,717)				-0.01%	56,076	51,359				0.14%
Net Rec/(Pay)	3,520,315				9.76%	(1,417,006)	2,103,309				5.83%
<b>Total UNALLOCATED</b>	<b>4,750,798</b>				<b>13.17%</b>	<b>12,740,592</b>	<b>17,491,389</b>				<b>48.49%</b>
<b>NET ASSET VALUE</b>	<b>36,074,472</b>				<b>100.00%</b>	<b>-</b>	<b>36,074,472</b>				<b>100.00%</b>

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## Allocation Report – San Gabriel Fund 3, L.P.

**Allocation Report**

Expressed in US Dollars

Period is 01 April 2018

**GABRIEL3 - San Gabriel Fund 3, L.P. (the "Fund")**

Portfolio Fund Name	Ending Balance as of 31 March 2018 Before EOM Activity					Allocation as of 01 April 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
<b>Credit</b>											
<b>Fundamental Credit</b>											
Fund 1	41,212,672	100.00%	11.62%	11.63%	11.52%	-	41,212,672	100.00%	11.59%	11.60%	11.52%
<b>Total - Fundamental Credit</b>	41,212,672	100.00%	11.62%	11.63%	11.52%	-	41,212,672	100.00%	11.59%	11.60%	11.52%
<b>Structured Credit</b>											
Fund 2	30,208,153	24.95%	8.52%	8.52%	8.45%	-	30,208,153	24.95%	8.50%	8.50%	8.45%
Fund 3	12,257,592	10.12%	3.46%	3.46%	3.43%	-	12,257,592	10.12%	3.45%	3.45%	3.43%
Fund 4	41,202,224	34.03%	11.62%	11.62%	11.52%	-	41,202,224	34.03%	11.59%	11.60%	11.52%
Fund 5	17,587,481	14.53%	4.96%	4.96%	4.92%	-	17,587,481	14.53%	4.95%	4.95%	4.92%
Fund 6	19,827,643	16.38%	5.59%	5.59%	5.54%	-	19,827,643	16.38%	5.58%	5.58%	5.54%
<b>Total - Structured Credit</b>	121,083,093	100.00%	34.14%	34.16%	33.85%	-	121,083,093	100.00%	34.06%	34.08%	33.85%
<b>Distressed</b>											
Fund 7	10,128,338	31.96%	2.86%	2.86%	2.83%	-	10,128,338	31.96%	2.85%	2.85%	2.83%
Fund 8	21,562,901	68.04%	6.08%	6.08%	6.03%	-	21,562,901	68.04%	6.07%	6.07%	6.03%
<b>Total - Distressed</b>	31,691,239	100.00%	8.94%	8.94%	8.86%	-	31,691,239	100.00%	8.91%	8.92%	8.86%
<b>Emerging Market Credit</b>											
Fund 9	8,869,492	16.77%	2.50%	2.50%	2.48%	-	8,869,492	17.28%	2.50%	2.50%	2.48%
Fund 10	22,859,234	43.23%	6.45%	6.45%	6.39%	-	22,859,234	44.55%	6.43%	6.43%	6.39%
Fund 11	21,152,412	40.00%	5.96%	5.97%	5.91%	(1,566,487)	19,585,925	38.17%	5.51%	5.51%	5.48%
<b>Total - Emerging Market Credit</b>	52,881,138	100.00%	14.91%	14.92%	14.79%	(1,566,487)	51,314,651	100.00%	14.44%	14.44%	14.35%
<b>Specialist Credit</b>											
Fund 12	34,721,144	32.21%	9.79%	9.80%	9.71%	-	34,721,144	31.51%	9.77%	9.77%	9.71%
Fund 13	18,035,164	16.73%	5.09%	5.09%	5.04%	-	18,035,164	16.37%	5.07%	5.08%	5.04%
Fund 14	18,289,216	16.97%	5.16%	5.16%	5.11%	2,400,000	20,689,216	18.78%	5.82%	5.82%	5.78%
Fund 15	36,740,352	34.09%	10.36%	10.37%	10.27%	-	36,740,352	33.34%	10.34%	10.34%	10.27%
<b>Total - Specialist Credit</b>	107,785,876	100.00%	30.39%	30.41%	30.14%	2,400,000	110,185,876	100.00%	31.00%	31.01%	30.81%
<b>Total Credit</b>	354,654,017		100.00%	100.06%	99.16%	833,513	355,487,530		100.00%	100.06%	99.39%

Portfolio Fund Name	Ending Balance as of 31 March 2018 Before EOM Activity					Allocation as of 01 April 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
<b>Aggregated Prior Period Adjustment</b>											
<b>Multi-Manager</b>											
APPA USD	(201,905)	100.00%	100.00%	-0.06%	-0.06%	-	(201,905)	100.00%	100.00%	-0.06%	-0.06%
<b>Total - Multi-Manager</b>	<b>(201,905)</b>	<b>100.00%</b>	<b>100.00%</b>	<b>-0.06%</b>	<b>-0.06%</b>	<b>-</b>	<b>(201,905)</b>	<b>100.00%</b>	<b>100.00%</b>	<b>-0.06%</b>	<b>-0.06%</b>
Total Aggregated Prior Period Adjustment	(201,905)		100.00%	-0.06%	-0.06%	-	(201,905)		100.00%	-0.06%	-0.06%
<b>Total ALLOCATED</b>	<b>354,452,112</b>			<b>100.00%</b>	<b>99.10%</b>	<b>833,513</b>	<b>355,285,625</b>			<b>100.00%</b>	<b>99.33%</b>
Cash	956,817				0.27%	912,716	1,869,533				0.52%
Expenses	(138,858)				-0.04%	26,650	(112,207)				-0.03%
Management Fees	(1,343)				0.00%	627,121	625,778				0.18%
Net Rec/(Pay)	2,400,000				0.67%	(2,400,000)	-				-
<b>Total UNALLOCATED</b>	<b>3,216,617</b>				<b>0.90%</b>	<b>(833,513)</b>	<b>2,383,105</b>				<b>0.67%</b>
<b>NET ASSET VALUE</b>	<b>357,668,730</b>				<b>100.00%</b>	<b>-</b>	<b>357,668,730</b>				<b>100.00%</b>

**Notes and Disclosures**

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Please review the notes following this report.

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**Asset  
Management**

# Goldman Sachs Asset Management

## Portfolio Fund Summary

## Hedge Fund Categories

Los Angeles County Employees Retirement Association (March 31, 2018)

Hedge Fund Category	QTD Opening Balance	QTD Subscriptions/ (Redemptions)	QTD Gain/(Loss)	QTD Ending Balance	% of Nav (as of 3/31/2018) <sup>2</sup>	Cumulative Returns			Annualized Returns	
						1Q2018 <sup>1</sup>	YTD	1 Year	3 Year	ITD <sup>1</sup>
Equity Long/Short	138,887,224.94	-	2,965,168.02	141,852,392.96	29.56%	2.13%	2.13%	11.53%	N/A	6.13%
Event Driven	103,911,655.18	13,120,360.00	(184,743.94)	116,847,271.24	24.35%	-0.10%	-0.10%	4.62%	N/A	2.16%
Relative Value	96,558,895.87	-	(833,086.18)	95,725,809.69	19.95%	-0.86%	-0.86%	6.55%	N/A	2.28%
Tactical Trading	105,679,567.63	13,500,000.00	185,273.06	119,364,840.69	24.88%	0.49%	0.49%	-1.38%	N/A	-0.27%
<b>Net Asset Value</b>				479,852,723.41						

<sup>1</sup>The LACERA Portfolio inceptioned on May 1, 2015. Returns less than 12 months are cumulative, not annualized. **Past performance does not guarantee future results, which may vary.**

<sup>2</sup>Based on the end equity value of the Fund.

Overview

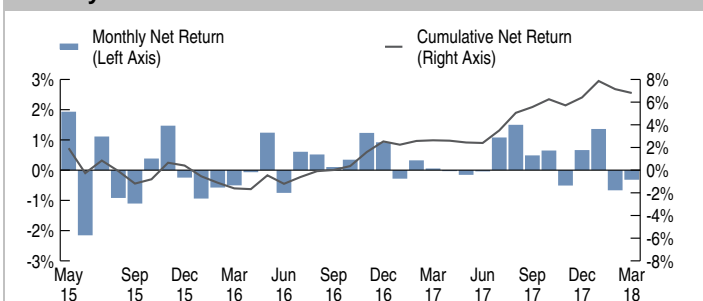
Equity markets were broadly down for the month, with the US underperforming European and emerging markets, driven by large losses during the latter part of the month on concerns around President Trump's decision to impose tariffs on Chinese imports, and the possibility for an ensuing trade war.

Equity long/short managers generated negative absolute returns but generated modest exposure-adjusted excess returns as equity markets continue to push lower. Concerns around an intensifying trade war between the US and notably China, ultimately drove equity markets down further despite the Trump Administration's efforts to cool trade tensions. Controversy surrounding the Facebook and Cambridge Analytica data scandal, dampened performance for the broader technology sector, which in turn negatively affected equity long/short managers during the month. Losses were driven by long software and services positions and were heightened by managers' overweight to the information technology sector, even though the materials sector drove negative long exposure-adjusted excess returns.

