



Chief Investment Officer Monthly Report

Jonathan Grabel – Chief Investment Officer 

Board of Investments

July 2024

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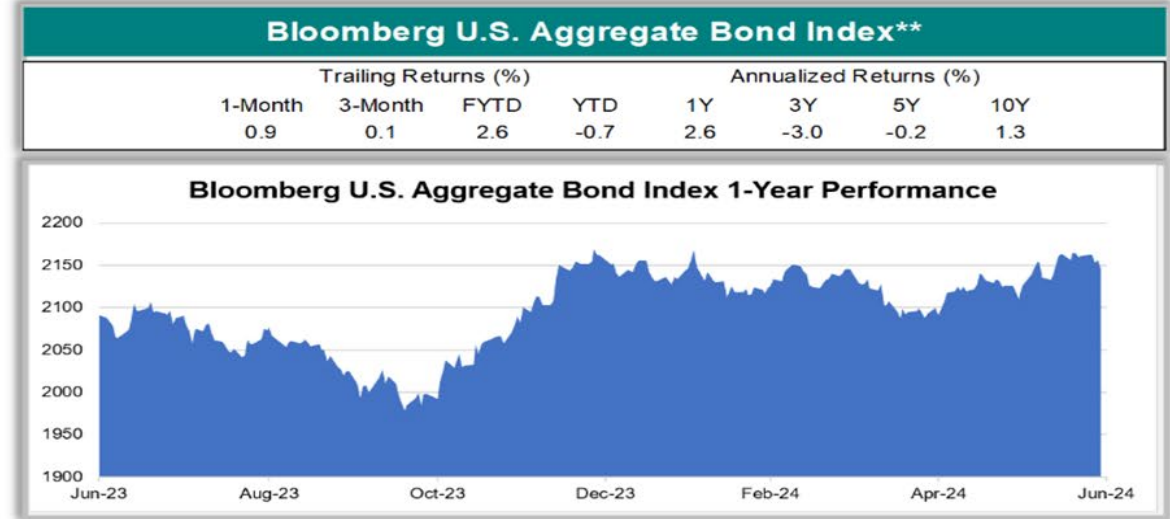
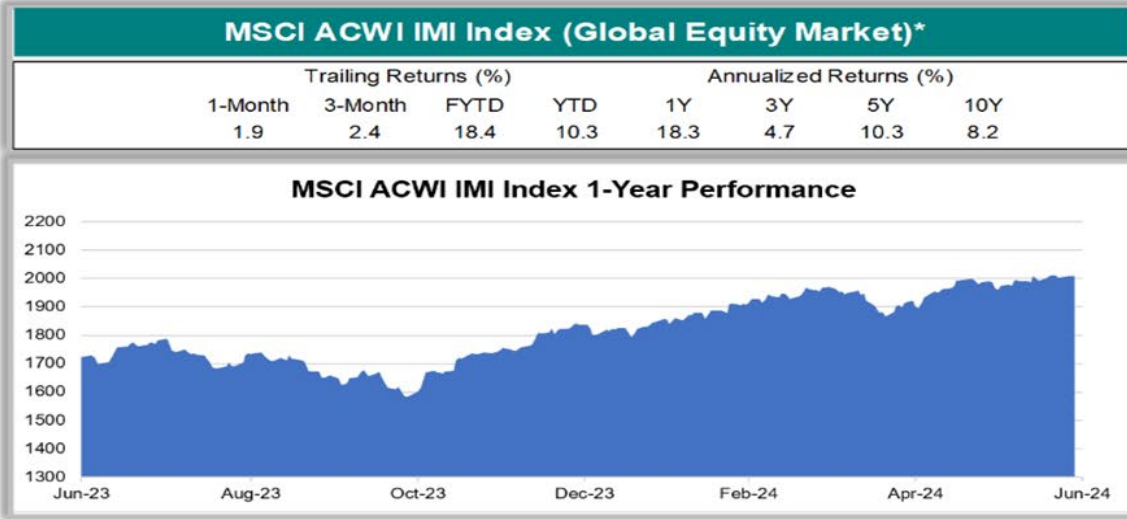


