

# LIVE VIRTUAL COMMITTEE MEETING

\*The Committee meeting will be held following the Board of Investment meeting scheduled prior.



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing [PublicComment@lacera.com](mailto:PublicComment@lacera.com). If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

**Attention:** Public comment requests must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

# AGENDA

## A SPECIAL MEETING OF THE CREDIT AND RISK MITIGATION COMMITTEE AND THE BOARD OF INVESTMENTS\*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, SEPTEMBER 9, 2020\*\*

*This meeting will be conducted by teleconference pursuant to the Governor's Executive Order N-29-20.*

Any person may view the meeting online at  
[https://members.lacera.com/lmpublic/live\\_stream.xhtml](https://members.lacera.com/lmpublic/live_stream.xhtml)

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

### I. CALL TO ORDER

### II. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Regular Credit and Risk Mitigation Committee Meeting of June 10, 2020.

### III. PUBLIC COMMENT

(\*\*\*You may submit written public comments by email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com). Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Boards. A request to speak must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

September 9, 2020

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#### IV. NON-CONSENT ITEMS

A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer and Robert Z. Santos, Investment Officer: That the Committee advance the recommendation for the Investment Grade Bond portfolio to the Board of Investments for approval.  
(Memo dated August 25, 2020)

B. Recommendation as submitted by Chad Timko, Senior Investment Officer: That the Committee advance the recommendation for the Hedge Fund portfolio to the Board of Investments for approval.  
(Memo dated August 28, 2020)

#### V. ITEMS FOR STAFF REVIEW

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

#### VII. 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. Manager(s)/Asset(s) regarding the Credit Portfolio

B. 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. Manager(s)/Asset(s) regarding the Hedge Fund Portfolio

#### VIII. ADJOURNMENT

September 9, 2020

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*\*The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Investments. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.*

*\*\*Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Board of Investments meeting. Please be on call.*

*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.*

*Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email [PublicComment@lacera.com](mailto:PublicComment@lacera.com), but no later than 48 hours prior to the time the meeting is to commence.*

MINUTES OF THE REGULAR MEETING OF THE CREDIT AND RISK  
MITIGATION COMMITTEE AND 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 10, 2020

This meeting was conducted by teleconference pursuant to the Governor's Executive Order N-29-20. The public may attend the meeting at LACERA's offices.

PRESENT: Wayne Moore, Chair  
Gina V. Sanchez, Vice Chair  
Elizabeth Greenwood  
David Muir  
Shawn R. Kehoe

MEMBERS AT LARGE:

Herman Santos  
Alan Bernstein

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer  
Vache Mahseredjian, Principal Investment Officer  
Robert Santos, Investment Officer  
Meketa Investment Group  
Leandro A. Festino, Managing Principal  
Timothy Filla, Vice President

I. CALL TO ORDER

The meeting was called to order by Chair Moore at 1:20 p.m. in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Meeting of December 11, 2019.

Mr. Muir made a motion, Ms. Greenwood seconded, to approve the minutes of the meeting of December 11, 2019. The motion passed unanimously (roll call) with Messrs. Moore, Muir, Kehoe, Ms. Greenwood and Ms. Sanchez voting yes.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. NON-CONSENT ITEM

A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, and Robert Z. Santos, Investment Officer: That the Committee advance the recommendation for the High Yield Request for Proposal Minimum Qualifications to the Board of Investments for approval. (Memo dated May 28, 2020)

Ms. Sanchez made a motion, Mr. Muir seconded, to advance the High Yield Request for Proposal Minimum Qualifications to the Board of Investments for approval. The motion passed unanimously (roll call) with Messrs. Moore, Muir, Kehoe, Ms. Sanchez and Ms. Greenwood voting yes.

V. ITEMS FOR STAFF REVIEW

There were no items to report.

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


There was nothing to report.


VII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at approximately at 1:36 p.m.

August 25, 2020

TO: Trustees - Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA   
Principal Investment Officer

Robert Z. Santos   
Investment Officer

Adam Cheng, CFA   
Senior Investment Analyst

Jeff Jia   
Senior Investment Analyst

FOR: September 9, 2020 Credit and Risk Mitigation Committee Meeting

SUBJECT: **RECOMMENDATION TO REDUCE CORE PLUS FIXED INCOME  
ALLOCATION WITHIN INVESTMENT GRADE BONDS**

### **RECOMMENDATION**

Advance staff's recommendation to reduce the Core Plus fixed income target allocation within Investment Grade Bonds to zero, with a range of 0-20%, to the Board of Investments for approval in October. A detailed explanation of the reasons supporting this recommendation is provided in **Attachment 1**.

