



Chief Investment Officer Monthly Report

Jonathan Grabel – Chief Investment Officer 

Board of Investments Meeting
January 8, 2025

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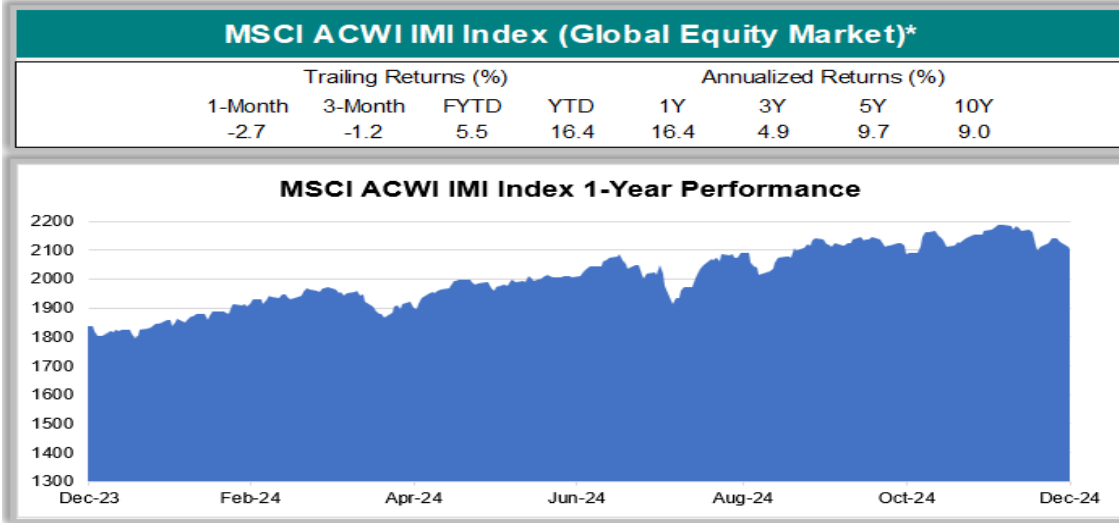


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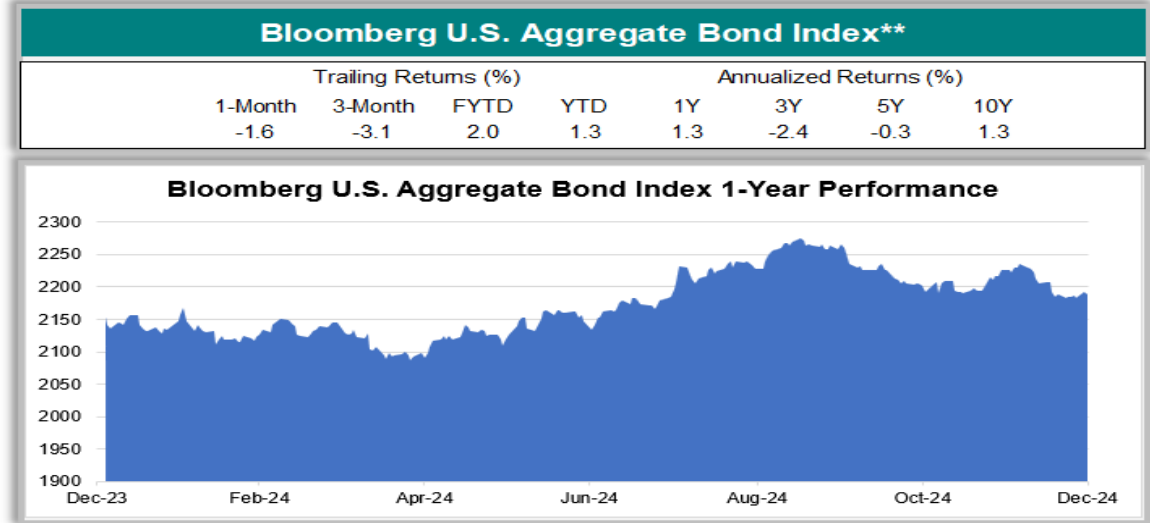


01 Market Environment

Global Market Performance as of December 31, 2024



*Global Equity Policy Benchmark - MSCI ACWIIMI Index

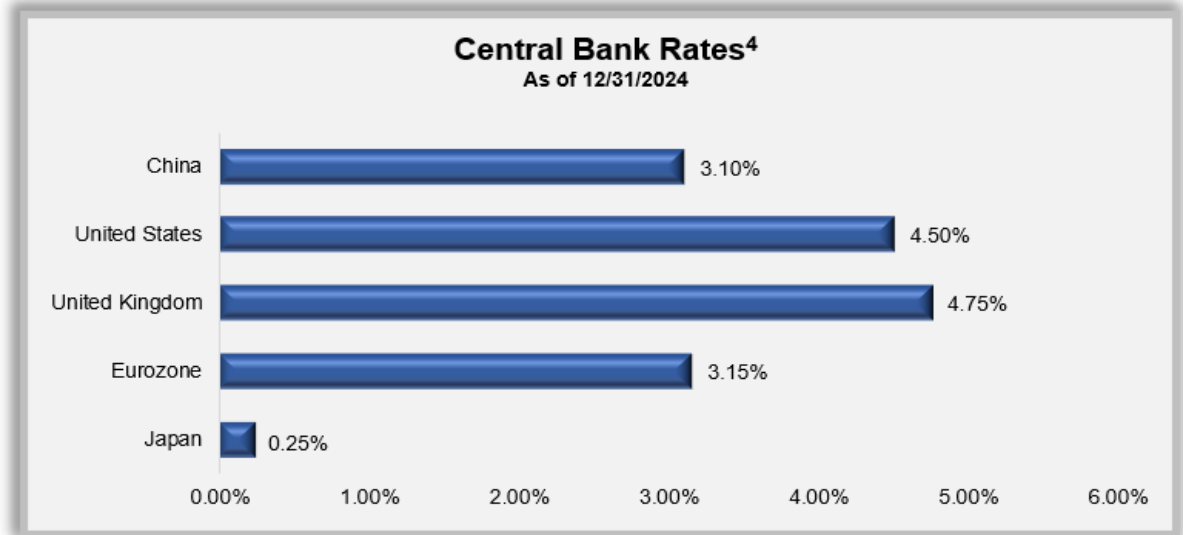
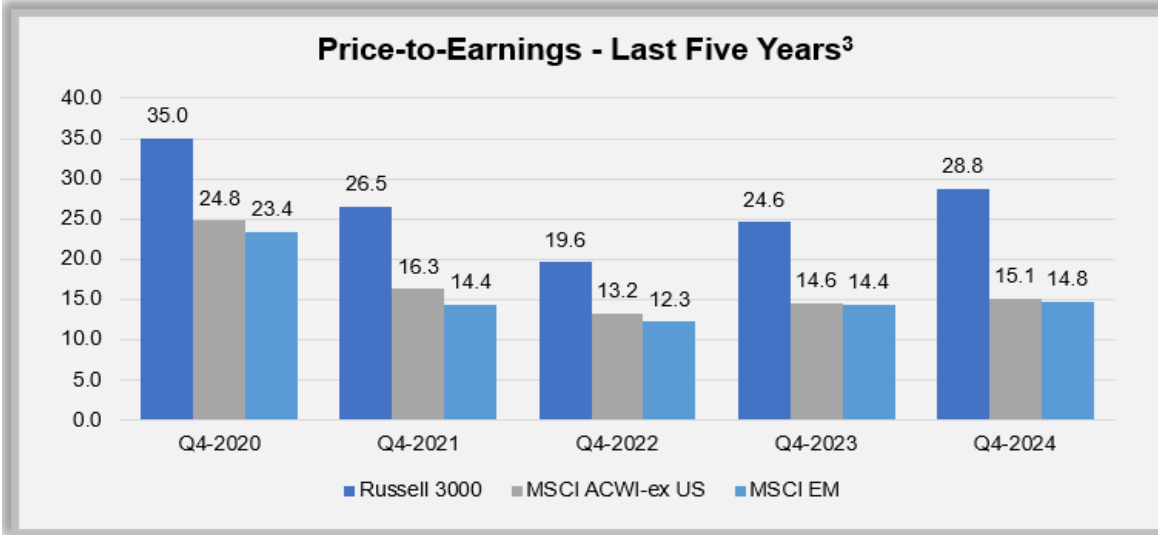
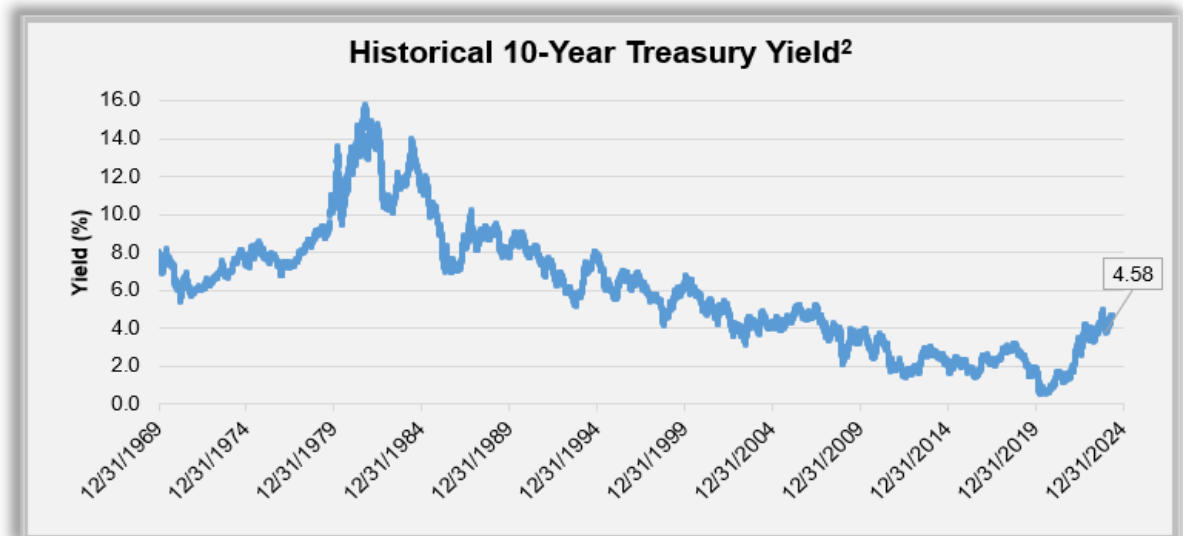
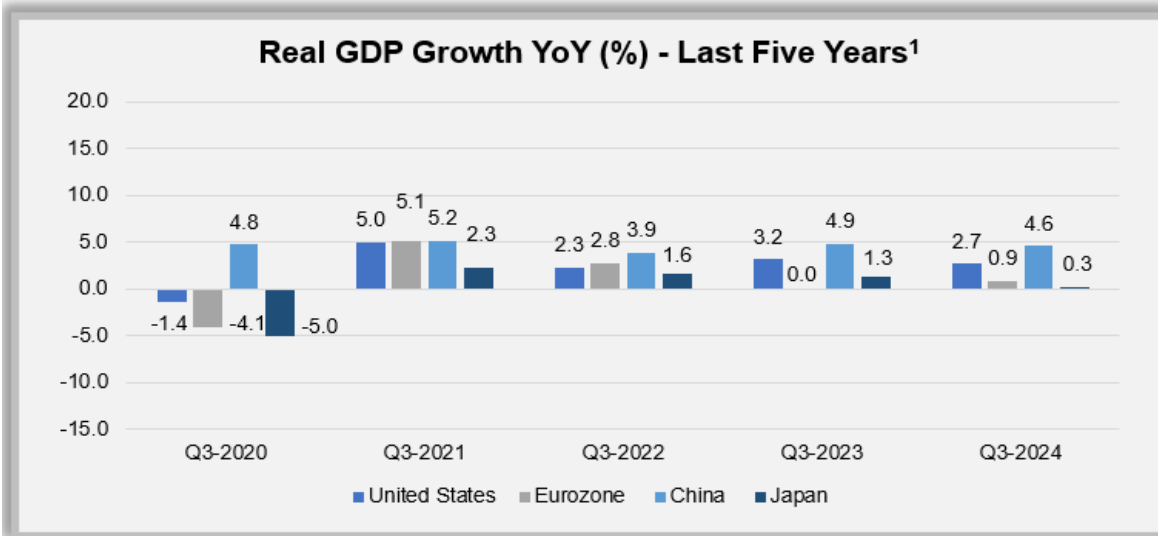


**Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

Market	Sub-Category	Index Name	1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
Reference Portfolio	60:40 Equity:Bond Portfolio	60% MSCI ACWI IMI/ 40% Bloomberg U.S. Aggregate Index	-2.3	-2.0	4.1	10.3	10.3	2.0	5.7	5.9
Equity	Global All Cap	MSCI ACWI IMI Total Return	-2.7	-1.2	5.5	16.4	16.4	4.9	9.7	9.0
	U.S. All Cap	Russell 3000 Total Return	-3.1	2.6	9.0	23.8	23.8	8.0	13.8	12.5
	U.S. Large Cap	S&P 500 Total Return	-2.4	2.4	8.4	25.0	25.0	8.9	14.5	13.1
	U.S. Small Cap	Russell 2000 Total Return	-8.3	0.3	9.6	11.5	11.5	1.2	7.4	7.8
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	-2.0	-7.6	0.0	5.2	5.2	0.5	4.1	4.9
	Emerging Markets	MSCI Emerging Markets Total Return	-0.1	-8.0	0.0	7.5	7.5	-1.9	1.7	3.6
Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	-5.9	-0.3	7.1	31.3	31.3	-1.9	9.0	11.0
Fixed Income	U.S. Investment Grade Bonds	Bloomberg U.S. Aggregate Index	-1.6	-3.1	2.0	1.3	1.3	-2.4	-0.3	1.3
	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	-0.4	0.2	5.5	8.2	8.2	2.9	4.2	5.2
	U.S. Long Term Treasury Bonds	Bloomberg Long Term U.S. Treasury Total Return Index	-5.3	-8.6	-1.5	-6.4	-6.4	-12.0	-5.2	-0.6
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	0.6	2.3	4.4	9.1	9.1	6.8	5.7	5.1
	U.S. Treasury Inflation Protected Securities	Bloomberg U.S. Treasury TIPS Total Return Index	-1.6	-2.9	1.1	1.8	1.8	-2.3	1.9	2.2
	U.S. 3 Month Treasury Bill	FTSE 3 Month Treasury Bill	0.4	1.2	2.6	5.4	5.4	4.0	2.5	1.8
Commodity	Commodity Prices Index	Bloomberg Commodity Index Total Return	1.0	-0.4	0.2	5.4	5.4	4.0	6.8	1.3
	Natural Resources	S&P Global LargeMidCap Commodity & Resources Index	-6.5	-10.7	-6.5	-5.0	-5.0	2.8	7.1	5.5
Infrastructure	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	-5.8	-2.2	11.0	11.3	11.3	4.0	4.1	4.3
Real Estate	U.S. REITs	MSCI U.S. REIT Index	-7.4	-6.1	9.0	8.8	8.8	-2.3	4.3	5.7