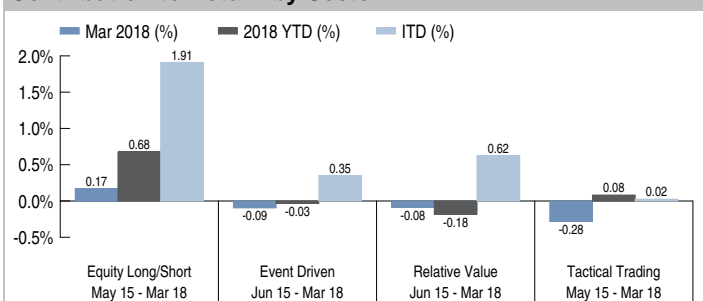
Event driven managers generated negative performance in March, but outperformed global equities on an absolute and beta-adjusted basis. Event driven managers' equity sub-strategies also generated negative performance, though outperformed equity indices due to positive contribution from stock selection within healthcare and consumer staples. Merger spreads for commonly held deals widened, underperforming spreads for the broader universe. Stressed/distressed strategies detracted, but outperformed the HFRX Distressed/Restructuring Index, likely due to managers' relative underweight to several distressed energy credits and positive contribution from exposure to the distressed debt of a municipal issuer.

Developed market managers were generally negative, as short fixed income and long equities detracted. In fixed income, short positions in the US detracted, as did curve positions, which mostly have a steepening bias, in both the US and Europe. Fixed income relative value trading saw slight gains, largely unaffected by the broader market volatility, while volatility trading was also positive as implied volatility rose a little, creating spread trading opportunities. Despite the selloff in emerging market (EM) equities, EM fixed income markets were up slightly for the month. CTAs were flat in aggregate for the month as gains from fixed income, commodities, currencies were offset by losses coming from equities. Within fixed income, gains were driven by a long bias to European bonds as well as a short bias to short-term interest rates. Conversely, a short bias to US fixed income detracted. Trading in commodities further added to manager performance driven by a long bias to energies, as well as a short bias to agricultural. Trading in currencies was also positive as managers broadly benefited from a short US dollar bias. However, these gains were offset by losses coming from a long bias to equities expressed through positions in US, European, and Asian indices.

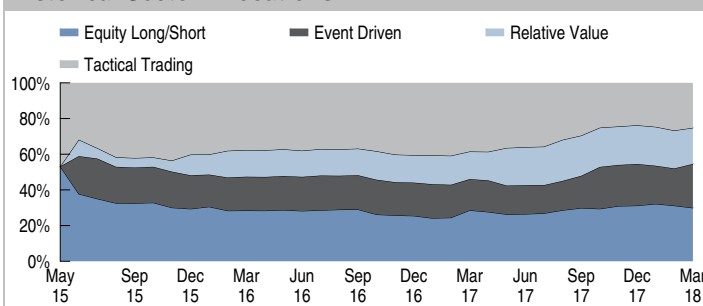
Monthly & Cumulative Net Returns<sup>1</sup>



Contribution to Return by Sector<sup>2</sup>



Historical Sector Allocations<sup>3</sup>



Performance & Characteristics<sup>1</sup>

	Cumulative (%)			Annualized (%)					Max. Vol ITD	Max. Drawdown (%)	- MSCI World USD -		- Barclays Agg -		Sharpe Ratio <sup>5</sup>	Inception Date
	MTD	QTD	YTD	1Y	3Y	5Y	ITD <sup>4</sup>	Correlation			Beta	Correlation	Beta			
LACERA (A1)	-0.32	0.37	0.37	4.07	N/A	N/A	2.28	3.08	-3.54	0.56	0.17	-0.19	-0.21	0.46	May 15	
HFRX Global Hedge Fund Index	-0.98	-1.02	-1.02	3.20	N/A	N/A	0.45	4.03	-8.92	0.90	0.36	-0.05	-0.07	-0.10	May 15	
MSCI World Index Hedged USD	-2.48	-2.46	-2.46	8.57	N/A	N/A	5.30	10.15	-12.43	1.00	1.00	-0.07	-0.25	0.44	May 15	
Bloomberg Barclays Aggregate Bond Index	0.64	-1.46	-1.46	1.20	N/A	N/A	1.37	2.72	-3.28	-0.07	-0.02	1.00	1.00	0.19	May 15	
3 Month Libor	0.14	0.41	0.41	1.37	N/A	N/A	0.86	0.13	N/A	N/A	N/A	N/A	N/A	N/A	May 15	

For Existing Investors Only. Past performance does not guarantee future results, which may vary. Please refer to the Disclosures page for important information.

[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:  $(1+r_1)(1+r_2) \dots (1+r_n) - 1$ . Annualized geometric returns for returns greater than 12 months are calculated as follows:  $[(1+r_1)(1+r_2) \dots (1+r_n)]^{12/m} - 1$ .

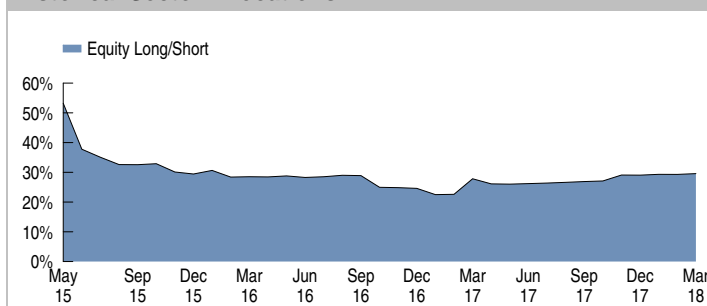
[3] Based on invested assets. The investment manager may change the allocations over time. The allocations noted should not be deemed representative of allocations in the future. All the allocations were done using the portfolio's valuations at month-end.

[4] Returns less than 12 months are cumulative, not annualized.

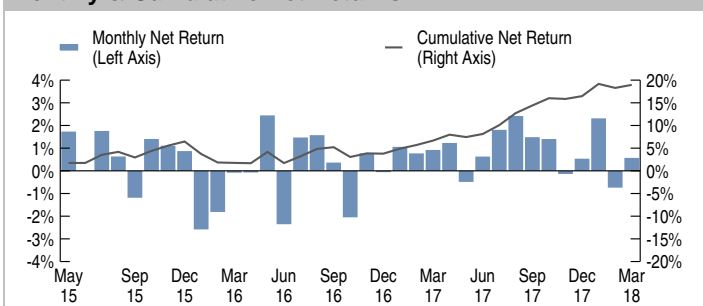
[5] The 3 Month Libor (USD) rate is used for this calculation.

Sector Level Returns — Equity Long/Short

Historical Sector Allocations<sup>1</sup>



Monthly & Cumulative Net Returns<sup>2</sup>

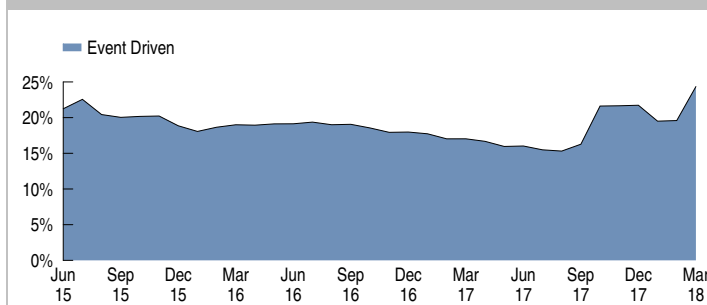


Performance & Characteristics<sup>2,3</sup>

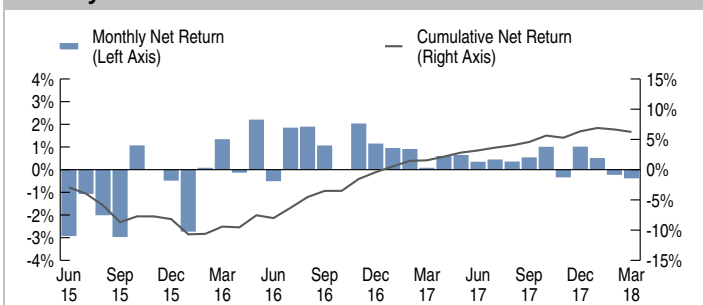
	Weight <sup>1</sup> (%)	Cumulative (%)			Annualized (%)				Max. Drawdown (%)	- MSCI World USD-		- Barclays Agg-		Sharpe Ratio <sup>5</sup>	Inception Date	End Date	
		MTD	QTD	YTD	1Y	3Y	5Y	ITD <sup>4</sup>		Vol ITD	Correlation	Beta	Correlation				Beta
Performance	29.56	0.57	2.13	2.13	11.53	N/A	N/A	6.13	4.54	-4.50	0.50	0.22	-0.26	-0.44	1.16	May 15	Mar 18
Contribution	N/A	0.17	0.68	0.68	3.23	N/A	N/A	1.91	1.40	N/A	N/A	N/A	N/A	N/A	N/A	May 15	Mar 18

Sector Level Returns — Event Driven

Historical Sector Allocations<sup>1</sup>



Monthly & Cumulative Net Returns<sup>2</sup>



Performance & Characteristics<sup>2,3</sup>

	Weight <sup>1</sup> (%)	Cumulative (%)			Annualized (%)				Max. Drawdown (%)	- MSCI World USD-		- Barclays Agg-		Sharpe Ratio <sup>5</sup>	Inception Date	End Date	
		MTD	QTD	YTD	1Y	3Y	5Y	ITD <sup>4</sup>		Vol ITD	Correlation	Beta	Correlation				Beta
Performance	24.35	-0.38	-0.10	-0.10	4.62	N/A	N/A	2.16	4.54	-10.69	0.73	0.32	-0.15	-0.25	0.28	Jun 15	Mar 18
Contribution	N/A	-0.09	-0.03	-0.03	0.86	N/A	N/A	0.35	0.90	N/A	N/A	N/A	N/A	N/A	N/A	Jun 15	Mar 18

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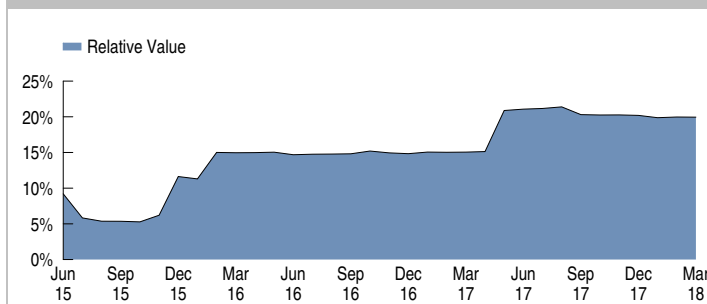
$[(1+r_1)(1+r_2)\dots(1+r_n)]^{1/2m}-1$ .