### **BACKGROUND**

The objective of the Risk Reduction & Mitigation (Risk Mitigation) functional asset category is, as the name indicates, to reduce the risk of the Total Fund. Risk Mitigation consists of Cash, Investment Grade Bonds, and Hedge Funds. Investment Grade Bonds are further divided into Core and Core Plus investments, and the focus of today's recommendation is the Core Plus segment. Investment Grade Bonds are expected to produce modest returns with a low level of volatility and a low correlation to Growth assets. They are also expected to provide liquidity for paying benefits and for rebalancing purposes. The need to provide liquidity means that capital preservation is important, so even short-term performance matters.

LACERA has been reducing the allocation to Core Plus for several years in order to dampen the volatility of the Investment Grade bond portfolio. The most recent cut was in January 2019, when the Board of Investments approved staff's recommendation to reduce the Core Plus allocation from 35% to 20%. Today's recommendation continues that trend by reducing the Core Plus target to zero, with a range of 0 to 20%. This range provides flexibility to reduce the allocation in an orderly manner as we complete the upcoming Strategic Asset Allocation review.



## DISCUSSION

Staff presented a Mid-Cycle Structure Review of the Risk Mitigation functional asset category at the August 2020 Board of Investments off-site meeting. At that meeting, staff underscored the key role Risk Mitigation serves within the Total Fund and noted that we would review the allocation to Core Plus. The Core Plus strategy invests in sectors that are outside the benchmark index—the so-called “plus” sectors: high yield bonds, emerging market debt, and non-dollar denominated bonds. Therefore, the strategy bears a material amount of credit risk. During times of market stress (“risk off” environment), these sectors introduce a significant amount of volatility, leading to material underperformance relative to the index, and even to negative returns. Furthermore, LACERA already has explicit allocations to the “plus” sectors within the Credit functional category, so there’s no need to invest in those sectors within Risk Mitigation. As such, Core Plus is at odds with the objectives of Risk Mitigation.

The attached PowerPoint presentation covers the role of Risk Mitigation, speaking specifically to Investment Grade Bonds. The slides provide a breakdown of the allocation between Core and Core Plus and highlight the additional risks introduced by Core Plus. These risks reflect not only investment in “plus” sectors, but also material differences in portfolio structure relative to the index—even with in-benchmark investments. As a result, Core Plus has a higher tracking error and lower information ratio when compared to the Core strategy.<sup>1</sup>

The findings are in support of staff’s recommendation to reduce the allocation to Core Plus altogether. The adjustment would provide better downside protection, reduce overall volatility as well as tracking error, and decrease the correlation to equities. If the Committee advances the recommendation--and if the Board approves it in October--staff will begin reducing the Core Plus target allocation gradually and re-investing the proceeds into the Core category. We would anticipate finalizing the transition by the time the Fund’s Strategic Asset Allocation Study is completed next year.

Meketa Investment Group (“Meketa”), LACERA’s general investment consultant, concurs with staff’s recommendation and has provided a support memo (**Attachment 2**).

## CONCLUSION

Staff conducted an analysis of Investment Grade Bonds within Risk Mitigation and recommends adjusting the target allocation to Core Plus fixed income strategies to zero, with a range of 0-20%.

Attachment

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer

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<sup>1</sup> Tracking error is the standard deviation of excess returns. It is a measure of active risk—risk relative to the benchmark. Information ratio is the ratio of excess return to tracking error. It is a measure of active return per unit of active risk.