Source: Bloomberg

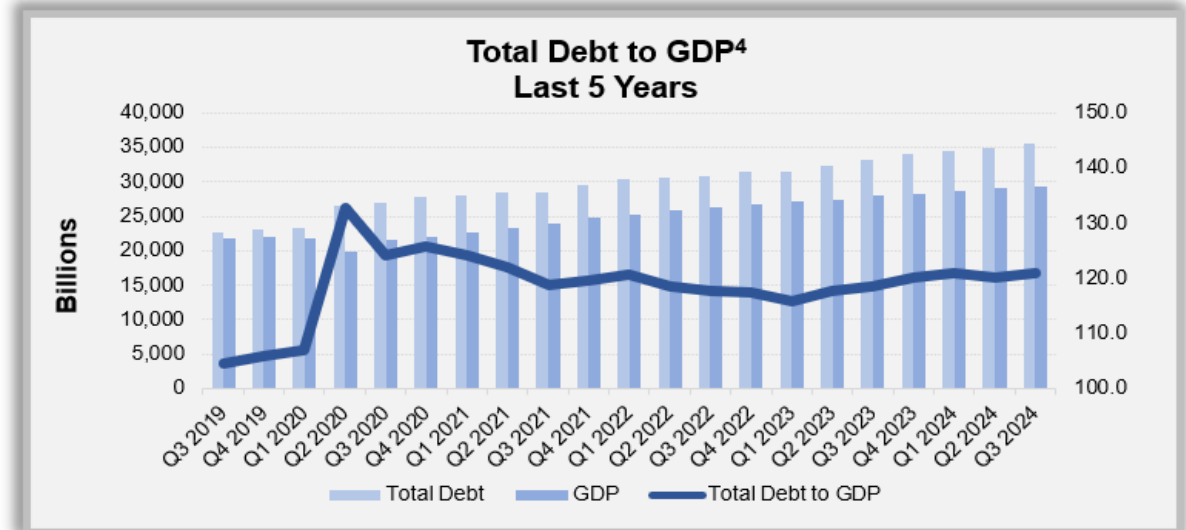
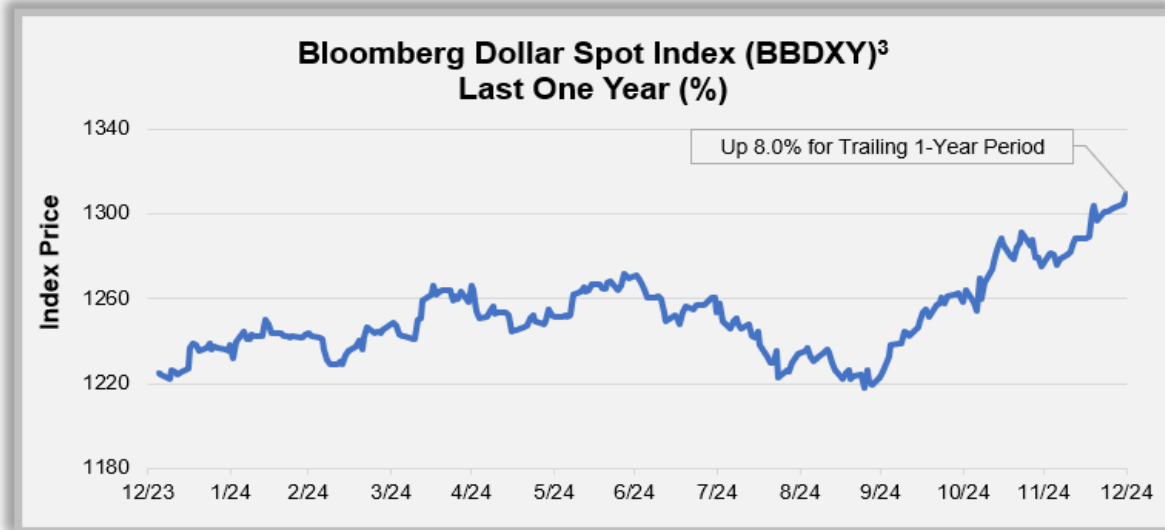
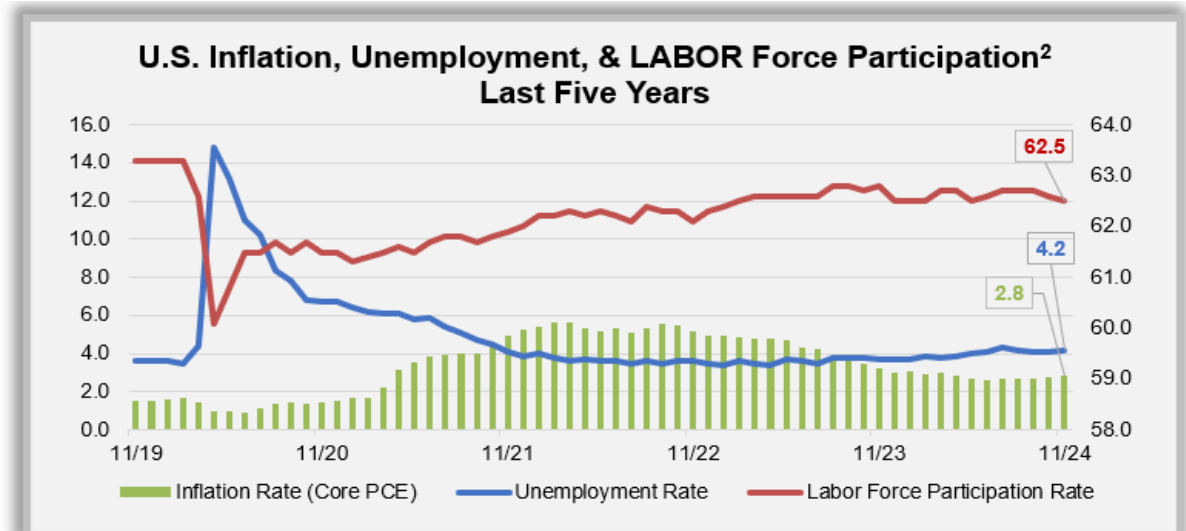
Key Macro Indicators*



*The information on the "Key Macro Indicators" charts is the best available data as of 12/31/24 and may not reflect the current market and economic environment.

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

Key Macro Indicators*



*The information on the "Key Macro Indicators" charts is the best available data as of 12/31/2024 and may not reflect the current market and economic environment.

Sources: 1. Bloomberg 2. Bloomberg 3. Bloomberg 4. Office of Management and Budget; St. Louis Federal Reserve



02 Portfolio Performance & Risk Updates

Market Themes and Notable Items to Watch



Recent Themes

- The Federal Reserve cut the target interest rate by 0.25%, lowering the target range to 4.25% - 4.50% in December
- The annual inflation rate for the U.S. was 2.7% for the twelve months ending November and this represents a slight increase from the previous month-end rate of 2.6%
- The Federal Reserve indicated a slower pace of future rate cuts in 2025, reflecting its cautious approach at this time
- The U.S. 10-year Treasury yield ended December at 4.58% after being 3.88% at the end of both 2022 and 2023, 1.52% at the end of 2021, and 0.93% at the end of 2020
- Global equities (MSCI All Country World Investable Index) declined 2.7% in December

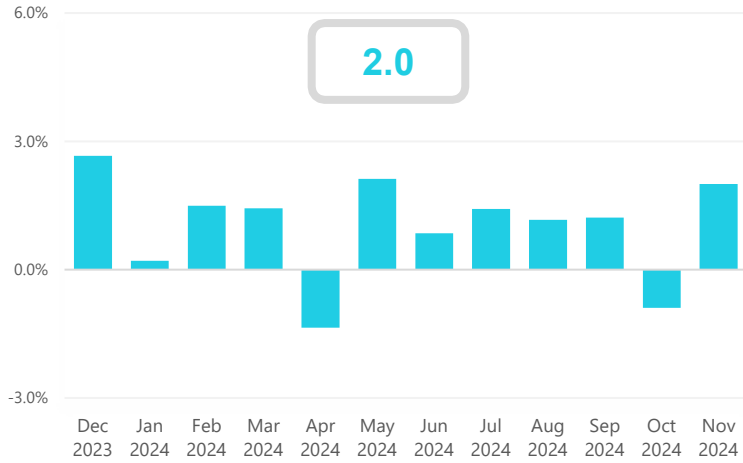
What to Watch

- Interest rates and central bank actions
- Economic data and trends
 - Inflation, supply chains, and labor developments
- Macro conditions and geopolitical risks
- Artificial intelligence including research developments, applications, and infrastructure investment
- Corporate governance and stewardship developments
 - Increased governance focus on risk mitigation and oversight of business adoption of artificial intelligence, including legal guidance and shareholder resolutions