[4] Returns less than 12 months are cumulative, not annualized.

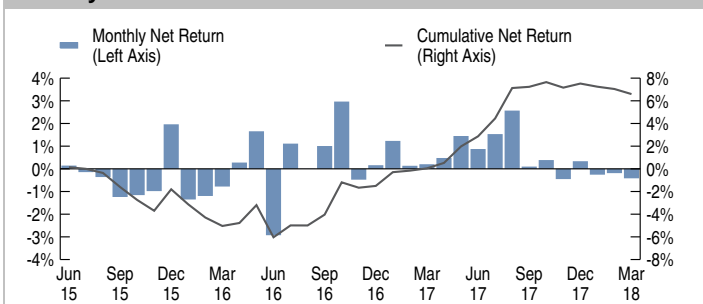
[5] The 3 Month Libor (USD) rate is used for this calculation.

Sector Level Returns — Relative Value

Historical Sector Allocations<sup>1</sup>



Monthly & Cumulative Net Returns<sup>2</sup>

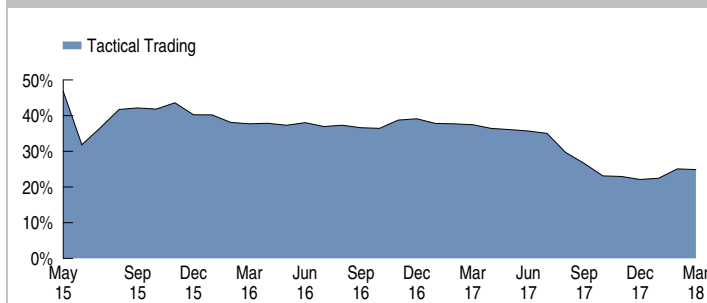


Performance & Characteristics<sup>2,3</sup>

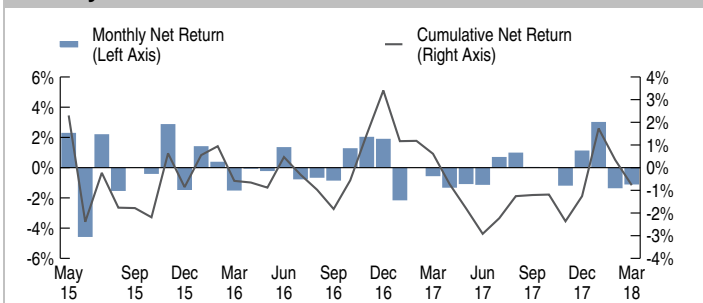
	Weight <sup>1</sup> (%)	Cumulative (%)			Annualized (%)				Max. Drawdown (%)	- MSCI World USD-		- Barclays Agg-		Sharpe Ratio <sup>5</sup>	Inception Date	End Date	
		MTD	QTD	YTD	1Y	3Y	5Y	ITD <sup>4</sup>		Vol ITD	Correlation	Beta	Correlation				Beta
Performance	19.95	-0.42	-0.86	-0.86	6.55	N/A	N/A	2.28	4.16	-6.17	0.10	0.04	-0.20	-0.30	0.34	Jun 15	Mar 18
Contribution	N/A	-0.08	-0.18	-0.18	1.38	N/A	N/A	0.62	0.67	N/A	N/A	N/A	N/A	N/A	N/A	Jun 15	Mar 18

Sector Level Returns — Tactical Trading

Historical Sector Allocations<sup>1</sup>



Monthly & Cumulative Net Returns<sup>2</sup>



Performance & Characteristics<sup>2,3</sup>

	Weight <sup>1</sup> (%)	Cumulative (%)			Annualized (%)				Max. Drawdown (%)	- MSCI World USD-		- Barclays Agg-		Sharpe Ratio <sup>5</sup>	Inception Date	End Date	
		MTD	QTD	YTD	1Y	3Y	5Y	ITD <sup>4</sup>		Vol ITD	Correlation	Beta	Correlation				Beta
Performance	24.88	-1.11	0.49	0.49	-1.38	N/A	N/A	-0.27	5.56	-6.11	0.22	0.12	0.00	0.01	-0.20	May 15	Mar 18
Contribution	N/A	-0.28	0.08	0.08	-0.68	N/A	N/A	0.02	2.02	N/A	N/A	N/A	N/A	N/A	N/A	May 15	Mar 18

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[3] 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:

$[(1+r_1)(1+r_2)...(1+r_n)]^{1/2m}-1$ .

[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<sup>1,2</sup> (%)

Manager	Classification	Weight <sup>3</sup>	MTD		QTD		YTD		Inception Date	End Date
			Return	Contrib.	Return	Contrib.	Return	Contrib.		
<b>Equity Long/Short</b>										
Palestra Capital	United States	5.86	-0.27	-0.05	2.85	0.57	2.85	0.57	Jun 15	Mar 18
Rubric Capital	Global	5.67	1.00	0.19	-0.92	-0.18	-0.92	-0.18	Mar 17	Mar 18
Kintbury	Europe	4.94	3.98	0.64	8.16	1.28	8.16	1.28	May 15	Mar 18
Lakewood	Global	4.40	-2.94	-0.45	-3.42	-0.52	-3.42	-0.52	May 15	Mar 18
Bridger (Swiftcurrent)	United States	4.27	0.76	0.11	3.63	0.52	3.63	0.52	Jul 16	Mar 18
PFM Oncology Opportunities Fund II	Global	2.38	0.27	0.02	1.20	0.10	1.20	0.10	Jun 15	Mar 18
Deep Basin Long-Short Fund	United States	2.05	1.65	0.11	5.87	0.38	5.87	0.38	Nov 17	Mar 18
<b>Overall</b>		<b>29.56</b>	<b>0.57</b>	<b>0.17</b>	<b>2.13</b>	<b>0.68</b>	<b>2.13</b>	<b>0.68</b>	<b>May 15</b>	<b>Mar 18</b>
<b>Event Driven</b>										
Manikay	Multi-Strategy	5.44	-1.24	-0.28	-2.02	-0.50	-2.02	-0.50	Jun 15	Mar 18
HG Vora	Multi-Strategy	5.41	0.34	0.07	0.72	0.18	0.72	0.18	Oct 17	Mar 18
Empyrean Capital Partners	Multi-Strategy	5.40	-0.57	-0.13	0.36	0.13	0.36	0.13	Jul 15	Mar 18
Taconic Opportunity	Multi-Strategy	4.80	0.09	0.02	0.09	0.02	0.09	0.02	Mar 18	Mar 18
Farallon Capital Partners	Multi-Strategy	2.08	-1.44	-0.12	0.98	0.13	0.98	0.13	Jul 15	Mar 18
Warlander	Credit Opps - Dist	1.23	1.09	0.05	-0.77	-0.06	-0.77	-0.06	Feb 16	Mar 18
<b>Overall</b>		<b>24.35</b>	<b>-0.38</b>	<b>-0.09</b>	<b>-0.10</b>	<b>-0.03</b>	<b>-0.10</b>	<b>-0.03</b>	<b>Jun 15</b>	<b>Mar 18</b>
<b>Relative Value</b>										
Holocene	Equity Market Neutral	5.71	-1.09	-0.31	0.45	0.12	0.45	0.12	May 17	Mar 18
D.E. Shaw Valence Fund	Equity Market Neutral	5.58	1.12	0.31	5.29	1.40	5.29	1.40	Feb 16	Mar 18
Alyeska Fund 2	Equity Market Neutral	4.69	-1.51	-0.36	-9.55	-2.45	-9.55	-2.45	Jun 15	Mar 18
Macquarie Global Alpha Fund (Class L)	Equity Market Neutral	3.97	-0.27	-0.05	0.39	0.08	0.39	0.08	Jun 17	Mar 18
<b>Overall</b>		<b>19.95</b>	<b>-0.42</b>	<b>-0.08</b>	<b>-0.86</b>	<b>-0.18</b>	<b>-0.86</b>	<b>-0.18</b>	<b>Jun 15</b>	<b>Mar 18</b>
<b>Tactical Trading</b>										
Bridgewater Pure Alpha Major Markets II	Macro	3.94	-5.64	-0.94	-4.29	-0.70	-4.29	-0.70	May 15	Mar 18
Stone Milliner Macro	Macro	3.74	-0.85	-0.13	1.98	0.35	1.98	0.35	Jan 18	Mar 18
Dymon Asia Macro Fund	Macro	3.04	-1.90	-0.23	0.31	0.05	0.31	0.05	Jun 15	Mar 18
Glen Point Global Macro	Macro	2.87	0.82	0.09	2.60	0.38	2.60	0.38	Oct 17	Mar 18
Emso Saguaro	Macro	2.82	0.73	0.08	0.35	0.04	0.35	0.04	Feb 18	Mar 18
Atreus (Class F)	Macro	2.32	-1.63	-0.15	-1.01	-0.08	-1.01	-0.08	Jun 17	Mar 18
Crabel	Managed Futures	2.10	0.33	0.03	7.06	0.66	7.06	0.66	Jul 15	Mar 18
Winton Diversified Futures Fund (US) L.P	Managed Futures	2.07	-0.52	-0.04	-1.27	-0.04	-1.27	-0.04	Sep 16	Mar 18
Edgestream (Sumatra/Nias)	Managed Futures	1.98	2.32	0.18	-1.88	-0.13	-1.88	-0.13	Jul 15	Mar 18
<b>Overall</b>		<b>24.88</b>	<b>-1.11</b>	<b>-0.28</b>	<b>0.49</b>	<b>0.08</b>	<b>0.49</b>	<b>0.08</b>	<b>May 15</b>	<b>Mar 18</b>

For Existing Investors Only. Past performance does not guarantee future results, which may vary. Please refer to the Disclosures page for important information.