# Recommendation to Reduce Core Plus Allocation

Credit and Risk Mitigation Committee Meeting  
September 9, 2020



Vache Mahseredjian – Principal Investment Officer  
Robert Santos – Investment Officer  
Adam Cheng – Senior Investment Analyst  
Jeff Jia – Senior Investment Analyst

# Role of Risk Reduction and Mitigation

## Risk Mitigation

- Moderate income
- Lower volatility
- Reduce Total Fund risks
- Low correlation to growth assets
- Capital preservation\*
- Source of liquidity
- Downside protection\*

### Cash

- Primary source of Total Fund liquidity
- Paramount to LACERA's mission of providing the promised benefit
- Focus on capital preservation

### Investment Grade Bonds

- Secondary source of Total Fund liquidity
- Generate income
- Lower volatility
- Low correlation to global equity

### Hedge Funds

- Downside protection\*
- Benefit Total Fund Sharpe ratio
- Differentiated sources of return
- Non-directional market risks
- Contribute positive returns frequently

\* Especially in stressed equity markets or otherwise when growth assets experience broad price declines

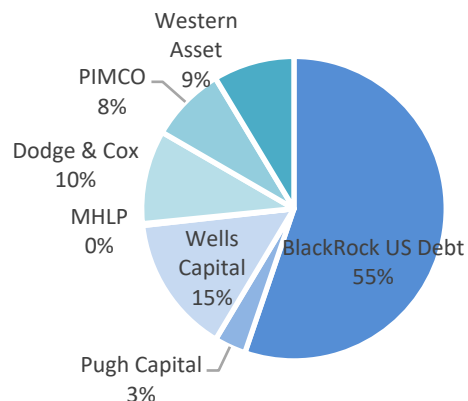


# Investment Grade Bonds

## Portfolio Positioning

(as of June 2020)	Market Value (in \$ billion)	% of Risk Mitigation	% of total Fund
Investment Grade Bonds	11.6	80.0%	19.7%

### Investment Grade Bonds Composition



### Investment Grade Bonds (\$ Value)

	Mkt Value (\$M)	% of Risk Mitigation	
		Target Alloc.	Alloc. Range
Core	\$ 8,482.91	80%	70% - 90%
Core Plus	\$ 3,070.49	20%	10% - 30%
Total IG Composite	\$ 11,553.40		

### Core Investment Grade Bonds

	Mkt Value (\$M)	% of Core
BlackRock U.S. Debt Fund	\$ 6,380.55	75.2%
Member Home Loan Program	\$ 22.04	0.3%
Pugh Capital	\$ 388.59	4.6%
Wells Capital	\$ 1,691.73	19.9%
Total Core	\$ 8,482.91	

### Core Plus Investment Grade Bonds

	Mkt Value (\$M)	% of Core Plus
Dodge	\$ 1,148.07	37.4%
PIMCO	\$ 926.29	30.2%
Western	\$ 996.13	32.4%
Total Core Plus	\$ 3,070.49	



# Core Plus Portfolio Positioning

Risk Characteristics & Sector Distribution as of June 30, 2020			
Risk Characteristics	Core Plus Fixed Income	BBG US Aggregate Bond Index	Difference
Yield to Maturity	2.41	1.27	1.14
Avg. Coupon	3.12	3.03	0.09
Avg. Duration	5.82	6.04	0.96
Avg. Quality	A+	AA1/AA2	AA
BBB's (%)	23.17	14.37	8.80
BB's (%)	6.79	0.00	6.79
B's (%)	1.20	0.00	1.20
Less than B (%)	0.46	0.00	0.46
Non-Rated	0.02	0.00	0.02
Sector Distribution			
Cash & Equivalents	10.19	0.00	10.19
Governments	6.61	43.21	(36.60)
Corporate (Inv. Grade)	41.74	27.40	14.34
Mortgage-Backed	26.52	26.83	(0.31)
CMBS	2.53	2.18	0.35
Asset-Backed	3.96	0.38	3.58
Domestic High Yield	3.79	0.00	3.79
Inv. Grade Non-Dollar	1.53	0.00	1.53
EMD	2.90	0.00	2.90
Other	0.12	0.00	0.12
Non-Dollar High Yield	0.10	0.00	0.10

## Core Plus Strategies

- Primarily invest in U.S. Dollar denominated investment grade bonds, but can tactically invest in sectors outside of the benchmark such as high yield, non-dollar, and emerging market debt securities

Not in Benchmark

Even for sectors included in the benchmark, large allocation differences can lead to significant tracking error in times of market stress.