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01 Market Environment

Global Market Performance as of June 30, 2024



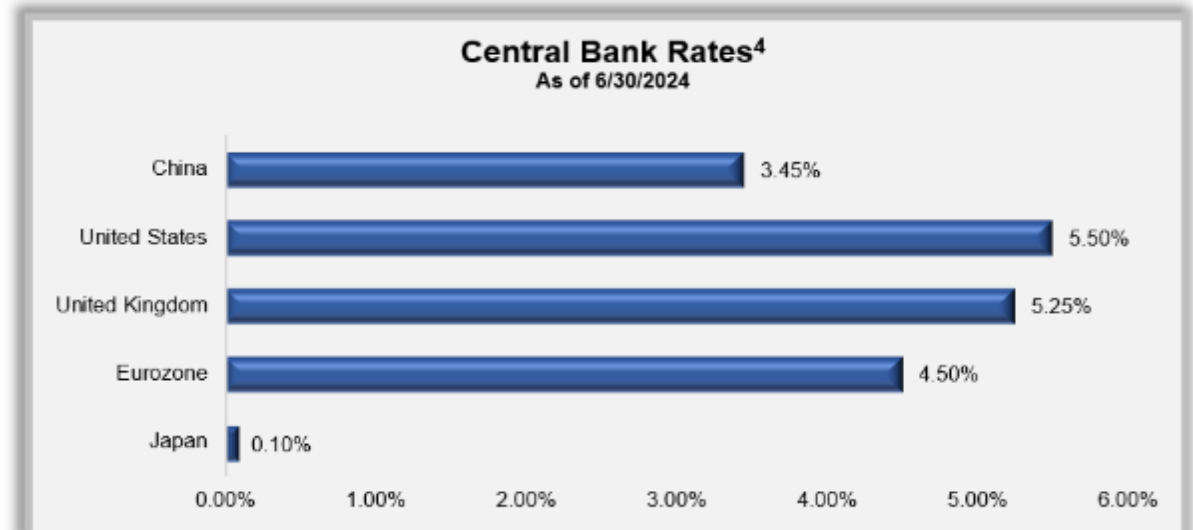
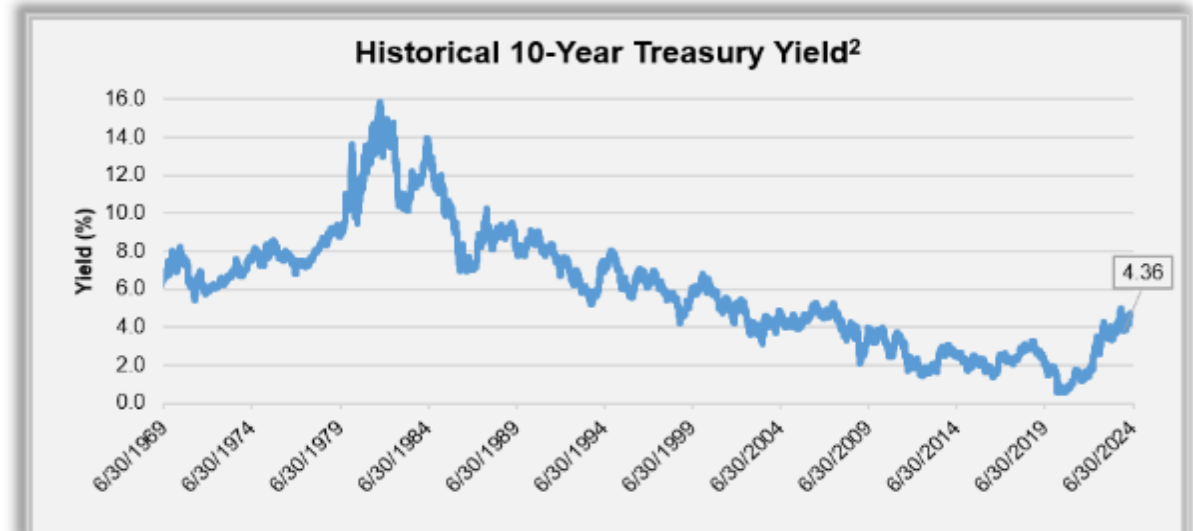
*Global Equity Policy Benchmark - MSCI ACWI IMI Index

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

Market	Sub-Category	Index Name	1-Month	3-Month	FYTD	YTD	1 Y	3 Y	5 Y	10 Y
Reference Portfolio	60:40 Equity/Bond Portfolio	60% MSCI ACWI IMI/ 40% Bloomberg U.S. Aggregate Index	1.5	1.5	11.9	5.8	11.9	1.7	6.3	5.6
Equity	Global All Cap	MSCI ACWI IMI Total Return	1.9	2.4	18.4	10.3	18.3	4.7	10.3	8.2
	U.S. All Cap	Russell 3000 Total Return	3.1	3.2	23.1	13.6	23.1	8.0	14.1	12.1
	U.S. Large Cap	S&P 500 Total Return	3.6	4.3	24.6	15.3	24.5	10.0	15.0	12.8
	U.S. Small Cap	Russell 2000 Total Return	-0.9	-3.3	10.1	1.7	10.0	-2.6	6.9	7.0
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	-0.2	0.9	11.6	5.3	11.5	0.2	5.6	3.9
	Emerging Markets	MSCI Emerging Markets Total Return	3.9	5.0	12.5	7.5	12.5	-5.1	3.1	2.8
Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	5.5	3.5	35.7	22.7	35.6	1.0	10.1	11.2
Fixed Income	U.S. Investment Grade Bonds	Bloomberg U.S. Aggregate Index	0.9	0.1	2.6	-0.7	2.6	-3.0	-0.2	1.3
	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	0.9	1.1	10.4	2.6	10.4	1.6	3.9	4.3
	U.S. Long Term Treasury Bonds	Bloomberg Long Term U.S. Treasury Total Return Index	1.7	-1.8	-5.6	-5.0	-5.6	-10.5	-4.3	0.6
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	0.3	1.9	11.0	4.4	11.0	6.0	5.4	4.6
	U.S. Treasury Inflation Protected Securities	Bloomberg U.S. Treasury TIPS Total Return Index	0.8	0.8	2.7	0.7	2.7	-1.3	2.1	1.9
	U.S. 3 Month Treasury Bill	FTSE 3 Month Treasury Bill	0.5	1.4	5.6	2.8	5.6	3.2	2.2	1.5
Commodity	Commodity Prices Index	Bloomberg Commodity Index Total Return	-1.5	2.9	5.0	5.1	5.0	5.6	7.2	-1.3
	Natural Resources	S&P Global LargeMidCap Commodity & Resources Index	-3.8	0.4	5.8	1.6	5.7	7.6	8.9	4.3
Infrastructure	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	-1.6	-0.4	3.8	0.3	3.8	2.1	3.0	3.2
Real Estate	U.S. REITs	MSCI U.S. REIT Index	2.9	0.1	7.6	-0.2	7.6	0.2	3.9	5.9