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[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:  $(1+r_1)^1(1+r_2)^2 \dots (1+r_n)^n - 1$ . Annualized geometric returns for returns greater than 12 months are calculated as follows:  $[(1+r_1)^1(1+r_2)^2 \dots (1+r_n)^n]^{1/12} - 1$ . Manager contributions are made to the Sector level while Sector contributions are made to the fund level.

[3] Based on the end equity value of the Fund. Allocations as of March 2018. 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<sup>1,2</sup> (%)

Manager	Classification	Weight <sup>3</sup>	1 Year		3 Year		5 Year		ITD <sup>4</sup>		Vol ITD	Inception Date	End Date
			Return	Contrib.	Return	Contrib.	Return	Contrib.	Return	Contrib.			
<b>Equity Long/Short</b>													
Palestra Capital	United States	5.86	14.71	2.94	N/A	N/A	N/A	N/A	11.95	2.23	7.95	Jun 15	Mar 18
Rubric Capital	Global	5.67	14.16	2.74	N/A	N/A	N/A	N/A	16.75	3.14	6.50	Mar 17	Mar 18
Kintbury	Europe	4.94	13.89	2.17	N/A	N/A	N/A	N/A	3.10	0.54	11.33	May 15	Mar 18
Lakewood	Global	4.40	1.90	0.41	N/A	N/A	N/A	N/A	5.97	1.14	7.67	May 15	Mar 18
Bridger (Swiftcurrent)	United States	4.27	6.33	0.89	N/A	N/A	N/A	N/A	6.82	1.00	5.21	Jul 16	Mar 18
PFM Oncology Opportunities Fund II	Global	2.38	16.70	0.98	N/A	N/A	N/A	N/A	9.76	0.64	8.95	Jun 15	Mar 18
Deep Basin Long-Short Fund	United States	2.05	N/A	N/A	N/A	N/A	N/A	N/A	9.10	0.58	N/A	Nov 17	Mar 18
<b>Overall</b>		<b>29.56</b>	<b>11.53</b>	<b>3.23</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>6.13</b>	<b>1.91</b>	<b>4.54</b>	<b>May 15</b>	<b>Mar 18</b>
<b>Event Driven</b>													
Manikay	Multi-Strategy	5.44	4.93	1.53	N/A	N/A	N/A	N/A	6.40	1.85	5.79	Jun 15	Mar 18
HG Vora	Multi-Strategy	5.41	N/A	N/A	N/A	N/A	N/A	N/A	3.86	0.94	N/A	Oct 17	Mar 18
Empyrean Capital Partners	Multi-Strategy	5.40	7.77	2.20	N/A	N/A	N/A	N/A	5.45	1.41	4.35	Jul 15	Mar 18
Taconic Opportunity	Multi-Strategy	4.80	N/A	N/A	N/A	N/A	N/A	N/A	0.09	0.02	N/A	Mar 18	Mar 18
Farallon Capital Partners	Multi-Strategy	2.08	6.40	1.39	N/A	N/A	N/A	N/A	3.75	0.84	3.88	Jul 15	Mar 18
Warlander	Credit Opps - Dist	1.23	-15.97	-1.42	N/A	N/A	N/A	N/A	-7.71	-0.68	7.23	Feb 16	Mar 18
<b>Overall</b>		<b>24.35</b>	<b>4.62</b>	<b>0.86</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>2.16</b>	<b>0.35</b>	<b>4.54</b>	<b>Jun 15</b>	<b>Mar 18</b>
<b>Relative Value</b>													
Holocene	Equity Market Neutral	5.71	N/A	N/A	N/A	N/A	N/A	N/A	9.66	2.53	N/A	May 17	Mar 18
D.E. Shaw Valence Fund	Equity Market Neutral	5.58	16.53	4.15	N/A	N/A	N/A	N/A	14.39	4.00	5.00	Feb 16	Mar 18
Alyeska Fund 2	Equity Market Neutral	4.69	-1.78	-0.47	N/A	N/A	N/A	N/A	-3.45	-2.07	8.38	Jun 15	Mar 18
Macquarie Global Alpha Fund (Class L)	Equity Market Neutral	3.97	N/A	N/A	N/A	N/A	N/A	N/A	2.43	0.58	N/A	Jun 17	Mar 18
<b>Overall</b>		<b>19.95</b>	<b>6.55</b>	<b>1.38</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>2.28</b>	<b>0.62</b>	<b>4.16</b>	<b>Jun 15</b>	<b>Mar 18</b>
<b>Tactical Trading</b>													
Bridgewater Pure Alpha Major Markets II	Macro	3.94	-9.30	-1.21	N/A	N/A	N/A	N/A	-1.29	-0.01	14.36	May 15	Mar 18
Stone Milliner Macro	Macro	3.74	N/A	N/A	N/A	N/A	N/A	N/A	1.98	0.35	N/A	Jan 18	Mar 18
Dymon Asia Macro Fund	Macro	3.04	-1.16	-0.14	N/A	N/A	N/A	N/A	-0.45	-0.18	7.74	Jun 15	Mar 18
Glen Point Global Macro	Macro	2.87	N/A	N/A	N/A	N/A	N/A	N/A	2.01	0.35	N/A	Oct 17	Mar 18
Emso Saguaro	Macro	2.82	N/A	N/A	N/A	N/A	N/A	N/A	0.35	0.04	N/A	Feb 18	Mar 18
Atreaus (Class F)	Macro	2.32	N/A	N/A	N/A	N/A	N/A	N/A	-4.71	-0.42	N/A	Jun 17	Mar 18
Crabel	Managed Futures	2.10	10.24	0.90	N/A	N/A	N/A	N/A	4.01	0.45	9.64	Jul 15	Mar 18
Winton Diversified Futures Fund (US) L.P	Managed Futures	2.07	5.19	0.53	N/A	N/A	N/A	N/A	2.65	0.27	10.17	Sep 16	Mar 18
Edgestream (Sumatra/Nias)	Managed Futures	1.98	5.37	0.50	N/A	N/A	N/A	N/A	6.03	0.38	7.38	Jul 15	Mar 18
<b>Overall</b>		<b>24.88</b>	<b>-1.38</b>	<b>-0.68</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-0.27</b>	<b>0.02</b>	<b>5.56</b>	<b>May 15</b>	<b>Mar 18</b>

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$[(1+r_1)(1+r_2) \dots (1+r_n)]^{1/2m} - 1$ . Manager contributions are made to the Sector level while Sector contributions are made to the fund level.

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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	5.60%	2.3%	3 year rolling	N/A <sup>4</sup>	3/31/2018
–Relative: HFRX Global Hedge Fund Index	0.45%	2.3%	3 year rolling	N/A <sup>4</sup>	3/31/2018
•Target range of annualized volatility	3.0% – 8.0%	3.1%	3 year rolling	N/A <sup>4</sup>	3/31/2018
•Sharpe ratio	0.6 - 1.0	0.5	3 year rolling	N/A <sup>4</sup>	3/31/2018
•Beta to equity markets	0.2	0.2 <sup>1,2</sup>	3 year rolling	N/A <sup>4</sup>	3/31/2018
•Beta to fixed income markets	0.2	-0.2 <sup>3</sup>	3 year rolling	N/A <sup>4</sup>	3/31/2018
<b>Capital Allocation Constraints</b>					
•Number of investment managers	15-35	26	Monthly	Yes	3/31/2018
	Equity Hedge: 10-50%	29.6%	Monthly	Yes	3/31/2018
	Event Driven: 10-50%	24.4%	Monthly	Yes	3/31/2018
•Target/compliance range of allocation to strategies (at market)	Directional/Tactical: 10-50%	24.9%	Monthly	Yes	3/31/2018
	Relative Value: 0-40%	19.9%	Monthly	Yes	3/31/2018
	Other Assets / Liabilities (cash): <5%	1.3%	Monthly	Yes	3/31/2018
•Maximum allocation to a single fund (at market)	10%	5.9%	Monthly	Yes	3/31/2018
•Maximum allocation to a single advisor (at market)	15%	5.9%	Monthly	Yes	3/31/2018
•Maximum percentage ownership of a single fund	30%	4.9%	Quarterly	Yes	3/31/2018
<b>Downside Risk Case (See risk report)</b>					
•Portfolio-level RoR Impact of Severe Case Loss (at market)	25%	20.6%	Monthly	Yes	3/31/2018
•Severe Case Loss in a single fund (at market)	<3% Capital at Risk	1.4%	Monthly	Yes	3/31/2018
•Severe Case Loss in a single advisor (at market)	<6% Capital at Risk	1.4%	Monthly	Yes	3/31/2018
<b>Liquidity</b>					
•Hard lockup period of 1 year or greater	<20%	0.0%	Monthly	Yes	3/31/2018
•Quarterly liquidity or better (excluding locks)	>75%	79.2%	Monthly	Yes	3/31/2018
•Percent of portfolio available within 1 year (excluding locks)	>65%	81.3%	Monthly	Yes	3/31/2018
•Hard lockup more than 2 years (not to exceed three years)	<10%	0.0%	Monthly	Yes	3/31/2018
<b>Leverage</b>					
	Tactical Trading: 20x	7.2	Quarterly	Yes	3/31/2018
	Event Driven: 4x	2.0	Quarterly	Yes	3/31/2018
•Strategy level leverage	Equity Long / Short: 4x	1.8	Quarterly	Yes	3/31/2018
	Relative Value: 8x	6.2	Quarterly	Yes	3/31/2018

As of March 2018. 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 Indices 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 a 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 exempted 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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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

The 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.msldata.com](http://www.msldata.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](http://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](http://www.hedgefundresearch.com). Please note that HFRX performance indications are based on preliminary estimates.