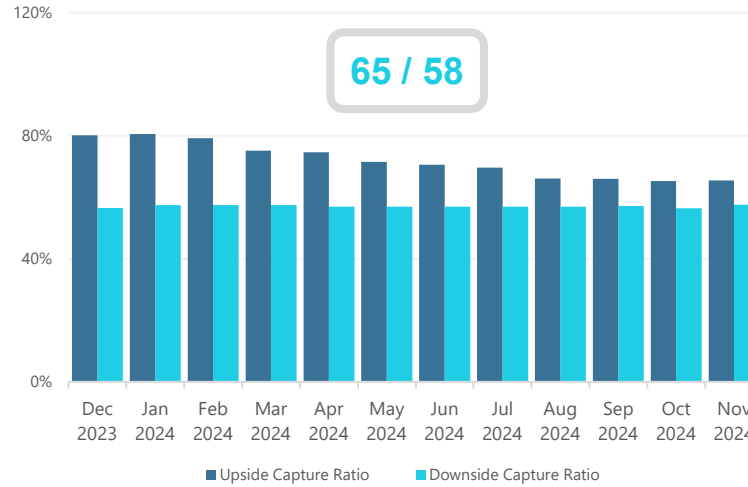
Total Fund Summary as of November 2024



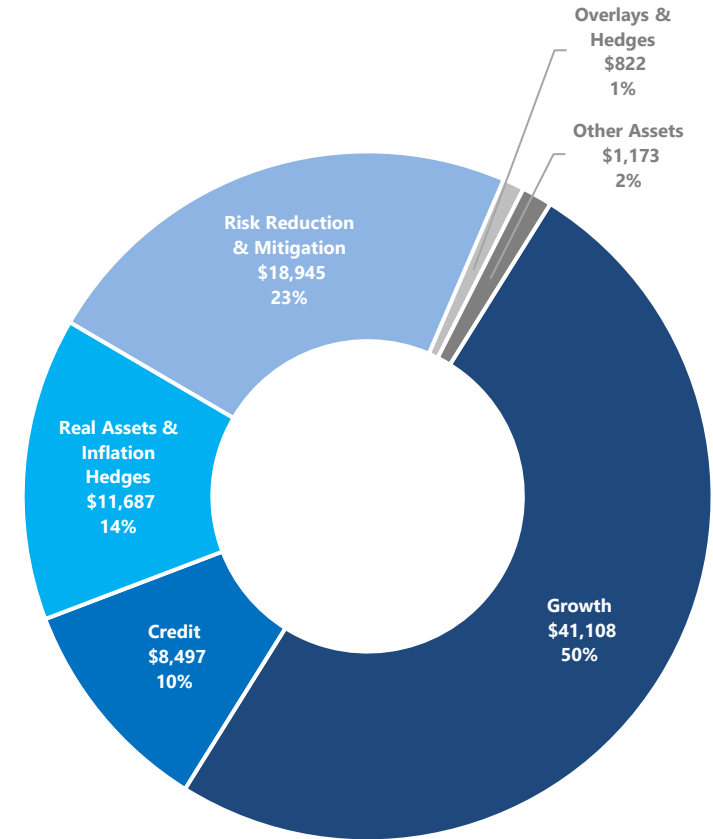
Monthly Net Return (%)



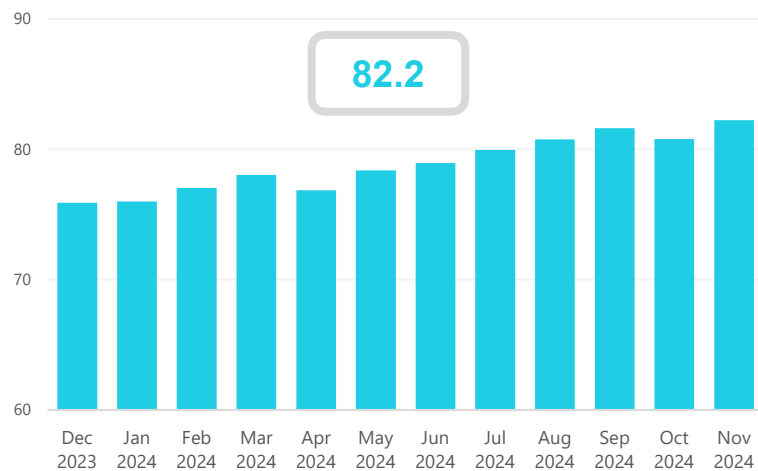
Upside / Downside Capture (%)¹



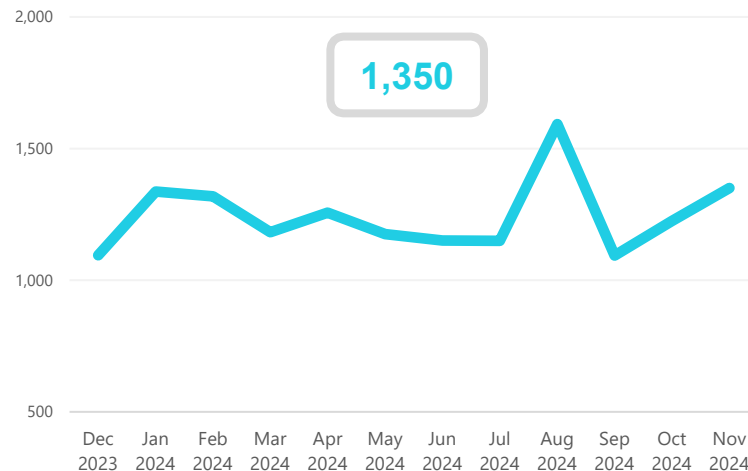
Asset Allocation (\$ millions)²



Total Market Value (\$ billions)



Cash (\$ millions)



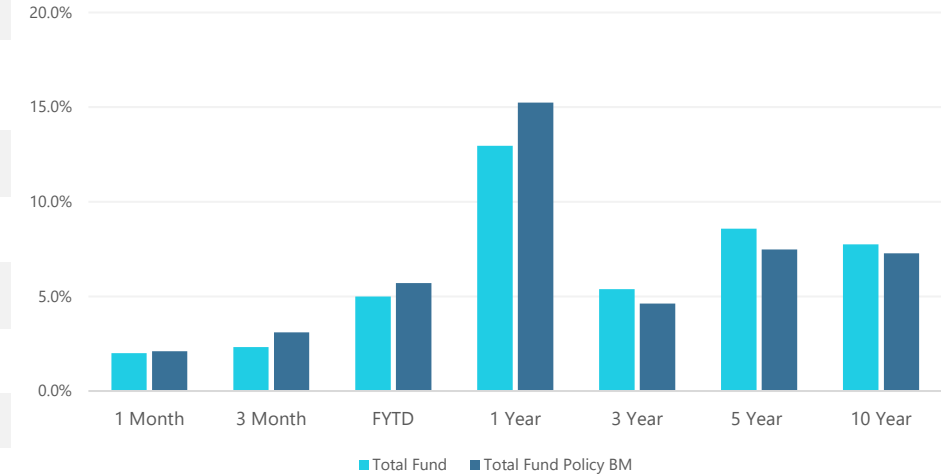
¹ Reference portfolio = 60% MSCI ACWI IMI / 40% Bloomberg US Aggregate Bond Index
² Other Assets include receivables due to deferred sales and rebalancing activity pending settlement.

Historical Net Performance as of November 2024



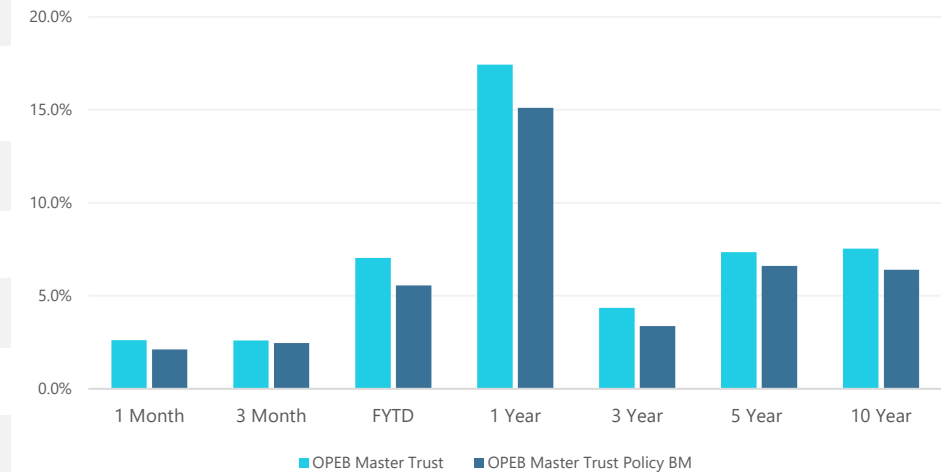
LACERA Pension Fund

	Market Value (\$ mm)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	82,232	100.0%	100.0%	2.0%	2.3%	5.0%	13.0%	5.4%	8.6%	7.7%
Total Fund Policy BM				2.1%	3.1%	5.7%	15.2%	4.6%	7.5%	7.3%
7% Annual Hurdle Rate				0.6%	1.7%	2.9%	7.0%	7.0%	7.0%	7.0%
Growth	41,108	50.0%	50.5%	2.8%	2.8%	6.0%	17.1%	6.7%	12.2%	
Growth Policy BM				3.2%	4.7%	7.8%	23.3%	7.0%	11.7%	
Credit	8,497	10.3%	12.0%	1.0%	3.2%	6.1%	16.0%	7.5%	7.5%	
Credit Policy BM				0.5%	2.6%	4.4%	13.3%	4.5%	4.7%	
Real Assets & Inflation Hedges	11,687	14.2%	16.0%	1.3%	1.5%	3.3%	3.4%	3.8%	5.4%	
RA & IH Policy BM				1.3%	2.2%	3.0%	2.1%	3.0%	5.2%	
Risk Reduction & Mitigation	18,945	23.0%	21.5%	0.8%	0.3%	3.4%	7.4%	-0.7%	1.2%	
RR & M Policy BM				1.0%	0.4%	3.5%	7.4%	-1.0%	0.6%	
Overlays & Hedges	822	1.0%		9.8%	34.3%	13.7%	81.2%			
Other Assets	1,173	1.4%								