Source: Bloomberg

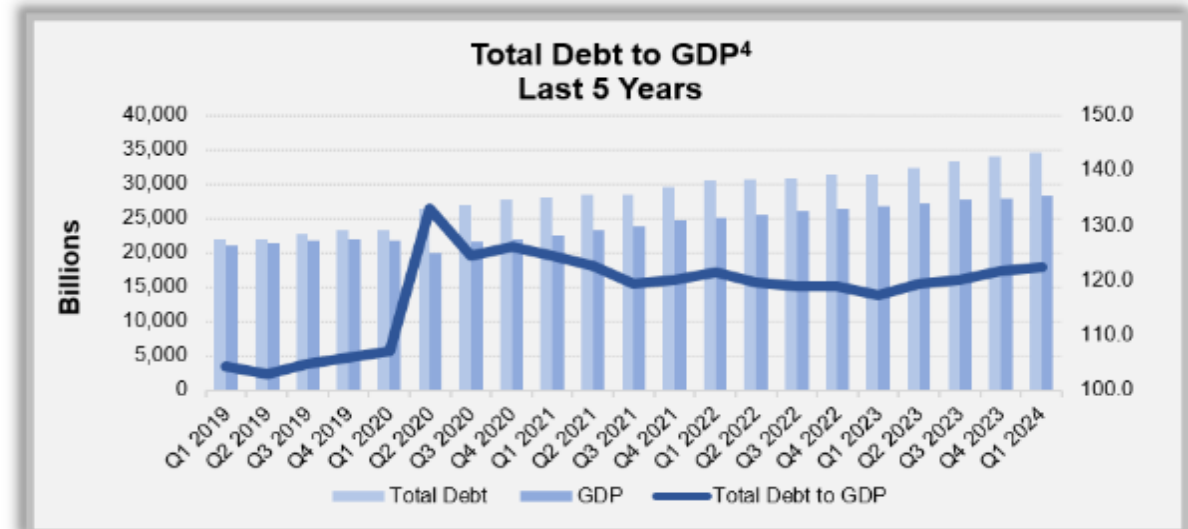
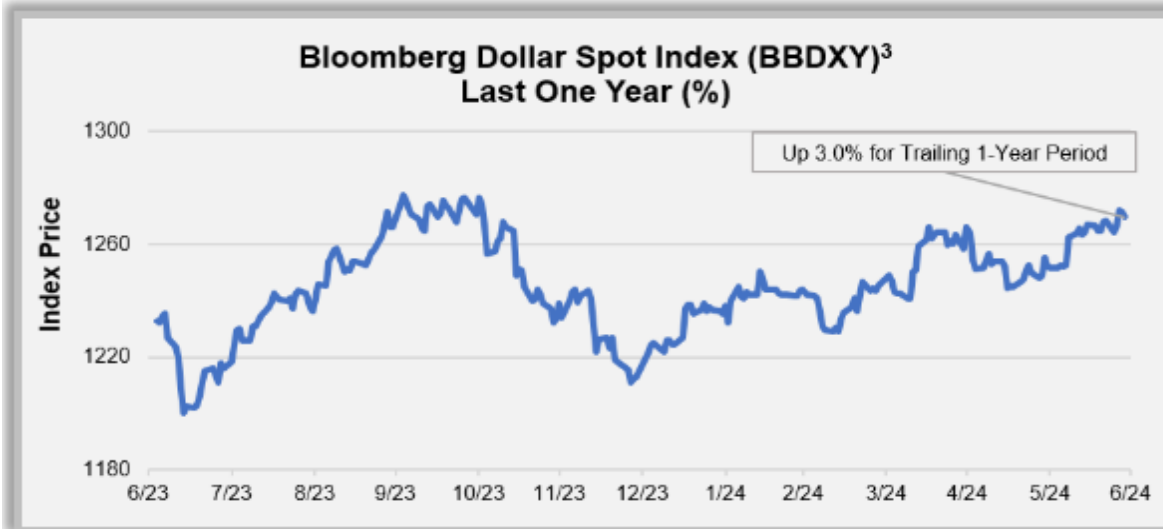
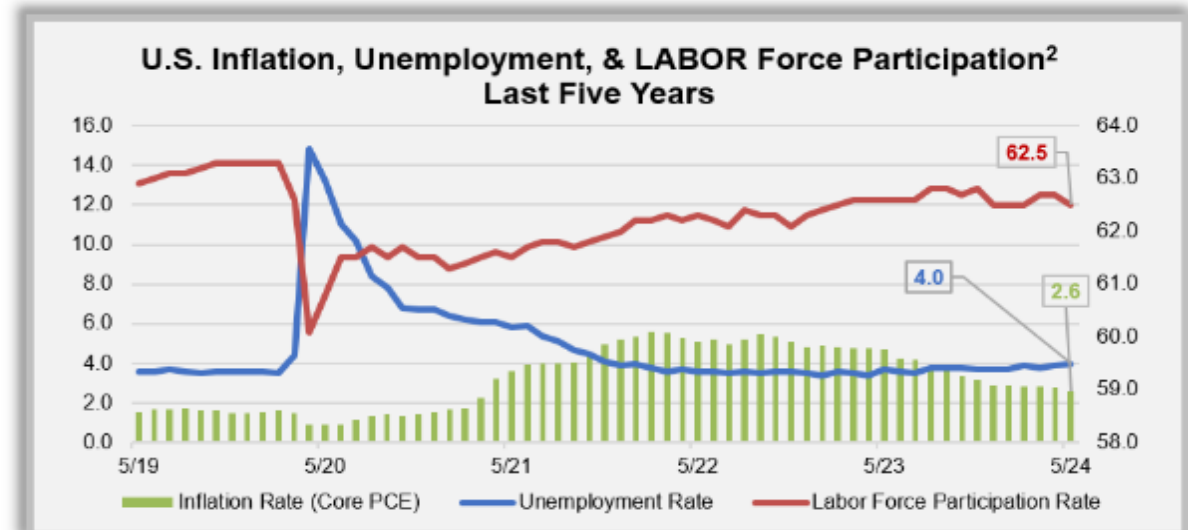
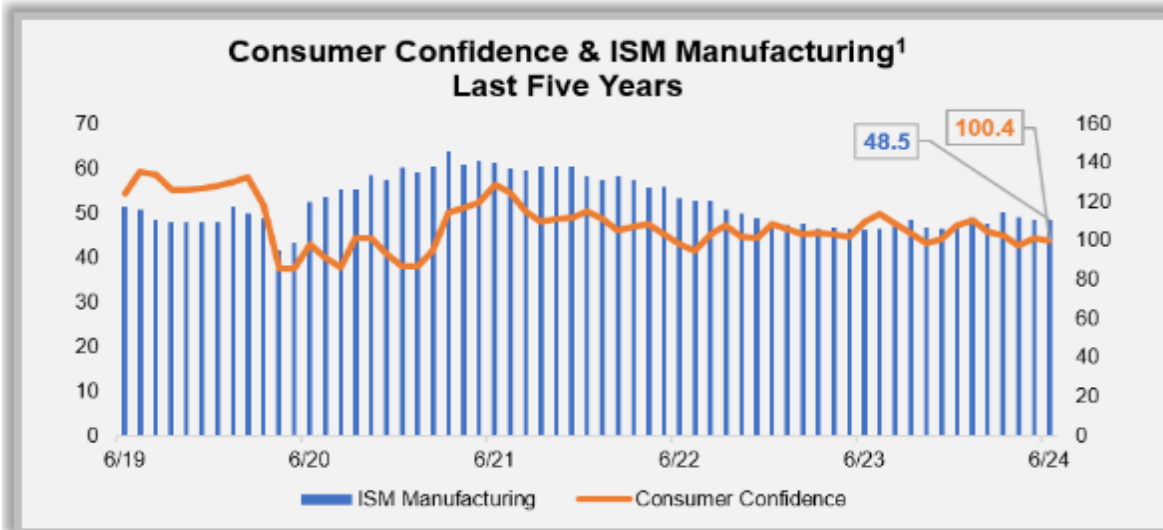
Key Macro Indicators*



*The information on the "Key Macro Indicators" charts is the best available data as of 6/30/24 and may not reflect the current market and economic environment.