#### **General Disclosures**

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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.

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# Administrator Reports



**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund, L.P.**

Account Statement of Income (Loss)

As of March 31, 2018

In US Dollars

GABRIEL -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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: [aionline\\_ny@bnymellon.com](mailto:aionline_ny@bnymellon.com)

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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund, L.P.**

Account Statement of Income (Loss)

As of March 31, 2018

In US Dollars

GABRIEL -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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%

\* Returns are net of all underlying manager and performance fees as well as Grosvenor fund of fund management fees.

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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund, L.P.**

Account Statement of Income (Loss)

As of March 31, 2018

In US Dollars

GABRIEL -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund, L.P.**

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As of March 31, 2018

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GABRIEL -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund, L.P.**

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GABRIEL -Los Angeles County Employees  
Retirement Association

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	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 March 31, 2018

In US Dollars

GABRIEL -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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%
31 Jan 18	471,050,261	-	9,056,965	480,107,227	1.92%	1.92%	1.92%	27.62%
28 Feb 18	480,107,227	-	(643,364)	479,463,863	-0.13%	1.79%	1.79%	27.45%
31 Mar 18	479,463,863	-	(331,800)	479,132,062	-0.07%	1.72%	1.72%	27.36%
<b>Total</b>	<b>400,000,000</b>		<b>79,132,062</b>					

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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund 2, L.P.**  
Account Statement of Income (Loss)  
As of March 31, 2018  
In US Dollars

GABRIEL2 -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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

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Account Statement of Income (Loss)  
As of March 31, 2018  
In US Dollars

GABRIEL2 -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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%

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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund 2, L.P.**  
Account Statement of Income (Loss)  
As of March 31, 2018  
In US Dollars

GABRIEL2 -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund 2, L.P.**  
Account Statement of Income (Loss)  
As of March 31, 2018  
In US Dollars

GABRIEL2 -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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%

\* 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: [aionline\\_ny@bnymellon.com](mailto:aionline_ny@bnymellon.com)





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GABRIEL2 -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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%
31 Jan 18	93,776,828	-	292,617	94,069,446	0.31%	0.31%	0.31%	37.12%
28 Feb 18	94,069,446	(46,800,000)	198,890	47,468,335	0.42%	0.73%	0.73%	37.70%
31 Mar 18	47,468,335	(10,900,000)	(522,057)	36,046,278	-1.43%	-0.70%	-0.70%	35.73%
<b>Total</b>		<b>(27,600,000)</b>	<b>63,646,278</b>					

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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund 3, L.P.**  
Account Statement of Income (Loss)  
As of March 31, 2018  
In US Dollars

GABRIEL3 -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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%

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**BNY MELLON**  
ALTERNATIVE INVESTMENT SERVICES

**San Gabriel Fund 3, L.P.**  
Account Statement of Income (Loss)  
As of March 31, 2018  
In US Dollars

GABRIEL3 -Los Angeles County Employees  
Retirement Association

Final and Unaudited

Period Ended	Balance Activity				Rate of Return			
	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%
31 Jan 18	354,225,477	-	5,035,130	359,260,607	1.42%	1.42%	1.42%	24.79%
28 Feb 18	359,260,607	-	(900,986)	358,359,621	-0.25%	1.17%	1.17%	24.48%
31 Mar 18	358,359,621	-	(728,719)	357,630,902	-0.20%	0.96%	0.96%	24.23%
<b>Total</b>		<b>300,000,000</b>	<b>57,630,902</b>					

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**Lacera Inc Loss - Los Angeles County Employees Retirement Association**  
**Portfolio: LACERA GSAM HFOF**  
**as of 3/31/2018**



Asset Class	Fund Name	NAV Close MV@2/28/2018	Subscriptions	Redemptions	Profit & Loss	Market Value	Profit & Loss Cumulative	MTD %Return	ITD Cum Base	3 Month Base	1 Year Base
Hedge Fund(100%)		452,181,510.94	23,000,000.00	0.00	(1,391,196.36)	473,790,314.58	34,046,733.26	(0.29%)	8.66%	0.54%	4.82%
Summary		452,181,510.94	23,000,000.00	0.00	(1,391,196.36)	473,790,314.58	34,046,733.26	(0.29%)	8.66%	0.54%	4.82%
Cash Balance		0.00	0.00	0.00	0.00	28,602,356.43	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	23,000,000.00	0.00		N/A		
Clearer State Street - LCOX STIF	Clearer State Street - LCOX STIF	0.00	0.00	0.00	0.00	5,602,356.43	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	(1,391,196.36)	502,392,671.01	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

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### ■ 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)

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### ■ 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	Credit	Relative value	Tactical trading	Hedging strategies
<ul style="list-style-type: none"><li>▪ Fundamental long/short<ul style="list-style-type: none"><li>› Long-biased</li><li>› Neutral</li><li>› Short-biased</li><li>› Variable</li></ul></li><li>▪ Activist</li><li>▪ Trading-oriented long/short</li><li>▪ Event driven<ul style="list-style-type: none"><li>› Merger arbitrage</li><li>› Spin-offs</li><li>› Recapitalizations</li><li>› Special situations</li></ul></li><li>▪ Regional focus</li><li>▪ Sector specialist</li></ul>	<ul style="list-style-type: none"><li>▪ Long/short</li><li>▪ Directional credit<ul style="list-style-type: none"><li>› Bank debt</li><li>› Distressed securities</li><li>› Mezzanine debt</li><li>› Direct lending</li></ul></li><li>▪ Structured credit<ul style="list-style-type: none"><li>› Residential mortgages (RMBS)</li><li>› Commercial mortgages (CMBS)</li><li>› Other Asset-Backed Securities (ABS)</li></ul></li></ul>	<ul style="list-style-type: none"><li>▪ Convertible bond arbitrage</li><li>▪ Fixed income arbitrage</li><li>▪ Option volatility arbitrage</li><li>▪ Statistical arbitrage</li></ul>	<ul style="list-style-type: none"><li>▪ Global macro<ul style="list-style-type: none"><li>› Discretionary</li><li>› Systematic</li></ul></li><li>▪ Commodities<ul style="list-style-type: none"><li>› Relative value</li><li>› Directional</li><li>› Systematic</li></ul></li></ul>	<ul style="list-style-type: none"><li>▪ Short equity</li><li>▪ Short credit</li><li>▪ Synthetic put convertible bond arbitrage</li><li>▪ Tail risk “protection” strategies</li></ul>



# 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 =  $\$100\text{mm} / (\$1.15\text{mm} * 5) = 17x$
- 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

$$\text{Leverage} = \frac{\text{Notional Exposure}}{\text{Capital Exposure}}$$

### 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	<ul style="list-style-type: none"><li>Varies from monthly liquidity to multi-year lockups</li><li>Quarterly or semi-annual liquidity is common</li></ul>
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	<ul style="list-style-type: none"><li>Liquidity typically “dries up” during financial crises</li><li>Less liquid investments<ul style="list-style-type: none"><li>May be more volatile than their return streams indicate</li><li>Have higher expected returns</li></ul></li></ul>
Usefulness	<ul style="list-style-type: none"><li>Liquidity indicates how quickly cash may be raised</li><li>Liquidity informs the reliability of certain risk statistics when evaluating an investment</li></ul>
Limitations	Assessment influenced by the chosen representative market environment

# The Gabriel Funds

## Notes and Disclosures

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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 and 2018 are estimated based on unaudited books and records of the Gabriel Funds.

# Target Returns, Forward Looking Estimates, and Risk Parameters

## Notes and Disclosures

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**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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- 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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
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**FOR INFORMATION ONLY**

May 31, 2018

TO: Each Member  
Board of InvestmentsFROM: Robert Z. Santos   
Investment Officer—Fixed Income & CommoditiesAdam Cheng, CFA   
Sr. Investment Analyst—Fixed Income & Commodities

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **SECURITIES LENDING PROGRAM—2017 ANNUAL REVIEW****EXECUTIVE SUMMARY**

During calendar year 2017, LACERA's Securities Lending Program (Program)<sup>1</sup> generated \$5.2 million in net income. Total income decreased by \$0.6 million (approximately 11.1%) when compared to the income generated in calendar year 2016 (\$5.8 million). The decline in overall Program earnings was largely attributable to a drop in reinvestment activity, which was partially offset by a rise in lending activity.

There were no changes to the structure of the Program in 2017. State Street Bank and Trust Company (State Street), LACERA's custodian, continues to act as a lending agent for non-U.S. equities, U.S. Treasuries, and U.S. Agency securities. Goldman Sachs Agency Lending (GSAL) continues to act as LACERA's third-party lending agent for corporate bonds and domestic equities.