Not in Benchmark

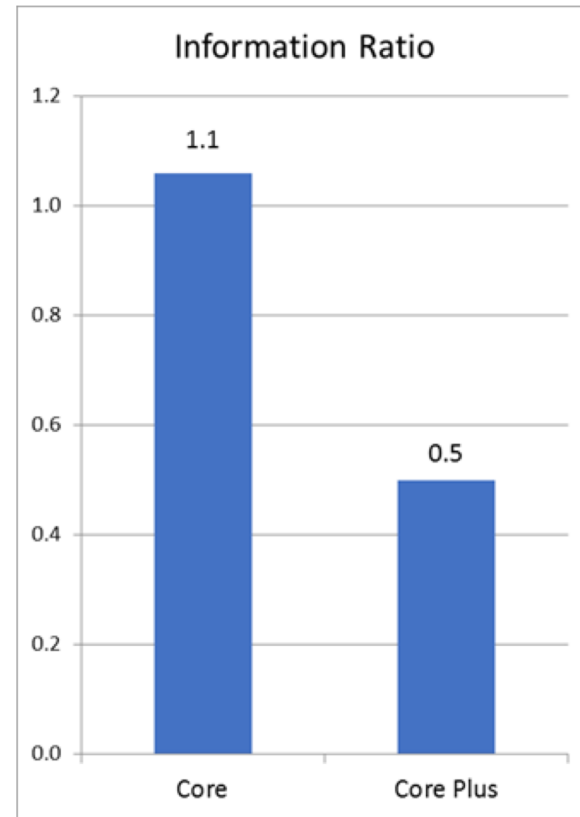
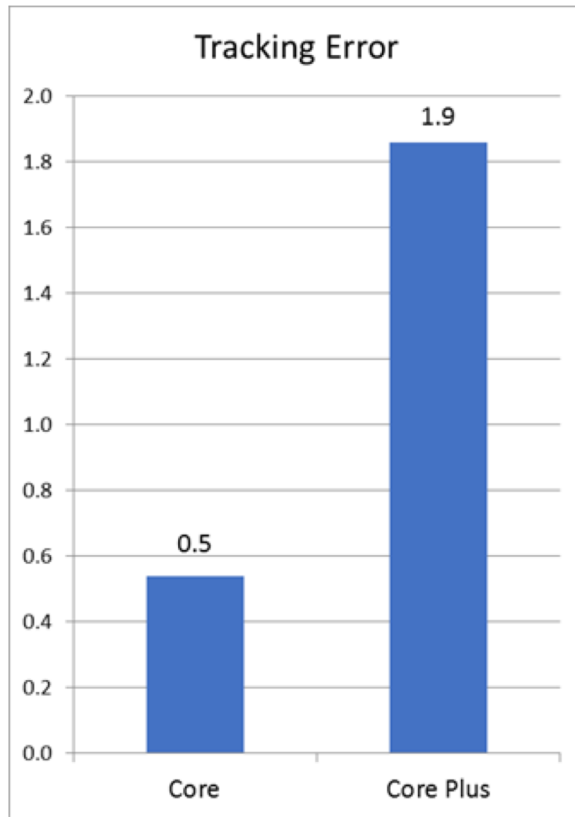


# Core Plus Returns Have Been Volatile

Composite Absolute Performance (net-of-fees)				As of July 2020			
	1Q20	2Q20	Ytd	1 Year	5 year	10 Years	2008
Core	2.99%	3.26%	7.99%	10.41%	4.84%	4.44%	1.94%
Core Plus	-1.00%	6.15%	7.41%	10.39%	5.20%	4.80%	-4.89%
Benchmark	3.15%	2.90%	7.72%	10.12%	4.47%	3.87%	5.24%
Core (Excess Return)	-0.16%	0.36%	0.27%	0.29%	0.38%	0.58%	-3.30%
Core Plus (Excess Return)	-4.15%	3.25%	-0.31%	0.27%	0.74%	0.93%	-10.13%

- Short-term returns are important because Investment Grade bonds assist in providing liquidity.
- By taking risk outside of the benchmark, Core Plus has outperformed over the long-term, but materially underperformed its benchmark during periods of market stress. This runs counter to the objectives of the Risk Reduction & Mitigation category.
- Significant negative returns in 1Q 2020, and in 2008 are inconsistent with the goals of downside protection and capital preservation.