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

Key Macro Indicators*



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

*The information on the "Key Macro Indicators" charts is the best available data as of 6/30/24 and may not reflect the current market and economic environment.



02 Portfolio Performance & Risk Updates



Recent Themes

- The Federal Reserve met in June and decided to keep its key interest rate unchanged at 5.25% to 5.50%
 - Chair Powell mentioned that the Federal Reserve continues to be “meeting by meeting” with the “data leading the way” regarding interest rate decisions
 - A Summary of Economic Projections identified that the median Federal Open Market Committee member called for one 0.25% rate cut by the end of this year and four 0.25% rate cuts in 2025
- The U.S. 10-year Treasury yield ended June at 4.36% 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
- The global equities (MSCI All Country World Investable Index) increased 1.9% in June

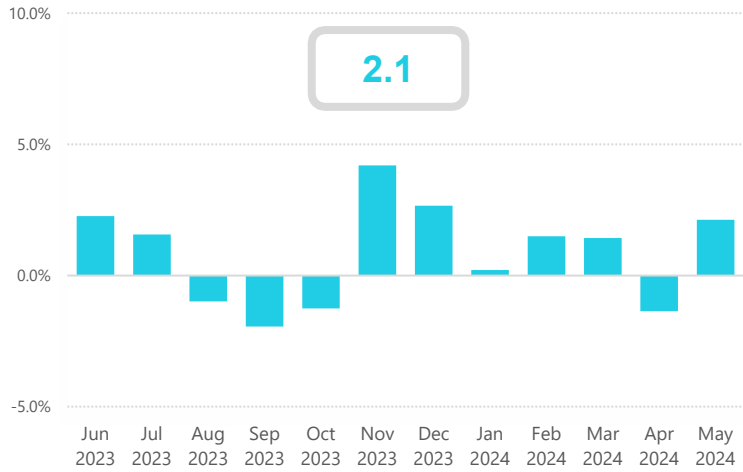
What to Watch

- 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
- Stewardship and ESG-related developments
 - US Supreme Court overturns Chevron Doctrine impacting the deference that courts must give to regulatory agencies' interpretation of legislation, including financial market, consumer, and environmental regulations, and requiring instead that courts must now exercise independent judgment

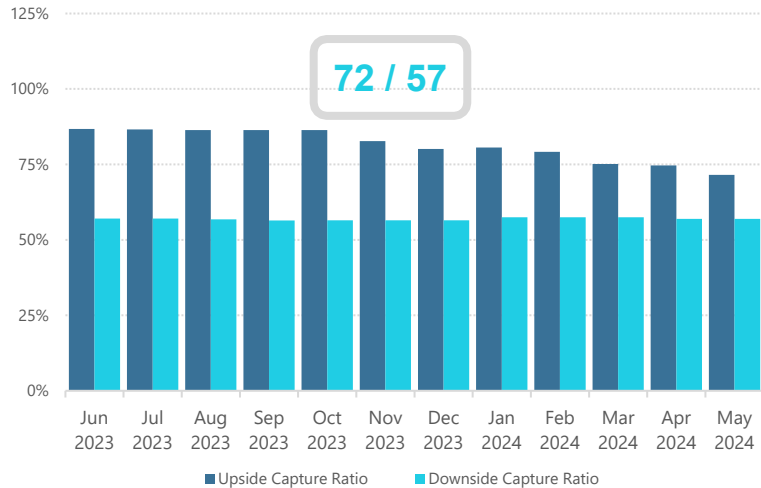
Total Fund Summary as of May 2024



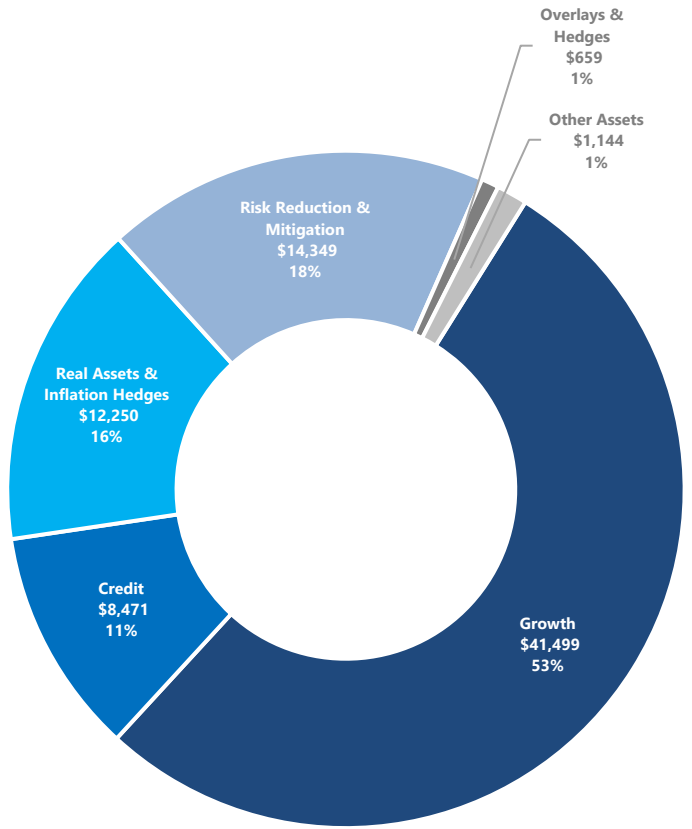
Monthly Return (net)