**BACKGROUND**

To generate additional income for the Fund, LACERA lends some of its portfolio securities to qualified borrowers (such as brokers/dealers) in exchange for cash and non-cash collateral, typically U.S. Treasury securities, as well as U.S. and non-U.S. Equities. The income generated from securities lending has two sources: lending and reinvestment. **ATTACHMENT A** provides an overview of securities lending and **ATTACHMENT B** summarizes the risks in securities lending.

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<sup>1</sup> The Securities Lending Program only considers income generated from LACERA's custodied assets.

LACERA has negotiated income split (profit sharing) arrangements with State Street and GSAL. As a result, these firms have an incentive to maximize Program earnings. Staff believes that the current income splits remain competitive. **TABLE 1** highlights each income split.

**TABLE 1**

	State Street	GSAL
Income Split*	85%/15%	87%/13%

\* LACERA's share is 85% of the income generated by State Street and 87% of the income generated by GSAL.

Collateral investment management is not a service offered by GSAL, therefore all reinvestment activity is conducted by State Street Global Advisors (SSgA) in two separately managed accounts. SSgA charges LACERA 1 basis point (bp) to reinvest collateral received for lending securities by State Street, and 5 bps for managing the collateral backing securities lent through GSAL.

Staff reviews the securities lending authorization agreements (SLAA) it has with both State Street and GSAL on a regular basis to ensure that both SLAAs reflect the current market conditions. Both agreements appear to be in-line with industry standards. As a good practice, staff also periodically rebids contracts of key vendors of services such as securities lending, custody, consulting, actuarial, or auditing. As discussed at prior Board meetings, reviewing contracts approximately every five years is advisable. Therefore, staff plans to work with Meketa to conduct a securities lending search and place the entire Program out for bid in fiscal year 2018/19. Additionally, staff will incorporate Meketa's suggestions<sup>2</sup> from the October 2016 Board of Investments meeting.

## **SECURITIES LENDING PROGRAM PERFORMANCE**

The Program generated approximately \$5.2 million of income in 2017, a decrease of nearly \$0.6 million compared to the previous year's results. In percentage terms, this income represents 5 bps of the average lendable balance and 38 bps of the average amount of securities on loan.

**TABLE 2** (on the following page) compares the average lendable base, average market value of securities on loan, and utilization rates<sup>3</sup> for calendar years 2016 and 2017 — for the entire Program and by provider.

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<sup>2</sup> Meketa had three recommendations: 1) Revisit collateral investment guidelines, 2) Evaluate the impact of setting minimum lending spreads to loanable assets, and 3) Consider limiting the amount of loanable assets.

<sup>3</sup> Utilization rate equals the market value of securities on loan divided by the market value of securities available for lending.



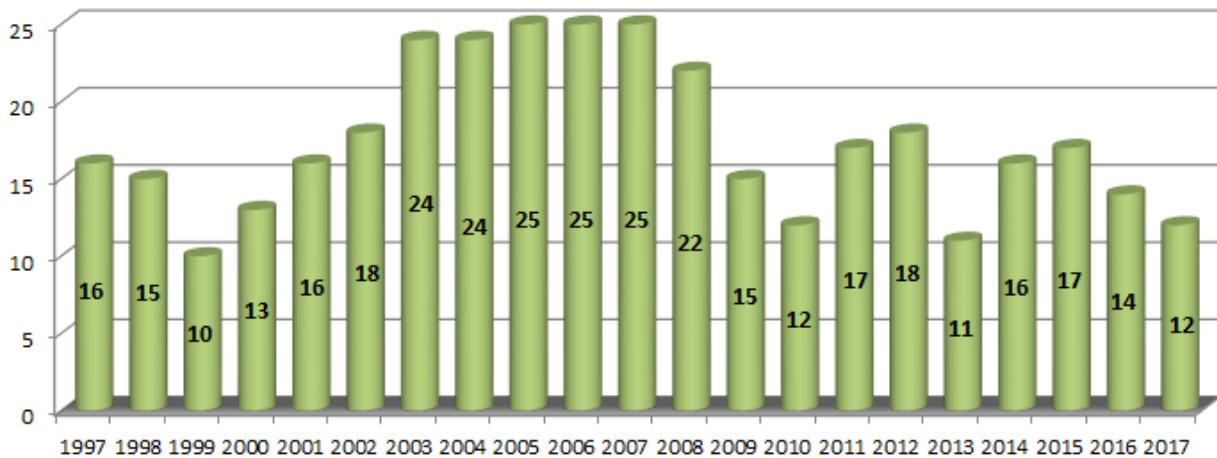
**TABLE 2**

<b>Program Size</b>	<b>State Street</b>	<b>GSAL</b>	<b>Program Totals</b>
2016 Average Lendable	\$3,279,967,807	\$6,867,841,922	\$10,147,809,729
2017 Average Lendable	\$3,773,058,305	\$7,164,077,305	\$10,937,135,610
% Change from 2016	15.0%	4.3%	7.8%
<b>Average on Loan</b>			
2016 Average on Loan	\$841,979,128	\$540,423,922	\$1,382,403,050
2017 Average on Loan	\$763,963,213	\$587,729,501	\$1,351,692,714
% Change from 2016	-9.3%	8.8%	-2.2%
<b>Utilization (%)</b>			
2016 Utilization (%)	25.7%	7.9%	13.6%
2017 Utilization (%)	20.2%	8.2%	12.4%
Difference	-5.5%	0.3%	-1.2%

As shown in the preceding table, the Program’s total utilization rate, a key metric of securities lending demand, declined from 13.6% to 12.4% during 2017. The State Street portfolio was the primary contributor to this decline, due to weak demand for U.S. Treasuries, Agencies, and non-U.S. equity securities. On the contrary, GSAL’s utilization remained roughly flat, helped by demand for corporate bonds (primarily within the Retail and Telecommunications sectors). Corporate bonds were the only asset category to experience a rise in demand during the year.

**CHART 1** summarizes the Program’s historical utilization rate.

**CHART 1**  
**Utilization Rate (%)**



**TABLE 3** compares the lending income, reinvestment income, and total income generated by each provider for calendar years 2016 and 2017. As shown in the table, lending income, a measure of intrinsic value rose by 12.4% (+\$0.3 million), while collateral reinvestment earnings significantly decreased (-27.0%) as a result of lower average cash balances combined with tighter reinvestment spreads. Total income for the Program declined from the prior year.

**TABLE 3**

	<b>State Street</b>	<b>GSAL</b>	<b>Program Totals</b>
2016 Lending Income	\$1,657,744	\$1,199,749	\$2,857,493
2017 Lending Income	\$1,580,064	\$1,632,108	\$3,212,172
\$ Change from 2016	-\$77,680	\$432,359	\$354,679
% Change from 2016	-4.7%	36.0%	12.4%
<b>Reinvestment Income</b>			
2016 Reinvestment Income	\$1,431,659	\$1,557,953	\$2,989,612
2017 Reinvestment Income	\$944,520	\$1,238,990	\$2,183,510
\$ Change from 2016	-\$487,139	-\$318,963	-\$806,102
% Change from 2016	-34.0%	-20.5%	-27.0%
<b>Total Income</b>			
2016 Total Income	\$3,089,403	\$2,757,702	\$5,847,105
2017 Total Income	\$2,524,584	\$2,672,721*	\$5,197,305
\$ Change from 2016	-\$564,819	-\$84,981	-\$649,800
% Change from 2016	-18.3%	-3.1%	-11.1%

\* Includes fees paid to LACERA's custodian for transaction charges associated with LACERA having a third-party lending agent.

Overall demand for lendable securities has been muted since the end of 2016. The markets' steady increase kept many hedge funds on the sidelines. This led to lower on-loan balances as well as a smaller collateral fund balances. The average collateral fund balance between 2016 and 2017 was reduced by roughly \$50 million or 12.5%. Additionally, the lower cash balances coupled with a lower investment spread (down 10 bps or 25%) further reduced earnings generated from the cash collateral investment.

### **Performance by Provider**

#### State Street

LACERA's custodial lending agent generated over \$2.5 million in income during calendar year 2017. Of this amount, \$1.6 million came from lending activity, while \$0.9 million came from collateral reinvestment. State Street's earnings declined year-over-year by approximately \$565,000 or -18.3%. This decrease is attributed to the termination of an international small cap

fund manager (a shortfall of approximately \$150,000), a decreased average cash collateral fund balance, and lower investment spread.

GSAL

GSAL, LACERA's third-party lending agent for domestic equities and corporate bonds, produced nearly \$2.7 million in income during calendar year 2017. When compared to earnings generated in the prior year, total income earned in 2017 was modestly lower by approximately \$85,000. Year-over-year income from lending and reinvestment activity was mixed, as lending income increased (driven by corporate bonds) and cash reinvestment earnings declined.

Corporate bond lending increased year-over-year, while equity lending declined. This performance was consistent with industry trends according to data provided by DataLend. LACERA's top ten earning positions produced 28% of the revenue for 2017, versus 22% in 2016.

All reinvestment activity for both lending agents is conducted by SSgA in separate accounts. During 2017, collateral reinvestment income decreased by over \$0.8 million or -27.0%, overshadowing the increase in earnings generated by lending. As stated above, this decline is attributable to lower cash collateral levels and lower reinvestment spread.

**CONCLUSION**

LACERA's Securities Lending Program generated approximately \$5.2 million in net income during calendar year 2017, a decrease of \$0.6 million compared to the prior year. The decrease in net income was due to a decline in demand for LACERA's securities, with the exception of corporate bonds, as well as the move away from cash collateral. Finally, staff anticipates that the recent adoption of LACERA's new asset allocation which reduces global equities, while increasing non-lendable assets (such as infrastructure and natural resources) could reduce income from the Program in the future.