OPEB Trust

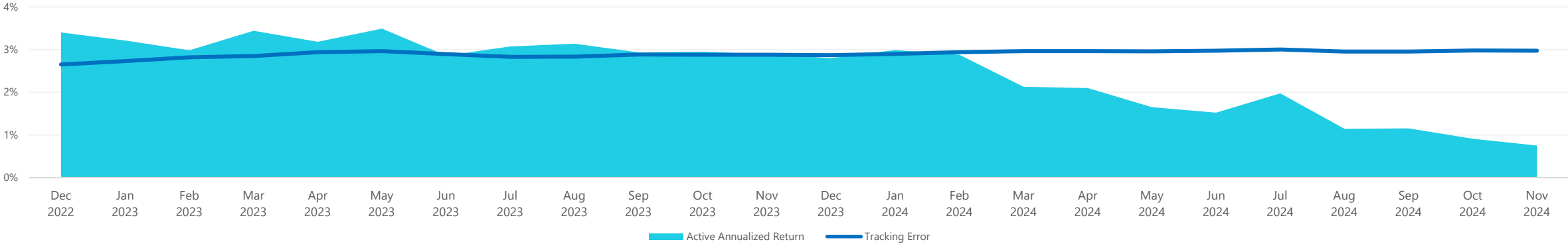
	Market Value (\$ mm)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
OPEB Master Trust	4,402			2.6%	2.6%	7.0%	17.4%	4.4%	7.3%	7.5%
OPEB Master Trust Policy BM				2.1%	2.5%	5.6%	15.1%	3.4%	6.6%	6.4%
6% Annual Hurdle Rate				0.5%	1.5%	2.5%	6.0%	6.0%	6.0%	6.0%
OPEB Growth	1,981	45.0%	45.0%	4.0%	4.1%	8.7%	26.3%	7.5%	11.3%	
OPEB Growth Policy BM				3.7%	4.2%	8.4%	25.9%	7.2%	11.0%	
OPEB Credit	690	15.7%	17.0%	0.8%	1.7%	4.6%	9.6%	4.6%	3.9%	
OPEB Credit Policy BM				0.5%	2.6%	4.4%	11.8%	4.7%	4.4%	
OPEB Real Assets & Inflation Hedges	700	15.9%	16.5%	2.7%	3.1%	9.6%	15.9%	0.7%	4.1%	
OPEB RA & IH Policy BM				0.6%	1.2%	1.6%	2.0%	-2.3%	2.4%	
OPEB Risk Reduction & Mitigation	1,030	23.4%	21.5%	1.1%	-0.4%	3.7%	7.1%	-1.3%	0.2%	
OPEB RR & M Policy BM				1.2%	-0.3%	3.6%	7.0%	-2.0%	-0.2%	
OPEB HL PM Cash	0	0.0%								



Active and Excess Return as of November 2024



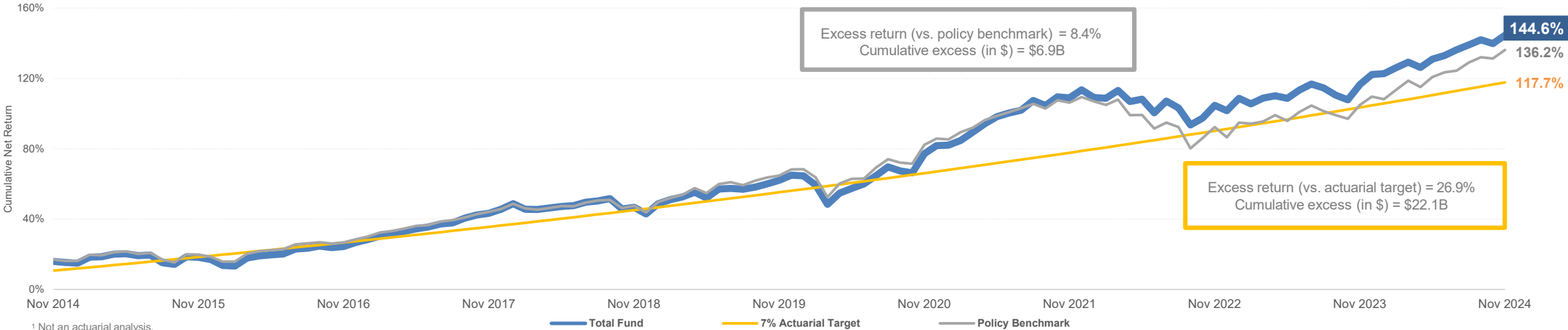
Active Return vs. Tracking Error^{1,2,3}



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
Nov 2024	5.4%	4.6%	0.8%	3.0%

¹ Rolling 36 months.
² Active return equals the difference in return between a portfolio and its benchmark.
³ Tracking error (or active risk) measures the volatility of active returns.

Excess Return¹



¹ Not an actuarial analysis.

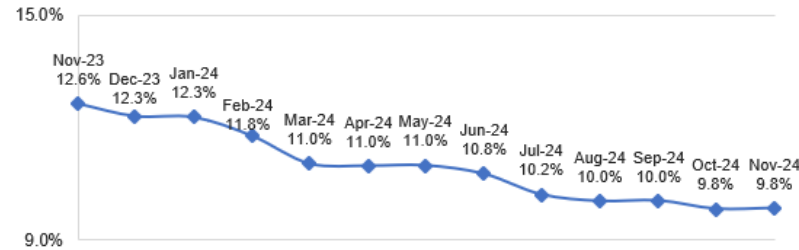
Total Fund Forecast Volatility as of November 2024*



TOTAL FUND VOLATILITY
9.8%

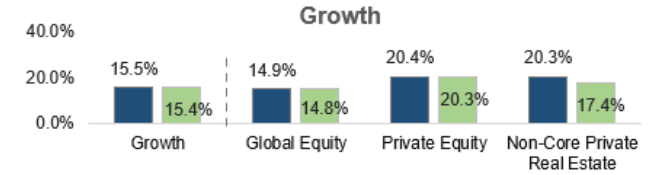
BENCHMARK VOLATILITY
9.8%

Forecasted Total Fund Volatility Trend

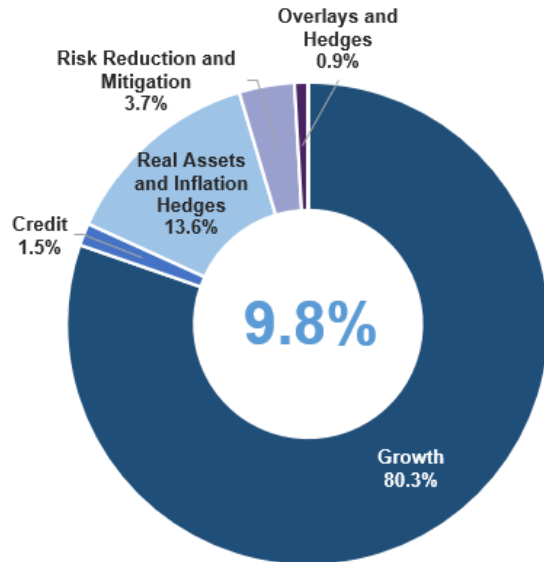


Subcategory Volatility

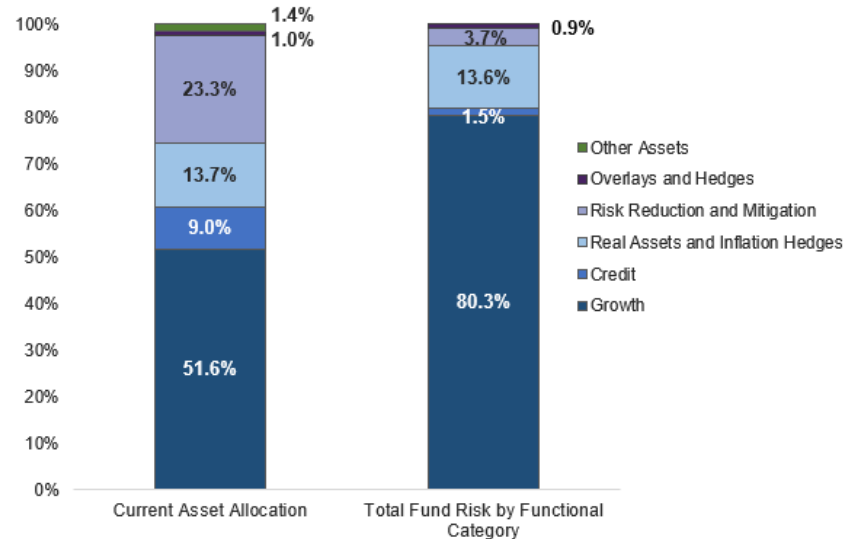
1 Subcategory volatility is on the left bar and benchmark risk is on the right bar.