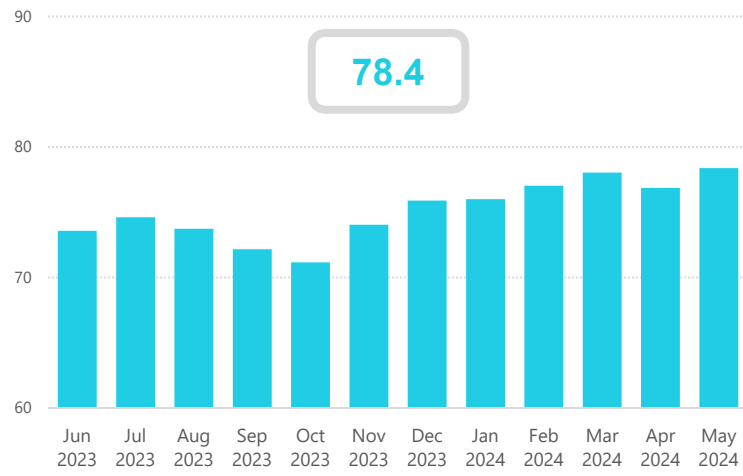
Upside / Downside Capture (%)¹



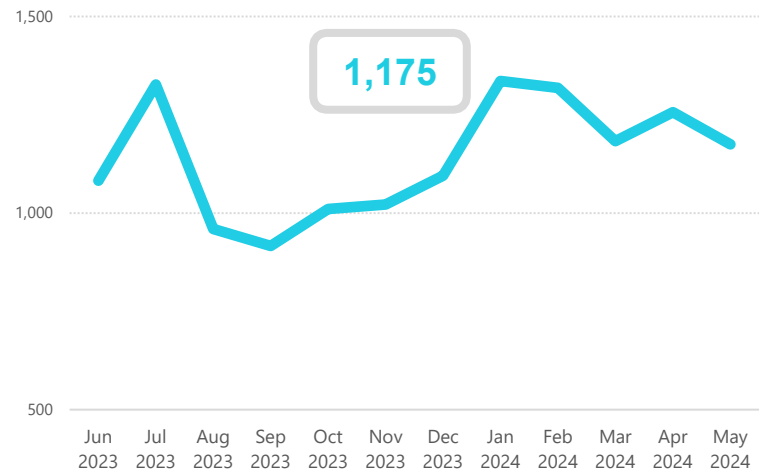
Asset Allocation (\$ millions)²



Total Market Value (\$ billions)



Cash (\$ millions)



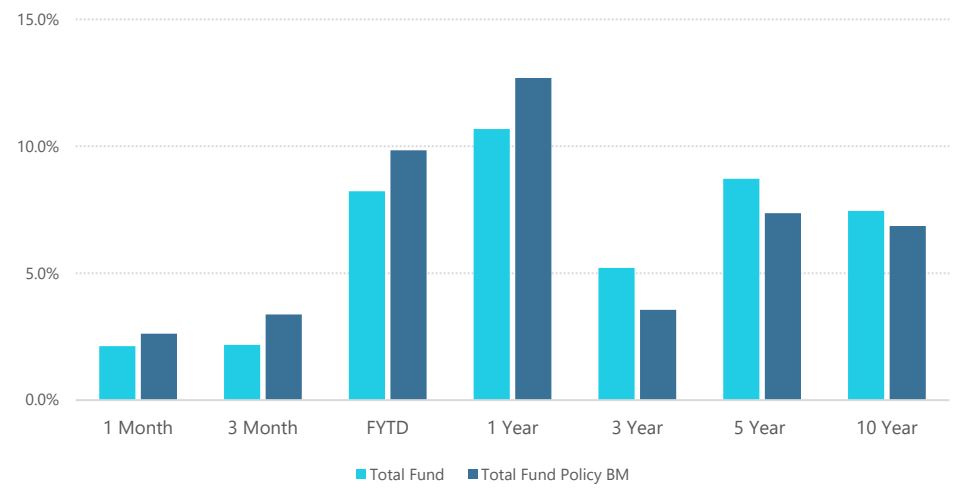
¹ Reference portfolio = 60% MSCI ACWI IMI / 40% Bloomberg US Aggregate Bond Index
² Other Assets include receivables due to deferred sales and rebalancing activity pending settlement.

Historical Net Performance as of May 2024



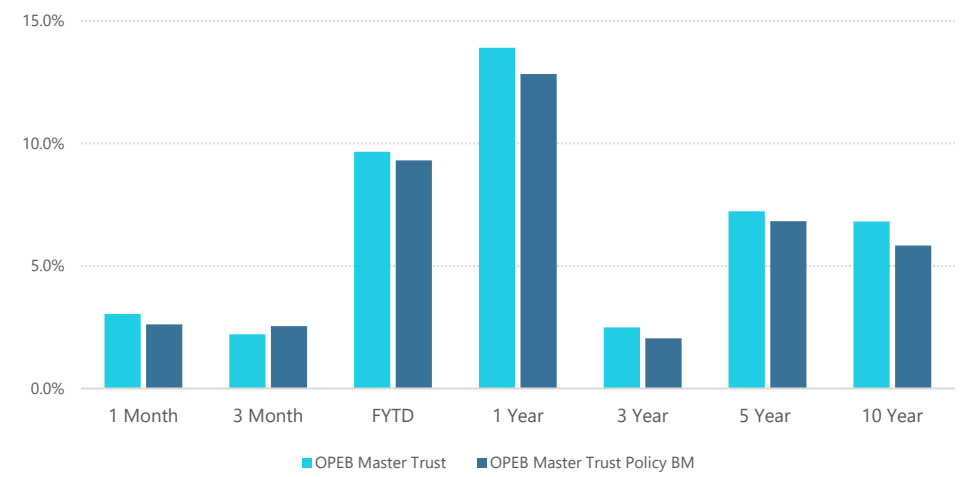
LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	78,372	100.0%	100.0%	2.1%	2.2%	8.2%	10.7%	5.2%	8.7%	7.5%
Total Fund Policy BM				2.6%	3.4%	9.8%	12.7%	3.6%	7.4%	6.9%
7% Annual Hurdle Rate				0.6%	1.1%	6.4%	7.0%	7.0%	7.0%	7.0%
Growth	41,499	53.0%	53.0%	3.2%	2.7%	11.5%	15.6%	7.0%	13.0%	
Growth Policy BM				3.8%	5.3%	16.1%	21.1%	5.4%	11.6%	
Credit	8,471	10.8%	11.0%	1.7%	4.4%	14.5%	16.0%	6.0%	6.5%	
Credit Policy BM				0.2%	1.6%	11.0%	11.5%	3.1%	4.4%	
Real Assets & Inflation Hedges	12,250	15.6%	17.0%	0.5%	1.3%	-0.6%	0.6%	4.3%	5.0%	
Real Assets & Inflation Hedges Policy BM				1.7%	2.0%	-0.3%	1.2%	3.8%	5.4%	
Risk Reduction & Mitigation	14,349	18.3%	19.0%	1.4%	0.2%	1.8%	1.6%	-1.7%	1.0%	
Risk Reduction & Mitigation Policy BM				1.6%	0.2%	1.5%	1.6%	-2.0%	0.4%	
Overlays & Hedges	659	0.8%								
Other Assets	1,144	1.5%								