# Core Plus Has Much Higher TE and Lower IR Than Core



- Significantly higher active risk as defined by tracking error
- Lower risk-adjusted return, as measured by Information Ratio

Calculations are based on 10-year trailing returns as of July 31, 2020



# Recommendation and Expected Outcome

## Recommendation

Advance staff's recommendation to reduce the Core Plus target allocation to zero, with a range of 0 to 20%.

- Re-allocate the funds to Core strategies

## Expected Outcome

Better alignment with goals and objectives of Risk Mitigation functional category

- Better downside protection
- Better liquidity in stressed markets
- Lower tracking error
- Higher information ratio
- Lower correlation to equity



## MEMORANDUM

**TO:** LACERA Board of Investments  
**FROM:** Stephen McCourt, Leandro Festino, Tim Filla, Alina Yuan  
**CC:** Meketa Investment Group  
**DATE:** August 27, 2020  
**RE:** Core Plus Allocation Adjustment

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### Background

At the December 2018 Board of Investments (“Board”) meeting, the Board approved Core and Core Plus target allocations of 80% and 20%, respectively, within Investment Grade Bonds. Earlier that year, in May of 2018, the Board approved the recommendation for both Core categories to fall under the Risk Reduction and Mitigation functional category. The purpose of Risk Reduction and Mitigation is to provide capital preservation, downside protection, and lower volatility and correlation to global equity.

### Recommendation & Rationale

Meketa worked with staff to review both Core and Core Plus investment performance over time. Staff compiled a list of observations, as did Meketa independently. Ultimately, we discussed different alternatives and viewpoints and agreed on a joint action plan that brings the target of Core Plus to 0% with a range of 0% to 20%, as explained in detail in staff’s memo. Meketa concurs and agrees with staff’s research, analysis, and recommendations.

While Core Plus has outperformed over the long term, as an asset class, it has underperformed its benchmark materially during periods of high market stress, most recently during the COVID-19 pandemic. Core Plus returned -1.0% during the first quarter of 2020. In contrast, its other counterpart, Core, returned 3.0% during the first quarter of 2020. The underperformance from Core Plus during high market volatility is not the expected or desired outcome of an asset class within the Risk Mitigation category.

Core Plus has a lower correlation than Core to high-grade bond indices and it has a higher correlation than Core to equity indices. This attribute is contradictory to Risk Mitigation’s goal of holding a low correlation to growth assets. Upon additional review with staff, we concur with staff’s recommendation to reduce the target allocation of Core Plus to 0%, and re-allocate the funds to Core strategies over time. Increasing Core’s allocation will help lower the potential tracking error within Investment Grade Bonds and provide better downside protection and liquidity during stressed markets.






In conclusion, we concur with staff's recommendation to decrease the target allocation of Core Plus to better align Investment Grade Bonds to the objectives of its functional category. We believe the proposed changes will help streamline portfolio efficiency. We would be pleased to elaborate on this recommendation at the upcoming Board meeting in September, and assist both staff and the Board during the coming months in matters related to this review. In the meantime, if you have any questions or would like additional information, please call us at (760) 795-3450.

SM/LF/TF/AY/sf



August 28, 2020

TO: Trustees – Board of Investments

FROM: Vache Mahseredjian  Principal Investment Officer  
Chad Timko  Senior Investment Officer  
Quoc Nguyen  Investment Officer

FOR: September 9, 2020 Credit and Risk Mitigation Committee Meeting

SUBJECT: **HEDGE FUNDS PORTFOLIO DISCUSSION – PIMCO TACTICAL OPPORTUNITIES**

### RECOMMENDATION

Approve re-categorizing the investment in PIMCO Tactical Opportunities Onshore Fund L.P. to LACERA's Illiquid Credit portfolio.

### SUMMARY AND BACKGROUND

A Risk Mitigation 2020 Mid-Cycle Structure Review was presented to the Board of Investments at its Offsite meeting on August 12, 2020. At this meeting, the group discussed elements of the Risk Mitigation portfolio that have worked and identified areas for improvement such as decreasing exposure to hedged but directional credit strategies. A future initiative to prioritize risk mitigation objectives in the portfolio was identified. Accordingly, **Attachment 1** provides additional information about PIMCO Tactical Opportunities Onshore Fund L.P. (“Tac Ops”) that is managed by Pacific Investment Management Company LLC. LACERA currently has a \$230 million investment in Tac Ops and **Attachment 1** provides rationale for re-categorizing this investment to Illiquid Credit. This action would adjust the Credit portfolio and sub-category of Illiquid Credit closer to strategic asset allocation target weights. LACERA's Consultant for Hedge Funds and Illiquid Credit supports this recommendation as described in **Attachment 2**.