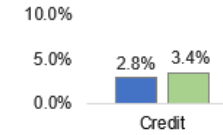
Functional Category Contributions to Total Fund Volatility



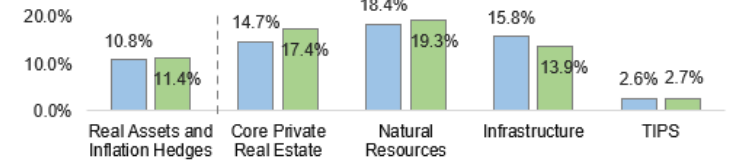
Total Fund Asset Allocation Capital-based versus Risk-based



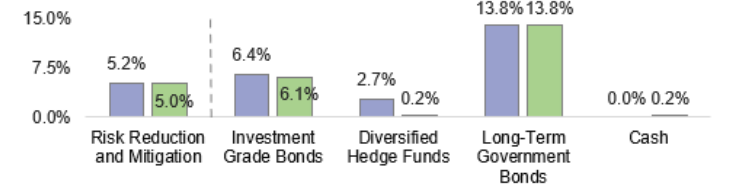
Credit



Real Assets and Inflation Hedges



Risk Reduction and Mitigation



Source: MSCI BarraOne

* Real estate and private equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.

Total Fund Forecast Tracking Error as of November 2024*



TOTAL FUND TRACKING ERROR

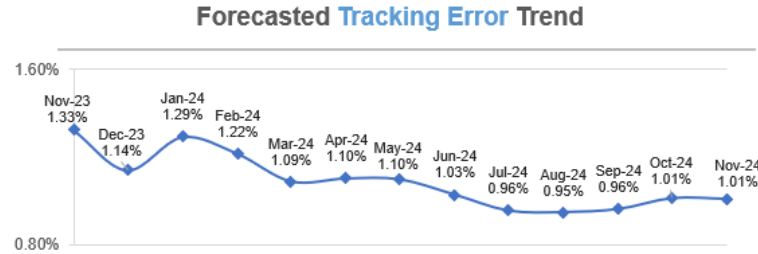
1.01%

ALLOCATION RISK

0.15%

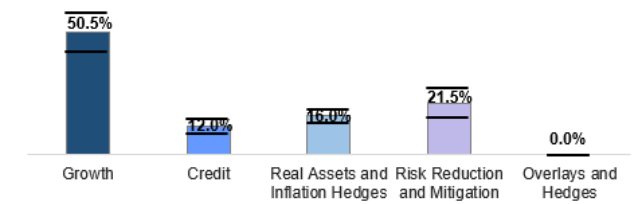
SELECTION RISK

0.86%

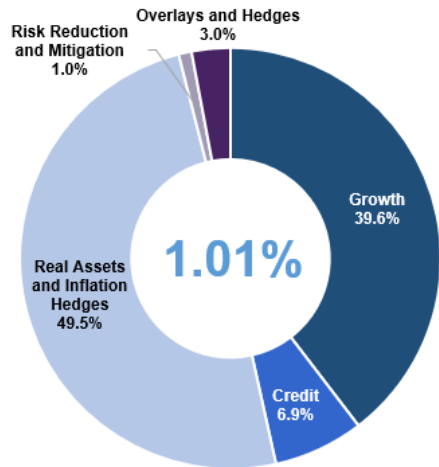


Policy Target Weight for each Functional Category

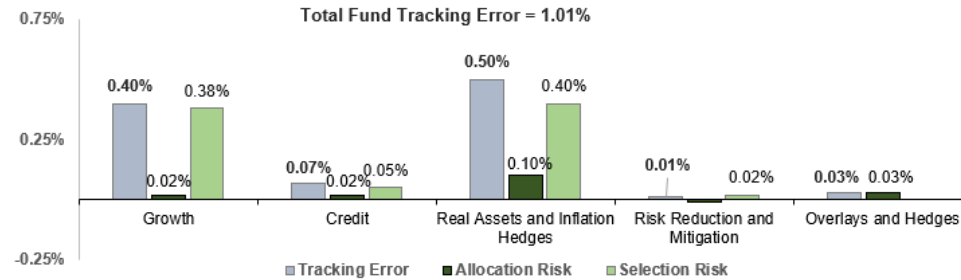
Maximum and Minimum Bands



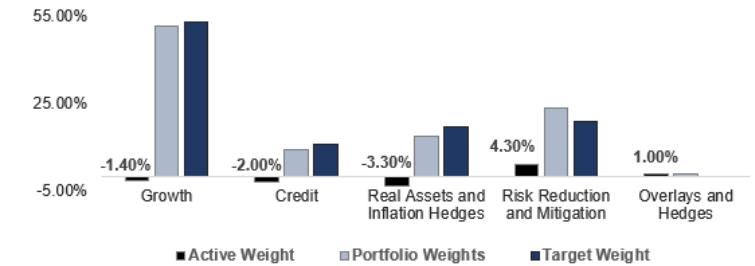
Functional Category Contributions to Tracking Error



Tracking Error Attribution



Active Weights for each Functional Category



Subcategory Tracking Error

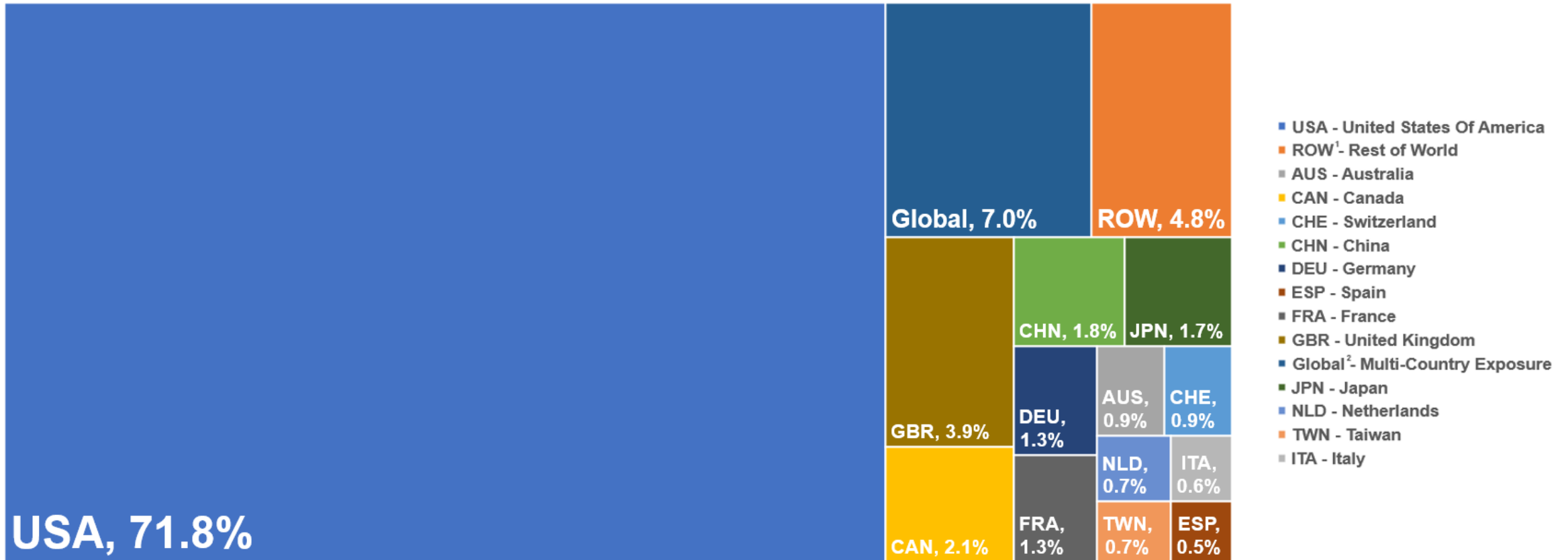
Total Fund	Global					Credit	Real Assets and Inflation Hedges					Risk Reduction and Mitigation				
1.01%	1.08%	0.39%	2.99%	7.15%		0.03	3.98%	4.97%	3.93%	9.39%	0.08%	0.80%	0.37%	2.79%	0.03%	0.19%
Total Fund	Growth	Global Equity	Private Equity	Non-Core Private Real Estate		Credit	Real Assets and Inflation Hedges	Core Private Real Estate	Natural Resources	Infrastructure	TIPS	Risk Reduction and Mitigation	Investment Grade Bonds	Diversified Hedge Funds	Long-Term Government Bonds	Cash

Source: MSCI BarraOne

* Real estate and private equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.

Geographic Exposures by AUM

Total Fund as of November 2024* Ex-Overlays and Hedges



AUM = Assets under management.

Geographic exposure is based on the domicile country of a given security/asset.

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

Real Estate and Private Equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.