OPEB Trust

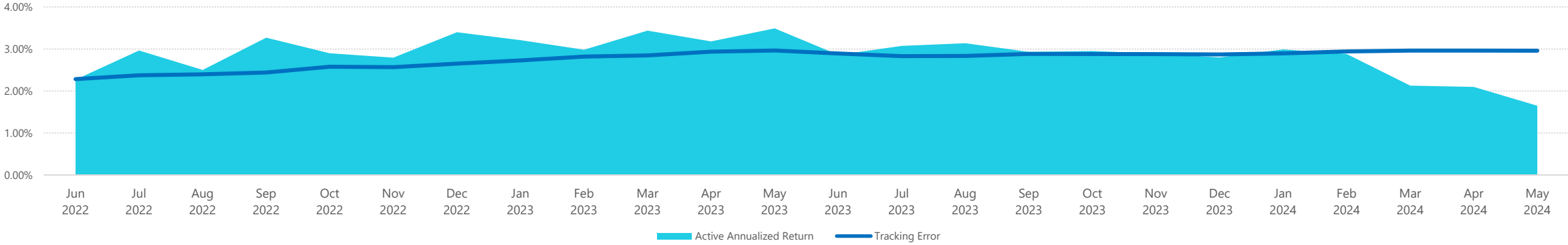
	Market Value (\$ millions)	% of Master Trust	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
OPEB Master Trust	3,795			3.0%	2.2%	9.7%	13.9%	2.5%	7.2%	6.8%
OPEB Master Trust Policy BM				2.6%	2.5%	9.3%	12.8%	2.0%	6.8%	5.8%
6% Annual Hurdle Rate				0.5%	1.0%	5.5%	6.0%	6.0%	6.0%	6.0%
OPEB Growth	1,732	45.7%	45.0%	4.3%	3.9%	16.6%	23.5%	4.8%	11.6%	
OPEB Growth Policy BM				4.1%	4.4%	17.0%	23.6%	4.4%	11.3%	
OPEB Credit	679	17.9%	18.0%	1.0%	1.5%	7.9%	10.3%	2.7%	3.7%	
OPEB Credit Policy BM				0.7%	1.8%	10.4%	12.2%	2.9%	4.0%	
OPEB Real Assets & Inflation Hedges	762	20.1%	20.0%	3.0%	1.1%	3.7%	7.1%	0.0%	3.1%	
OPEB RA & IH Policy BM				1.6%	1.5%	0.1%	1.2%	-0.2%	3.1%	
OPEB Risk Reduction & Mitigation	621	16.4%	17.0%	1.9%	-0.3%	-0.1%	-0.3%	-2.6%	-0.1%	
OPEB RR & M Policy BM				1.9%	-0.4%	-0.4%	-0.6%	-3.2%	-0.5%	
OPEB HL PM Cash	0	0.0%								



Active and Excess Return as of May 2024



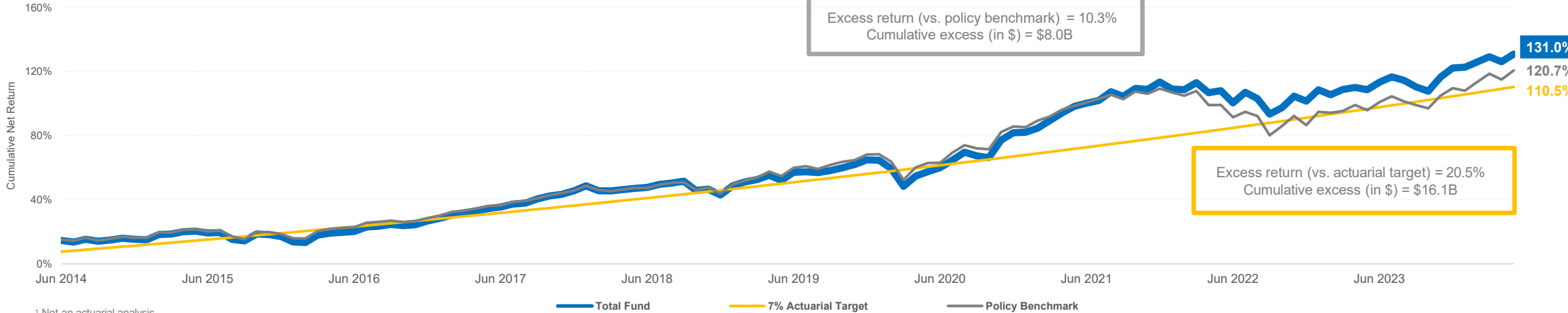
Active Return vs. Tracking Error^{1,2,3}



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
May 2024	5.2%	3.6%	1.6%	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 May 2024*