Attachments

Noted and Reviewed:



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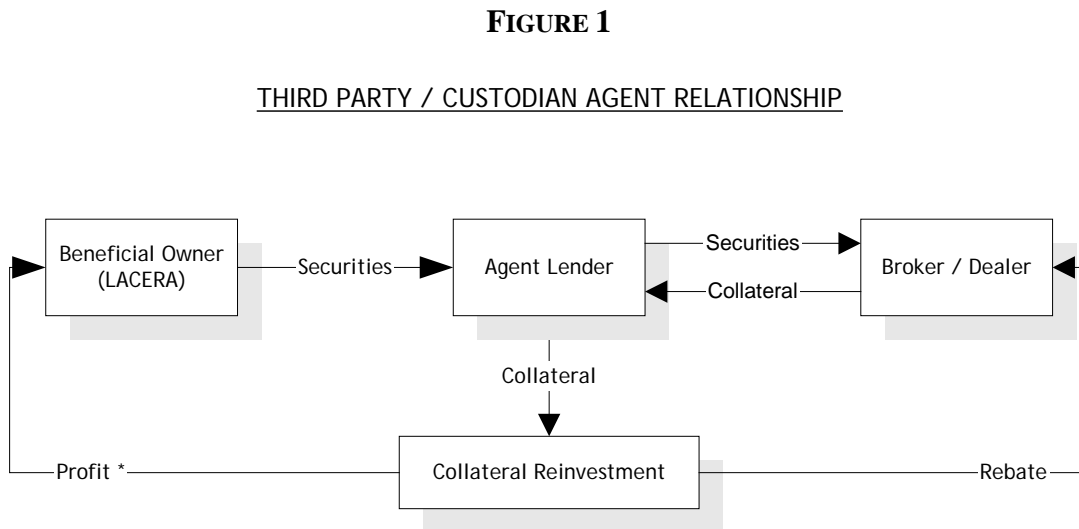
Jonathan Grabel  
Chief Investment Officer

## WHAT IS SECURITIES LENDING?

Securities lending is an activity where a beneficial owner (such as LACERA) lends its securities to qualified borrowers (such as broker/dealers) in exchange for collateral (typically cash). The collateral is invested in short-term, high quality fixed income instruments with the purpose of maximizing investment earnings at the lowest level of risk. When the borrower returns the securities to the beneficial owner, the collateral is then given back to the borrower with interest – this is known as the **rebate**. Earnings from the reinvestment of collateral in excess of the rebate represent the profit or securities lending income.

There are two types of service relationships: an agency relationship and a principal relationship.

**FIGURE 1** illustrates the flow of securities in an agency relationship.



\* Profit is split between LACERA and Agent Lender.

In an agency relationship, the agent (an intermediary between the beneficial owner and broker/dealers) is responsible for lending the securities to a qualified group of borrowers and for obtaining the collateral from the borrower. At the time the loan is initiated, the agent also negotiates the rebate that will eventually be paid to the borrower when the loaned securities are returned to the beneficial owner. The collateral is then invested in short-term securities by the agent or by a designated cash manager. Earnings from cash reinvestment minus the rebate paid to the borrower are divided between the agent and the beneficial owner based on a pre-determined split.

LACERA has two agency relationships: State Street (custodian agent), and Goldman Sachs Agency Lending (GSAL – third-party lending agent).

## WHAT ARE THE RISKS IN SECURITIES LENDING?

There are three key risks inherent in securities lending: 1) borrower default risk, 2) cash reinvestment risk, and 3) operational risk.

### Borrower Default Risk

This is the risk that the borrower may go bankrupt and therefore not return the securities on loan. In this case, LACERA may use the cash collateral and purchase the security in the open market. Please note that domestic loans are collateralized at 102% while international loans carry 105% collateral. Additionally, all loans are marked-to-market daily.

Under the terms of their lending agreements, all of LACERA's lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent shall be liable to LACERA for the amount of such excess, with interest. Either LACERA or the borrower of the security can terminate a loan on demand.

### Cash Reinvestment Risk

This is the risk that the earnings generated by cash reinvestment are not sufficient to cover the rebate paid to the borrower. There are two key sources of risk in the reinvestment of cash: credit risk and interest rate risk. Credit risk is the risk that the investment depreciates as a result of a credit quality downgrade or bond issuer default. Interest rate risk occurs when the return on the portfolio is less than the rebate rate. To manage these risks, securities lending cash portfolios are well diversified and invested in highly liquid, high credit quality, short-term fixed income securities.

### Operational Risk

This risk includes: 1) sell fail risk—failure by the borrower to return a loaned security that LACERA's investment manager has sold, 2) mark-to-market—failure to conduct daily market valuations and maintain appropriate collateral in the event of borrower default, 3) collection of income—failure to collect dividends and interest paid on loaned securities, and 4) corporate actions—failure to ensure accurate adjustments and maintain collateral levels as a result of stock splits and stock dividends.

Utilizing entities with highly sophisticated and advanced trading systems mitigates these risks. Additionally, borrower loan levels, mark-to-market activities, and investment guideline compliance are among the risks routinely monitored by staff.

**FOR INFORMATION ONLY**

May 23, 2018

TO: Each Member  
Board of Investments

FROM: Scott Zdrazil   
Senior Investment Officer – Corporate Governance

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **ASIAN CORPORATE GOVERNANCE ASSOCIATION (ACGA) ANNUAL  
GENERAL MEETING BALLOT**

Please find attached the membership ballot for the 2018 Annual General Meeting of the Asian Corporate Governance Association (ACGA), of which LACERA is a member. The annual meeting will take place in Hong Kong on June 1, 2018. The ballot addresses approval of annual financial reports, re-appointment of the auditor, and appointment of members to ACGA's Governing Council.

Consistent with LACERA's *Corporate Governance Policy*, staff voted routine business items and, due to the time-sensitive nature of the ballot's May 30, 2018 deadline, consulted with the Chair of the Corporate Governance Committee regarding voting items pertaining to board candidates. (See *Corporate Governance Policy* at Section V.B.[viii] and Section V.C.[vi], pp. 4-5).

Attachment

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer

**CORPORATE REPRESENTATIVE FORM**

We<sup>1</sup>, LACERA - Los Angeles County Employees Retirement Association  
of<sup>2</sup> 300 N. Lake Avenue, Ste 650; Pasadena, California 91101; United States,  
being a member of **ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED**  
hereby appoint<sup>3</sup> \_\_\_\_\_  
or if no person is named, the Chairman of the Meeting as our authorised representative to  
attend, act and vote for us and on our behalf at the 2018 Annual General Meeting of the  
aforesaid Association, to be held on 1 June, 2018 and at any adjournment thereof.

We direct our corporate representative to vote in the following manner:-

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1. Adoption of Financial Statements for the year ended 31 December, 2017	<u>X</u>	_____	_____
2.1 Resignation of Douglas Curry HENCK with effect from 1 June, 2018	<u>X</u>	_____	_____
2.2 Appointment of Prudence Ann BENNETT with effect from 1 June, 2018	<u>X</u>	_____	_____
2.3 Appointment of Jeffrey Read WILLIAMS with effect from 1 June, 2018	<u>X</u>	_____	_____
2.4 Re-election of Ka Shi LAU as Council Member with effect from 1 June, 2018	<u>X</u>	_____	_____
3. Re-appointment of Auditors for the ensuing year	<u>X</u>	_____	_____


If no direction is given, the corporate representative may vote as the corporate representative  
thinks fit or may abstain from voting.

Dated<sup>4</sup> :

23 May 2018

For and on behalf of  
5

LACERA -  
Los Angeles County Employees Retirement Association  
Scott Zdrzil



MEMBER

\_\_\_\_\_  
Witness

**FOR INFORMATION ONLY**

May 18, 2018

TO: Each Member  
Board of Investments

FROM: Jon Grabel   
Chief Investment Officer

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **STATE STREET INCIDENT REPORT**

This memo is to inform the Board of two data security incidents that occurred at State Street Bank in the first quarter of 2018, as well as to provide an update on wire fraud charges related to former State Street executives.

**Data Incidents**

The two data security incidents involved the unauthorized disclosure of LACERA's information to external email addresses. In both cases, State Street initially contacted the Investment Office who then met with LACERA's Executive, Internal Audit, Legal, and Systems divisions for further discussion. A breakdown of each incident is as follows:

*Incident 1: Disclosure of LACERA's market value and performance information to a U.S.-based non-financial investment consultant not affiliated with LACERA.*

- This incident was reportedly caused by human error on January 19, 2018. A State Street employee within the Performance and Analytics team was working with a third party consultant and sent that party LACERA performance data. This information is considered public; however, the data should not have been disseminated.
- Upon State Street's request, the consultant provided an attestation letter stating that all information not relating to their client was deleted from their network server. State Street notified LACERA of this incident on February 16, 2018, 28 days after it occurred, and was documented internally.
- In response to this incident, State Street reported that it enhanced its data transmission controls and procedures.



*Incident 2: Disclosure of LACERA's demand deposit account numbers and client contact information was emailed to an external email address.*

- This incident was reportedly caused by human error on March 1, 2018. A State Street employee working within the Client Onboarding team in Banking Services sent a file of client information intended for internal use, to one external email address. Upon State Street's request, the recipient confirmed that the emailed files had been deleted and not transferred, recorded or used in any manner. State Street notified LACERA of this incident on May 10, 2018, 69 days after it occurred.
- State Street's response to this incident is still pending.