Attachments

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer

# Risk Mitigation – Hedge Funds Portfolio Discussion PIMCO Tactical Opportunities

Credit and Risk Mitigation Committee Meeting

September 9, 2020

Vache Mahseredjian – Principal Investment Officer

Chad Timko – Senior Investment Officer

Quoc Nguyen – Investment Officer

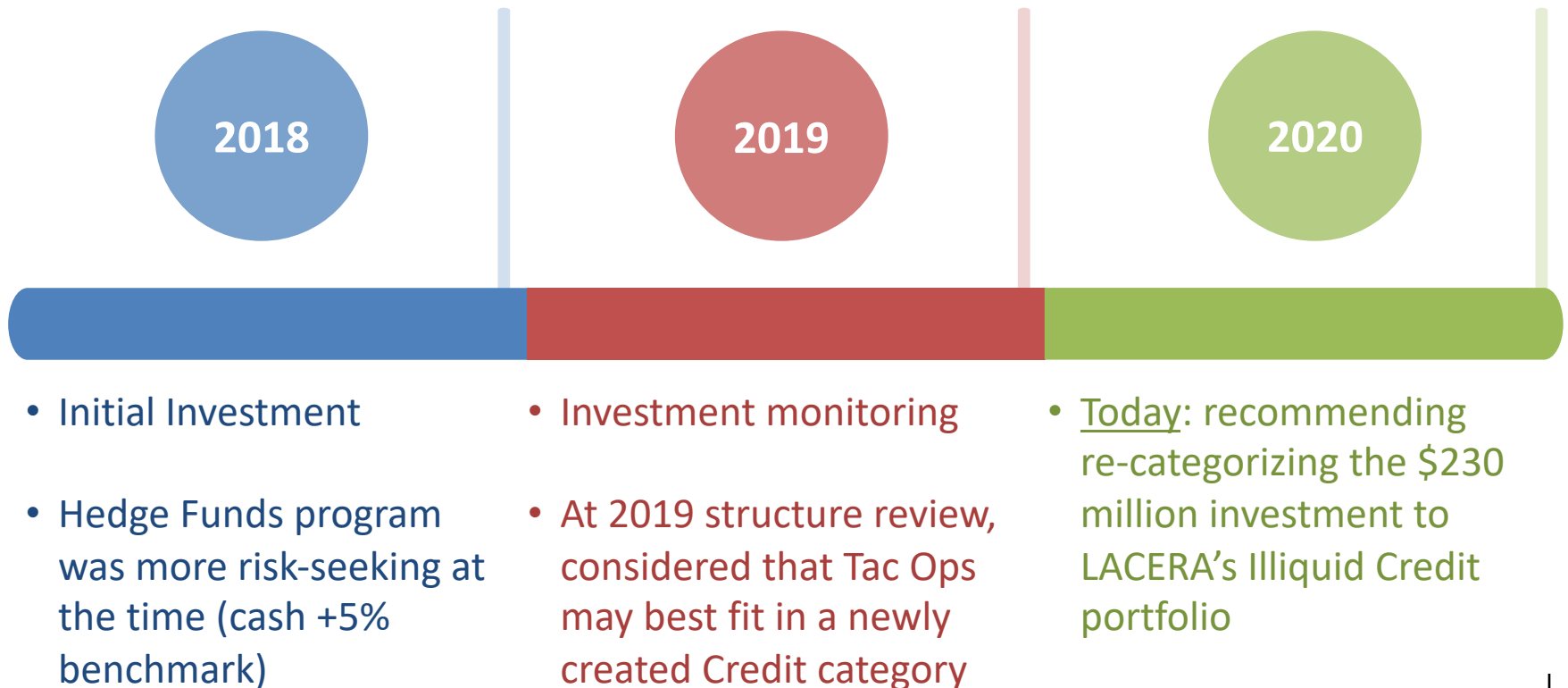


# PIMCO - Tactical Opportunities Fund (“Tac Ops”)

## Background

### Strategy Description

- An opportunistic and hedged credit strategy
- Invests across the capital structure in both public and private opportunities
- Consumer, residential, commercial, corporate and specialty finance sectors