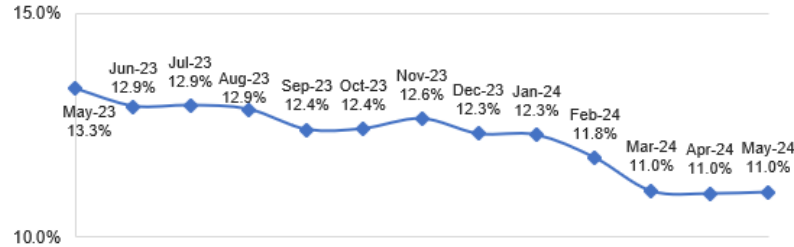
TOTAL FUND VOLATILITY

11.0%

BENCHMARK VOLATILITY

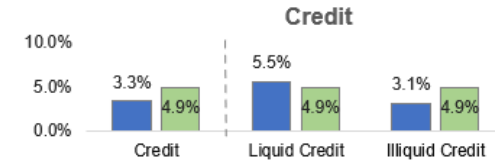
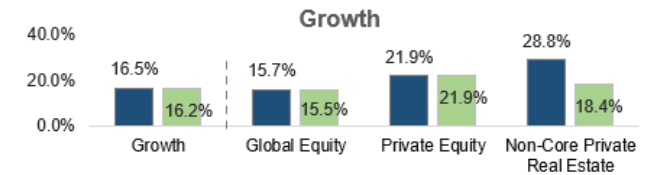
11.1%

Forecasted Total Fund Volatility Trend

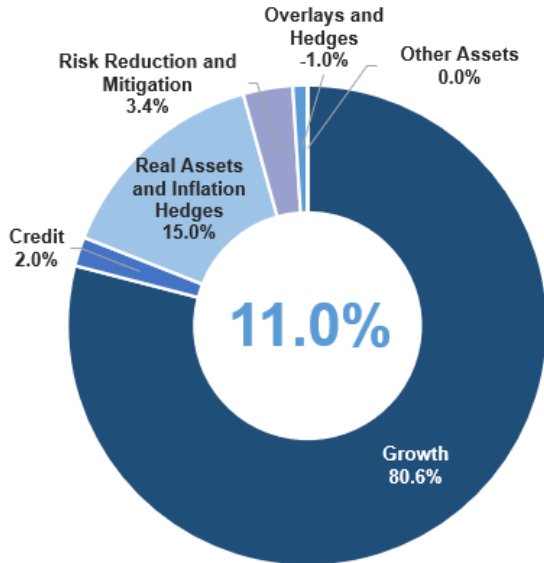


Subcategory Volatility

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

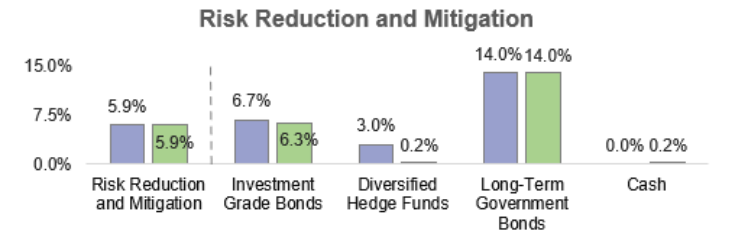
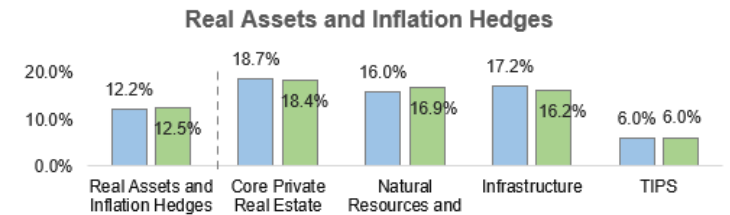
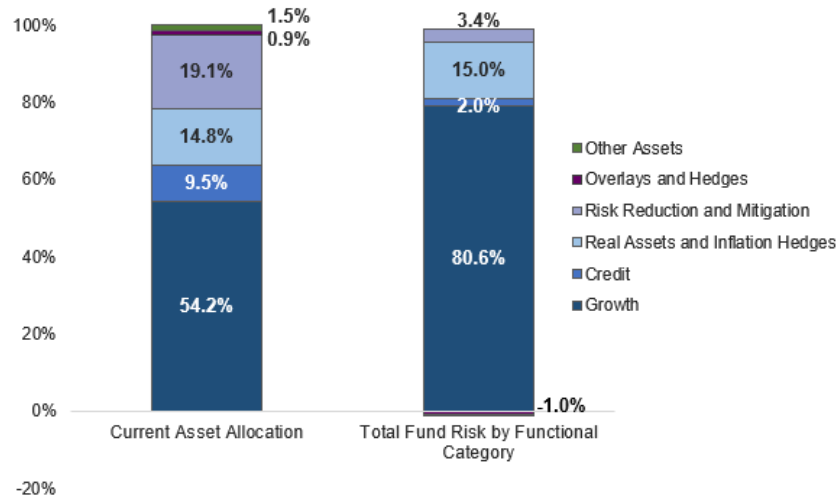