While there is no indication that the information disseminated in the aforementioned data incidents has been or will be misused, staff informs the Board for two reasons: First, the two incidents happened in different parts of the bank within five weeks of each other; and second, State Street provided delayed notification to LACERA in both cases as noted above. Both of these points have been addressed with State Street, and our expectation is that the bank's controls and client communication should improve. LACERA has requested additional information from State Street on both incidents and specific information as to its process changes to reduce the risk of such incidents in the future and ensure timely client communication when incidents do occur. LACERA will follow up on these issues with the bank to ensure that additional information is provided, and will take other steps as appropriate to monitor the bank's processes.

### **Fraud Charges**

State Street has been in the news over on-going indictments related to a secret fee scheme within its transition management business. A former State Street executive was arrested on May 4, 2018 and was charged with conspiring to commit wire fraud. To date, four former State Street executives have been charged for defrauding clients by charging secret fees and commissions on trades between 2010 and 2011. Additionally, State Street has paid \$102.6 million in civil and criminal settlements in the United States and the United Kingdom over claims that State Street collected extra fees on certain transactions by six institutional clients.

Staff contacted State Street regarding the charges, and as the case is currently an active investigation with the Department of Justice and U.S. Attorney's Office, limited information was provided.

The most recently charged individual is a current employee of BlackRock in its transition management team. However, BlackRock informed LACERA that the individual did not work on any of LACERA's mandates and has been placed on administrative leave (**Attachment**). In addition, State Street noted in an email that the former employee did not work on LACERA business.

As LACERA's book of record, State Street is held to a high standard. Furthermore, as LACERA's pension grows in breadth and complexity, LACERA must be confident that its custodian can service the pension in its current state - and well into the future. To that point, State Street must prevent and detect any circumstance that would cause LACERA to believe that there are serious systemic issues at the Bank.

Each Member, Board of Investments

May 18, 2018

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Under its agreement with LACERA, State Street is a fiduciary with respect to many of its services and otherwise is required to perform its services with the highest degree of due care, prudence, and skill. State Street is contractually obligated to maintain the confidentiality of LACERA information. State Street is required to notify LACERA promptly when information is disclosed or compromised and when it or its employees are subject to civil or criminal complaints in matters relating to the services it provides to LACERA or its ability to perform the services. LACERA has access and the right to inspect State Street documents, premises, and operations.

LACERA staff will continue to monitor State Street in regard to these issues and revert back to the Board with updates.

Attachment

JG:redb

c: Rob Hill  
James Brekk  
Steven Rice  
Richard Bendall  
John Popowich  
Bernie Buenaflor  
Roxana Castillo

**BLACKROCK®**

55 East 52<sup>nd</sup> Street  
Park Avenue Plaza  
New York, NY 10055

Mr. Jude Perez  
Los Angeles County Employees' Retirement Association  
Via Email

On Friday, May 4, 2018, BlackRock learned via press reports that Kevin Walker, a Director on our Transition Management Team in Boston, was arrested in connection with activities that relate solely to his prior employment at State Street.

Prior to Mr. Walker's arrest, BlackRock had not been aware that he was being investigated in connection with his prior work at State Street, where the alleged misconduct took place.

Mr. Walker joined BlackRock in our Boston office in April 2015. He has now been placed on administrative leave.

There is no indication that Mr. Walker engaged in any wrongful activity at BlackRock and Mr. Walker was not assigned to and did not complete work on behalf of LACERA transitions. While the alleged misconduct took place prior to his joining our firm, we are taking this matter seriously.

We're confident in our systems and processes, and while we have no reason to believe there has been any inappropriate activity in client portfolios, we are going to perform a review of Mr. Walker's activities at BlackRock. We will communicate with you throughout this process and provide LACERA the outcome of the review of Mr. Walker's activities at BlackRock when completed.

Please don't hesitate to contact us with any questions.

Kind regards,



Rajeev Ghia  
Director  
415-670-2634

**FOR YOUR INFORMATION**

June 1, 2018

TO: Each Member  
Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: June 13, 2018 Board of Investments Meeting

SUBJECT: **UPDATE #2 - 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.

This memo serves as the second update on the implementation to the new asset allocation. The first update memo was provided in March and included a tentative timeline of the significant milestones for the transition to the new allocation. **Table 1** below shows the steps completed to date.

**Table 1**  
OPEB Master Trust Transition to the Revised Asset Allocation  
Status of Milestones Completed

Present updated Investment Policy Statement to the BOI for review	April 11, 2018	✓
Finalize Investment Management Agreement with BlackRock Trust Co.	April 2018	✓
Complete Operational Updates at State Street	April 2018	✓
Transition Complete – New Asset Allocation Live	June 2018	In Process

Importantly, the transition is set to meet the goal completion date of June 2018.

**FOR INFORMATION ONLY**

May 31, 2018

TO: Each Member  
Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: June 7, 2018 Board of Investments

SUBJECT: **IMPLEMENTATION UPDATE ON LACERA PENSION TRUST ASSET ALLOCATION**

At the May 9, 2018 Board of Investments meeting, the Board approved the new Asset Allocation for LACERA’s Pension Trust.

During the meeting, staff also noted that the Asset Allocation would be implemented in the next 12 to 24 months. **Table 1** below is a tentative timeline for transitioning to the new allocation targets:

**Table 1  
Tentative Asset Allocation Implementation Timeline**

Next Steps	Target Dates for Completion or Discussion
Determine the appropriate policy ranges for the Pension Trust Asset Allocation	June 2018 - Completion
Determine the appropriate benchmarks for the Pension Trust Asset Allocation	July 2018 - Discussion
Update Investment Policy Statement: <ul style="list-style-type: none"> <li>• Update Governance Documents <ul style="list-style-type: none"> <li>○ IPS</li> <li>○ Policies</li> <li>○ Procedures Manual</li> <li>○ Investment Plans</li> <li>○ Structure Reviews</li> </ul> </li> </ul>	July 2018 - Discussion
Align Management and Oversight <ul style="list-style-type: none"> <li>• Committees</li> <li>• Staffing</li> <li>• Manager and Consultant Searches</li> </ul>	July 2018 – Discussion
Adapt Portfolio Construction and Analytics <ul style="list-style-type: none"> <li>• Risk/Portfolio Analytics</li> <li>• Performance Reporting</li> </ul>	July 2018 – Discussion August 2018 – Completion*

Each Member, Board of Investments

May 31, 2018

Page 2 of 2

Present Investment Policy Statement to the BOI for review	August 2018
Complete operational updates at State Street	4 <sup>th</sup> Quarter of 2018
Transition to updated asset allocation	September 2018 – June 2020

\*Dependent on BOI approved IPS

This timeline allows for a comprehensive review and revision of LACERA's Pension Trust Investment Policy Statement as well as pertinent operational changes including composite structure, custodian accounts, Investment Management Agreements, and new target allocations. Barring any unforeseen circumstances, staff expects to complete the transition by June 2020.

Staff will provide the Board with periodic status updates on the progress.

JG:cq

**FOR INFORMATION ONLY**

June 4, 2018

TO: Each Member  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: June 13, 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 June 4, 2018.

Attachment





c: Robert Hill  
James Brekk  
John Popowich  
Bernie Buenaflor  
Jon Gabel  
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 June 4, 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 Collective Funds to Separate Accounts	\$20,800,000,000.00	January 10, 2018	In Progress	<div style="width: 90%; background-color: #4682B4;"></div> 90%	Finalizing last few terms. Expect execution of Investment Management Agreement in early June.
	BTC Intermediate Credit Bond Index Fund	Termination Notice	n/a	February 14, 2018	In Progress	<div style="width: 90%; background-color: #4682B4;"></div> 90%	Termination will be addressed through the new Blackrock Trust Company Investment Management Agreement referenced in #1 above.
	Cramer Rosenthal McGlynn	Termination Notice	n/a	May 9, 2018	Complete	<div style="width: 100%; background-color: #4682B4;"></div> 100%	Termination notice sent; termination complete.
	Westwood Asset Management	Termination Notice	n/a	May 9, 2018	Complete	<div style="width: 100%; background-color: #4682B4;"></div> 100%	Termination notice sent; termination complete.
	Quantitative Management Associates, LLC	Investment Management Agreement	\$400,000,000.00	May 9, 2018	In Progress	<div style="width: 25%; background-color: #4682B4;"></div> 25%	Draft agreement sent to manager. Reviewing comments from manager.
	Systematic Financial Management, LP	Investment Management Agreement	\$400,000,000.00	May 9, 2018	In Progress	<div style="width: 25%; background-color: #4682B4;"></div> 25%	Draft agreement sent to manager. Reviewing comments from manager.



**LACERA Legal Division**  
**Board of Investments Projects**  
**Monthly Status Report - Pending as of June 4, 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	 50%	Draft IMA sent to JPM. Awaiting JPM comments.
	Morgan Stanley (GTB II Capital Partners)	Co-Investment Program Additional Allocation	\$100,000,000.00	February 14, 2018	Complete	 100%	Documentation completed, executed and submitted.
	AE Industrial Partners Fund II, L.P.	Subscription	\$100,000,000.00	May 9, 2018	In Progress	 75%	Legal negotiations of documentation. Close to finalization.
	Greenhill Capital Advisory	Secondary Advisor Engagement Letter	n/a	May 9, 2018	In Progress	 15%	Legal review in progress.



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**Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.**

**For further information, contact:  
LACERA  
Attention: Public Records Act Requests  
300 N. Lake Ave., Suite 620  
Pasadena, CA 91101**



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**Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.**

**For further information, contact:  
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Pasadena, CA 91101**