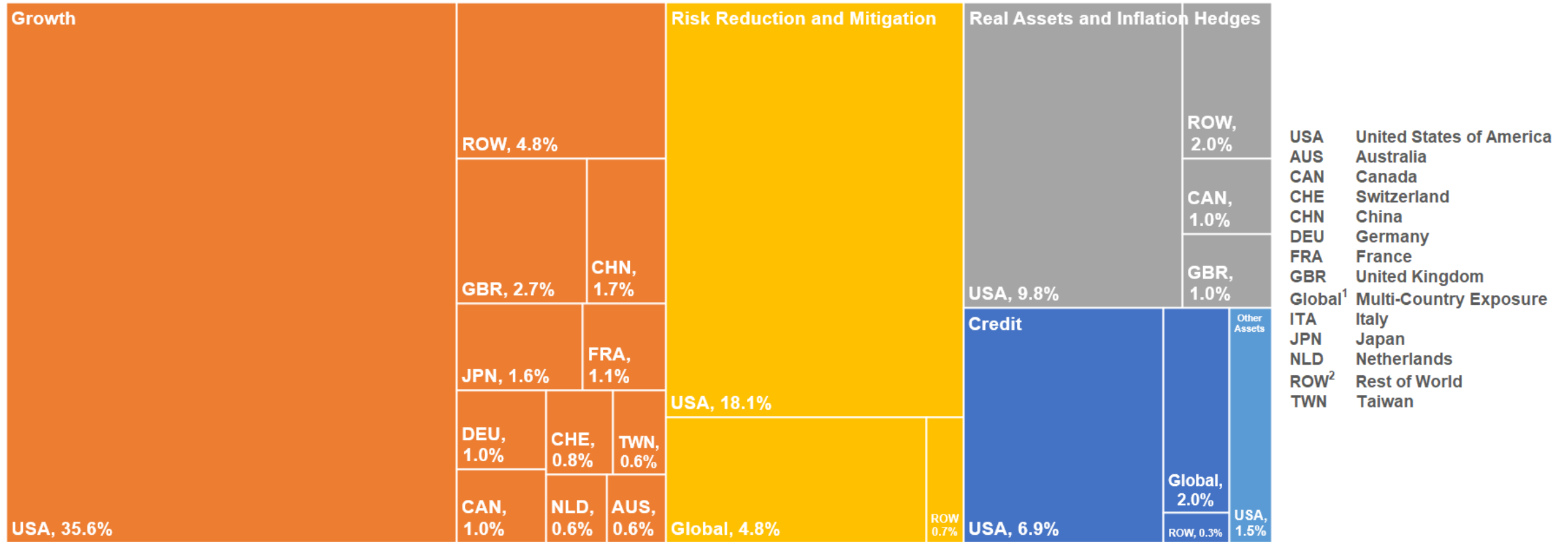
¹ "ROW - Rest of World" is sum of countries with weights below 0.5%.

² Global represents investments made in regions where specific country allocations are not available.

SOURCE: MSCI BarraOne

Geographic Exposures by AUM

Functional Categories as of November 2024* Ex-Overlays and Hedges



AUM = Assets under management.

Geographic exposure is based on the domicile country of a given security/asset.

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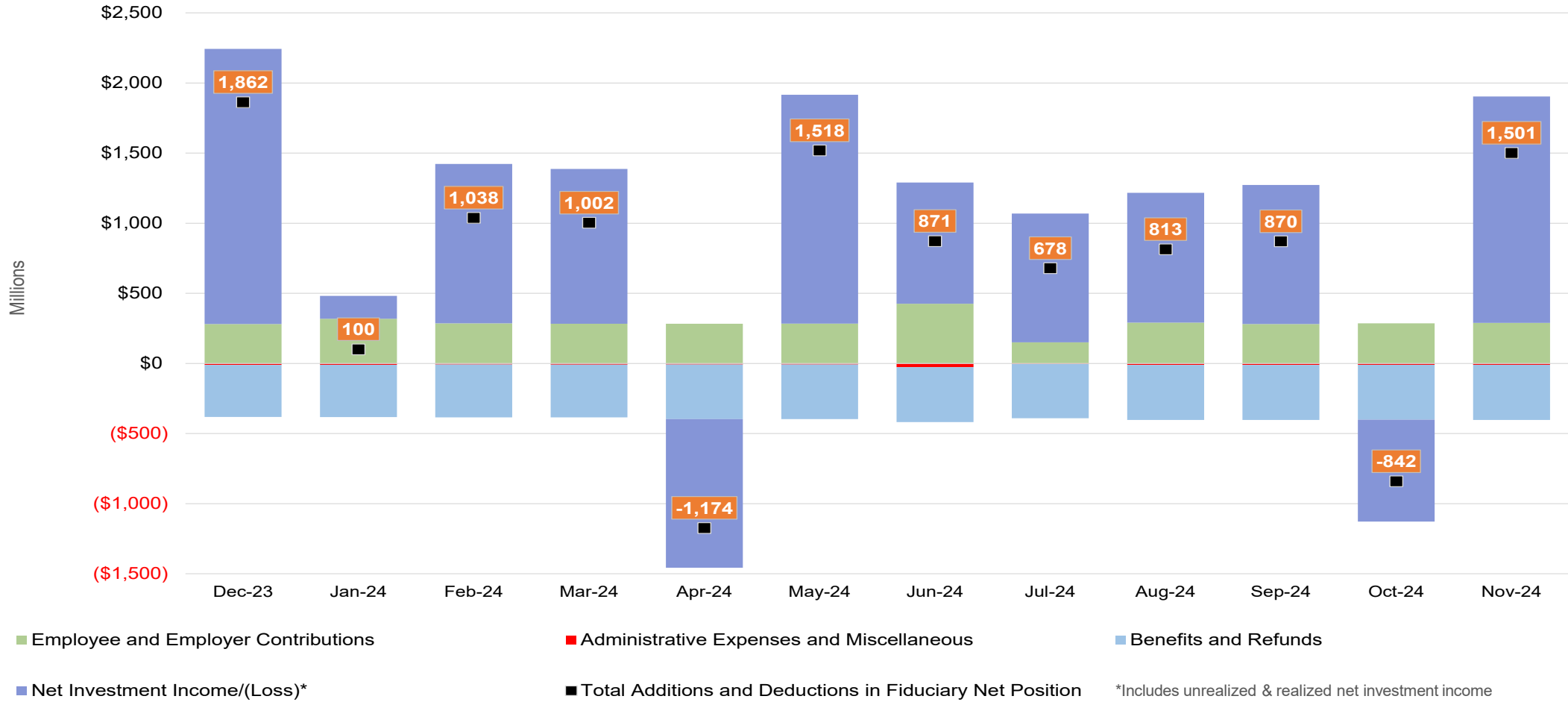
² "ROW - Rest of World" is sum of countries with weights below 0.5%.

SOURCE: MSCI BarraOne

Change In Fiduciary Net Position



Additions and Deductions in Fiduciary Net Position (Unaudited)



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-23	5	7	\$3.3 billion
FY-24	4	8	\$5.2 billion
FY-25	1	4	\$3.0 billion