# PIMCO - Tactical Opportunities Fund (“Tac Ops”)

## Considerations and Performance

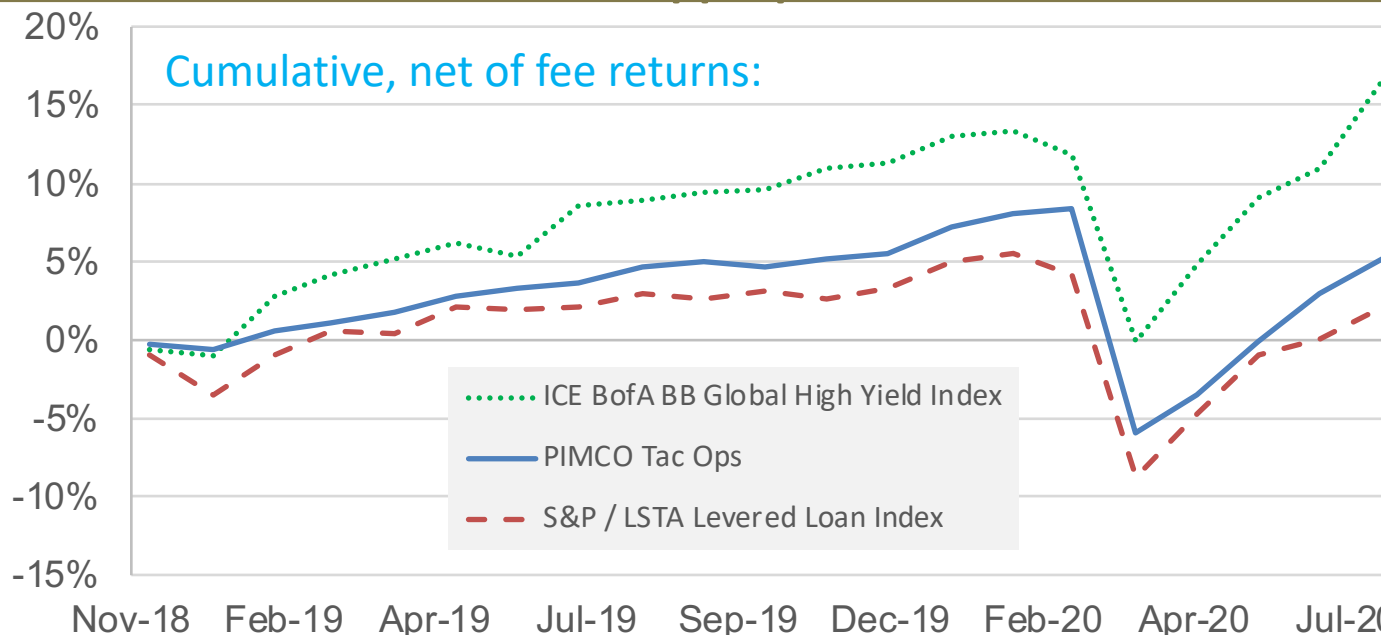
### Total Fund Considerations

- Tac Ops shares risk exposures with an Illiquid Credit portfolio that is under construction
- LACERA’s Illiquid Credit portfolio is currently below target allocation

### Performance Data:

- Tac Ops lost 13% in March 2020 when equities (MSCI AWCI Index) declined 14%
- 0.94 correlation to S&P / LSTA Levered Loan Index since LACERA’s investment in November 2018
  - Too much directional exposure for the Risk Mitigation portfolio

### Performance and Correlation More Appropriate for Credit than Risk Mitigation:



# PIMCO - Tactical Opportunities Fund (“Tac Ops”)

## Recommendation

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### Recommendation

- Re-categorize the investment in PIMCO Tactical Opportunities Onshore Fund L.P. to LACERA’s Illiquid Credit portfolio

### Rationale

- **Poor fit:** risk and return characteristics do not align well with risk mitigation and diversification objectives
- **Limited diversification:** risk and return sources are being expressed elsewhere in the Total Fund



**PIMCO Tactical Opportunities Recommendation**

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*August 21, 2020*

**To:** Trustees  
Board of Investments

**From:** James Walsh, G. Stephen Kennedy  
Albourne America LLC

**For:** September Board of Investments Meeting

**Recommendation:** Advance the re-categorization of PIMCO Tactical Opportunities Onshore Fund L.P. (“PIMCO Tactical Opportunities” or the “Fund”) to LACERA’s Illiquid Credit portfolio from the Hedge Funds portfolio to the Board for approval.

**Background:** Staff is recommending that PIMCO Tactical Opportunities is re-categorized into the Illiquid Credit portfolio instead of the Hedge Funds portfolio. Albourne America LLC (“Albourne”), LACERA’s advisor to both the Hedge Funds and Illiquid Credit asset categories, has conducted both Investment Due Diligence and Operational Due Diligence on the Fund and agrees with staff’s recommendation.

Several factors play into this recommendation. The Fund shares risk exposures with an Illiquid Credit portfolio that is under construction and currently below target allocation. At the time of investment in 2018, the Hedge Funds program was more risk-seeking; today, PIMCO Tactical Opportunities is a better fit for the newly created Illiquid Credit portfolio.

**Conclusion:** Albourne recommends the Board considers a re-categorization of the strategy deployed by PIMCO Tactical Opportunities.

Sincerely,

James Walsh  
Head of Portfolio Group  
Senior Analyst

G. Stephen Kennedy  
Portfolio  
Senior Analyst





## **PIMCO Tactical Opportunities Recommendation**

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### **Albourne Due Diligence Check List:**

This checklist represents a partial summary of the work undertaken by Albourne, in reviewing the Fund for potential redemption by LACERA.

#### Summary of Albourne Review:

- Investment strategy review:	COMPLETE
- Operational due diligence review:	COMPLETE
- IT systems review:	COMPLETE
- Compliance and Media Searches:	COMPLETE
- Reference checks:	COMPLETE
- Performance review:	COMPLETE
- Financial Statement review:	COMPLETE
- Legal Document review:	COMPLETE
- Onsite due diligence visit:	COMPLETE
- Newsletter review:	COMPLETE

LACERA investment staff have full access to extensive Albourne research reports, which describe in detail the strengths and weaknesses of the Fund.

### **Disclosure of Potential Conflicts**

Based on a review of Albourne's gifts records, there have been no gifts involving Albourne and PIMCO during the past five years.



## **PIMCO Tactical Opportunities Recommendation**

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### **Important Notice**

The information in this report does not contain all material information about the fund that is the subject of this report, its investment manager, any of their affiliates or any other related entity to which this report relates, including important disclosures and risk factors associated with an investment in the fund. As used herein, the term “Fund” refers to (i) the specific fund that is the subject of this report, (ii) collectively, the specific fund that is the subject of this report, its investment manager, any of their affiliates or any other related entity to which this report relates, or (iii) investment funds generally, as the context requires.

Before making an investment, LACERA should obtain and carefully review the relevant fund offering documents before investing in the Fund mentioned herein, as such documents may contain important information needed to evaluate the investment and may provide important disclosures regarding risks, fees and expenses. Funds are speculative, involve a high degree of risk, and are illiquid. Past performance is not indicative of future results and LACERA could lose all or a substantial amount of any investment it makes in such Funds. Furthermore, Funds may involve complex tax structures and delays in the distribution of important tax information, may have a limited operating history, may be highly volatile, and there may not be a secondary market for Fund interests. There may be restrictions on redemptions and transfers of Fund interests and such interests may otherwise be illiquid. Funds may also be highly leveraged and may have a fund manager with total investment and/or trading authority over the Fund. It should also be noted that, in the case of hedge funds, there may be a single adviser applying generally similar trading programs with the potential for a lack of diversification and corresponding higher risk; hedge funds may also affect a substantial portion of trades on foreign exchanges, which have higher trading costs.

This report, and the information contained herein, is confidential and for the sole use of LACERA and its Approved Persons. This report may not be reproduced, distributed or transmitted in whole or in part to any third party, except as otherwise permitted under the agreement between Albourne America LLC and LACERA.





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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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