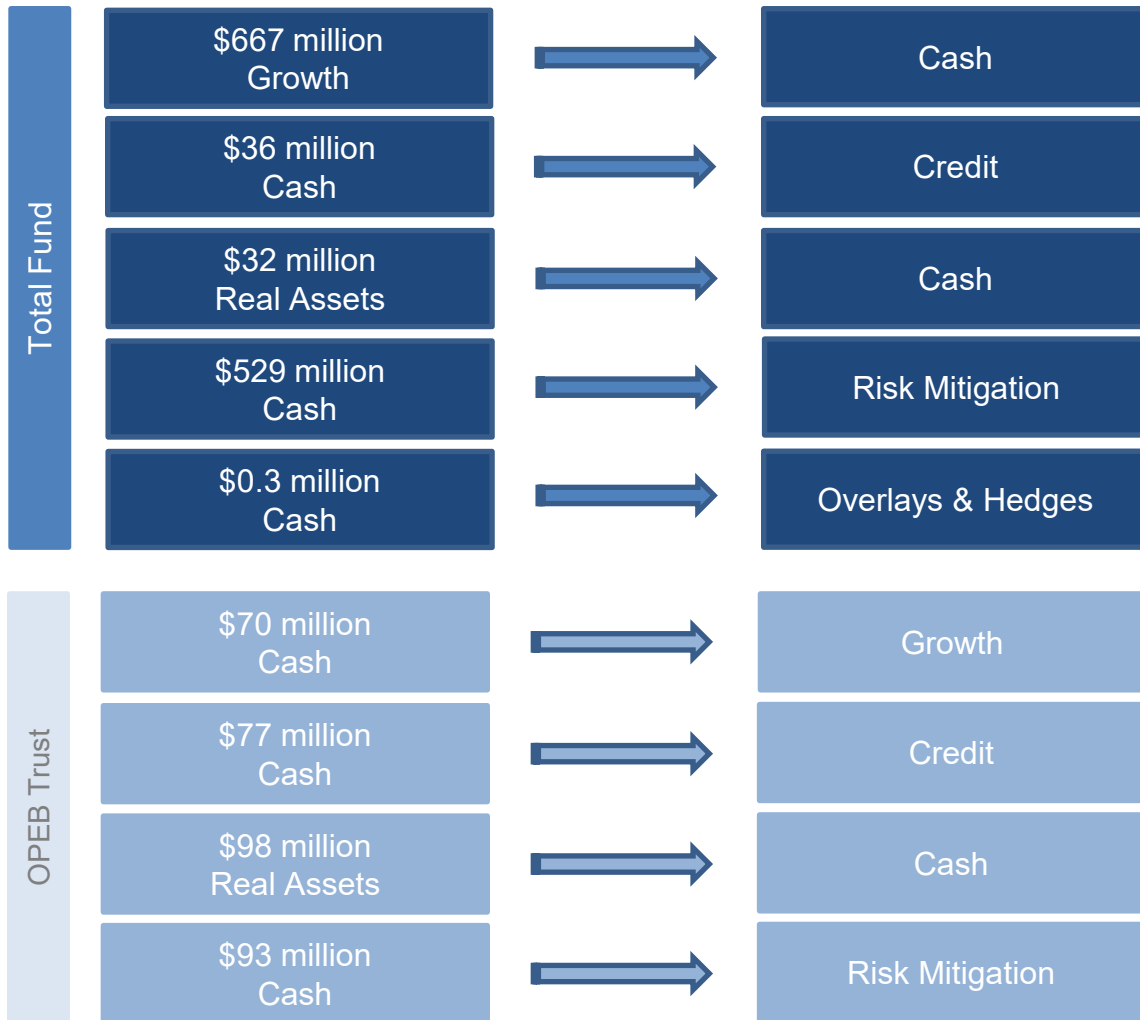


03 Portfolio Structural Updates

Portfolio Structural Updates



Rebalancing Activity



Overlays & Hedges

Monthly Activity

Program	November Return	November Gain/(Loss)	Inception ¹ Gain/(Loss)
Currency Hedge ²	0.6%	(\$0.3 Million)	\$1.5 Billion
Cash / Rebalance Overlay ³	1.0%	\$29.6 Million	\$574.6 Million

¹ Currency and overlay program inception dates are 8/2010 & 7/2019, respectively.

² LACERA's currency hedge program's 1-month return is calculated monthly whereas the monthly gain/loss amount for the same period is the net realized dollar amount at contract settlement over three monthly tranches.

³ LACERA's overlay program's 1-month return includes interest earned on the cash that supports the futures contracts.

Current Search Activity

Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	Selection/ Review
Real Assets Emerging Manager Program Discretionary Separate Account Manager Search	✓	✓	Q1 2025



04 Key Initiatives & Operational Updates

Notable Initiatives and Operational Updates



Key Initiative Updates

- The April 2024 approved Strategic Asset Allocation implementation is in progress
 - The allocation shifted from the interim policy targets to final targets on January 1, 2025
- The 2025 Strategic Framework and Initiatives will be presented to the Board of Investments at the January meeting

Team Searches and Vacancies

- Principal Investment Officer
- 2 – Senior Investment Officer
 - 2 in progress
- 3 – Financial Analyst-III
 - 2 in progress
- 1 – Financial Analyst-II

Operational Updates

- The Annual Contract Compliance project has been completed
- Onboarding workflow management for risk provider

Manager/Consultant Updates

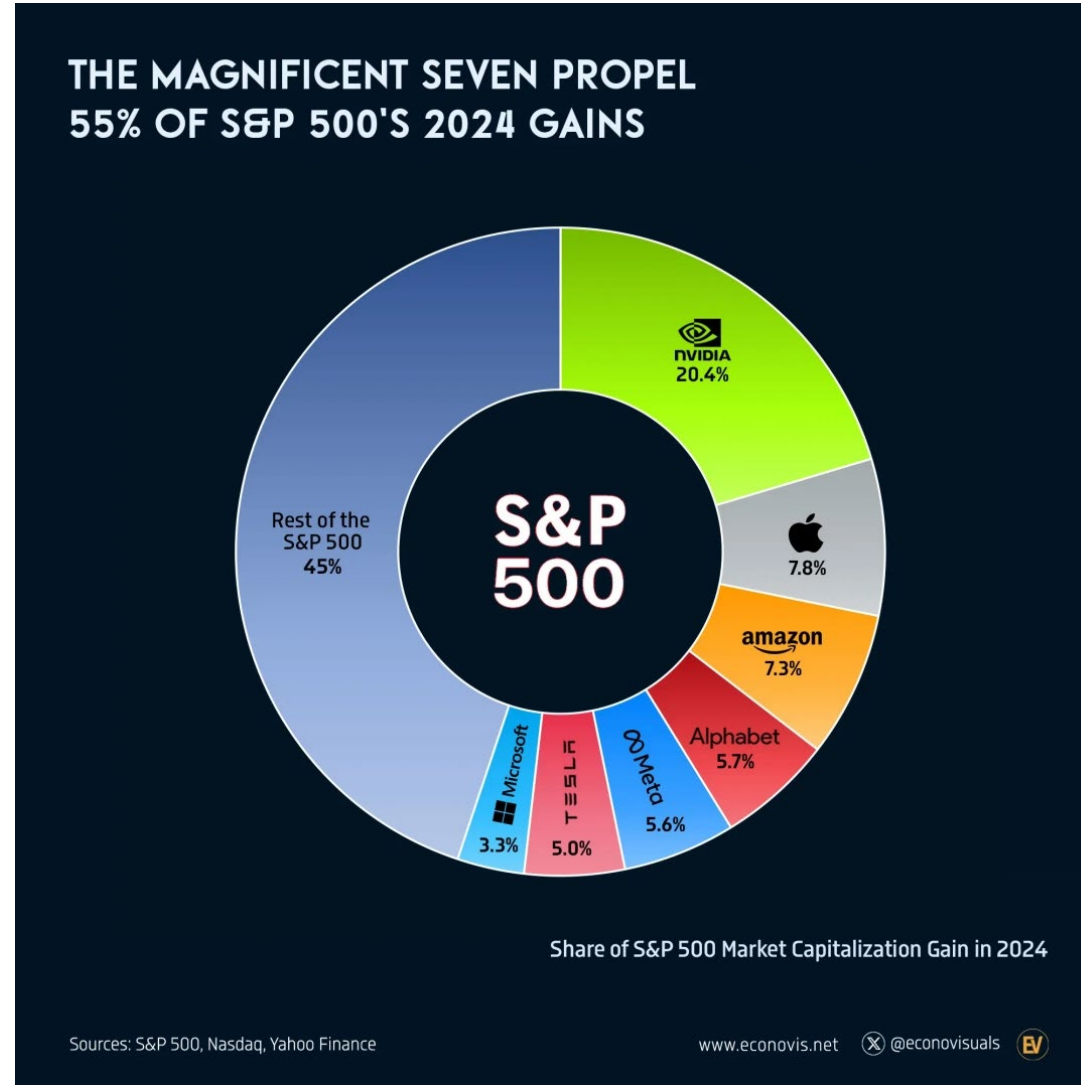
PineBridge Investments – Credit – Informed LACERA that PineBridge and its parent company, Pacific Century Group, have agreed to sell PineBridge Investments to MetLife Investment Management, pending regulatory approval by the end of 2025.



05 **Commentary**

Staff Chart of the Month

Magnificent 7 Stocks Accounted for 55% of S&P 500 Index Gains in 2024





06 Appendix

Quiet Period for Search Respondents



Real Assets Emerging Manager Program Discretionary Separate Account Manager

- ✓ ORG Portfolio Management
- ✓ Barings
- ✓ Belay Investment Group
- ✓ Hamilton Lane
- ✓ Cambridge Associates
- ✓ Seed Partners
- ✓ Stable Asset Management
- ✓ Wafra Inc.
- ✓ Artemis Real Estate Partners
- ✓ Aether Investment Partners
- ✓ Neuberger Berman Group
- ✓ The Townsend Group
- ✓ BGO Strategic Capital Partners
- ✓ BlackRock
- ✓ StepStone
- ✓ GCM Grosvenor