Functional Category Contributions to Total Fund Volatility



Total Fund Asset Allocation

Capital-based versus Risk-based



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 May 2024*



TOTAL FUND TRACKING ERROR

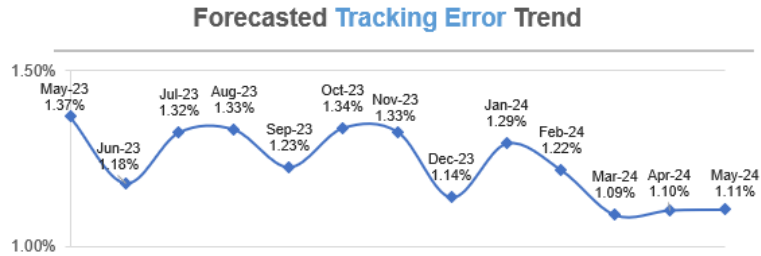
1.11%

ALLOCATION RISK

0.14%

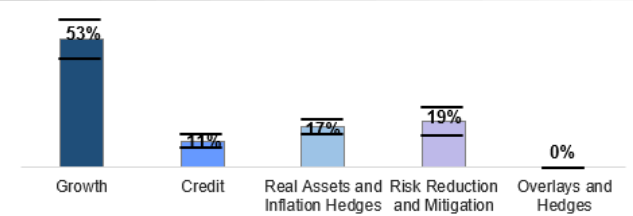
SELECTION RISK

0.97%

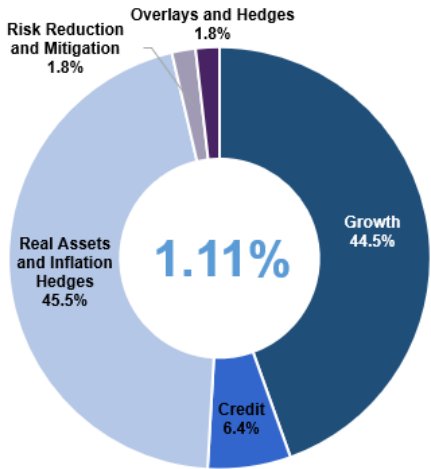


Policy Target Weight for each Functional Category

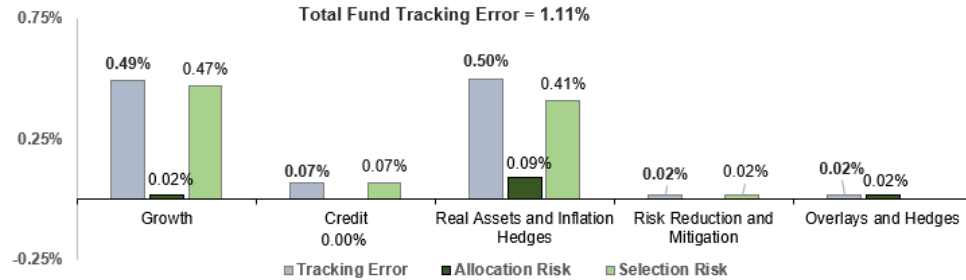
Maximum and Minimum Bands



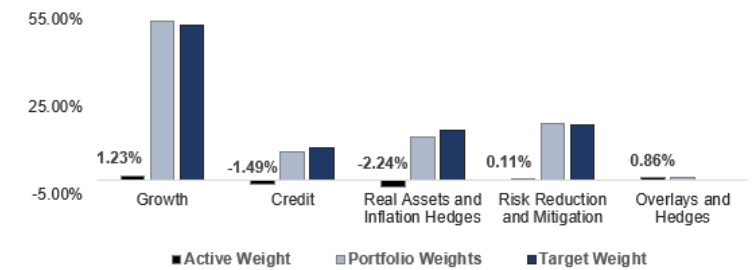
Functional Category Contributions to Tracking Error



Tracking Error Attribution



Active Weights for each Functional Category



Subcategory Tracking Error

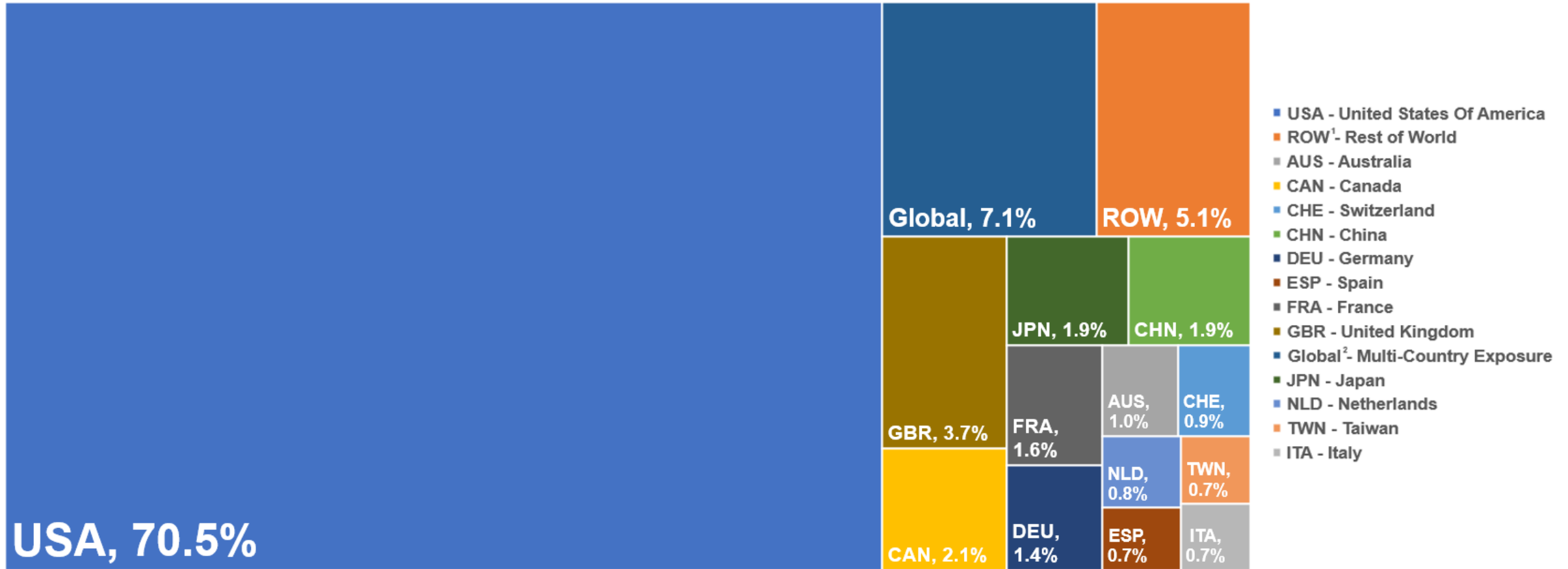
Total Fund	Global				Credit			Real Assets and Inflation Hedges				Risk Reduction and Mitigation					
1.11%	1.22%	0.47%	3.25%	12.28%	0.03%	1.01%	4.05%	3.74%	4.04%	3.81%	8.03%	0.04%	0.93%	0.49%	3.03%	0.04%	0.19%
Total Fund	Growth	Global Equity	Private Equity	Non-Core Private Real Estate	Credit	Liquid Credit	Illiquid Credit	Real Assets and Inflation Hedges	Core Private Real Estate	Natural Resources and Commodities	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 May 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.

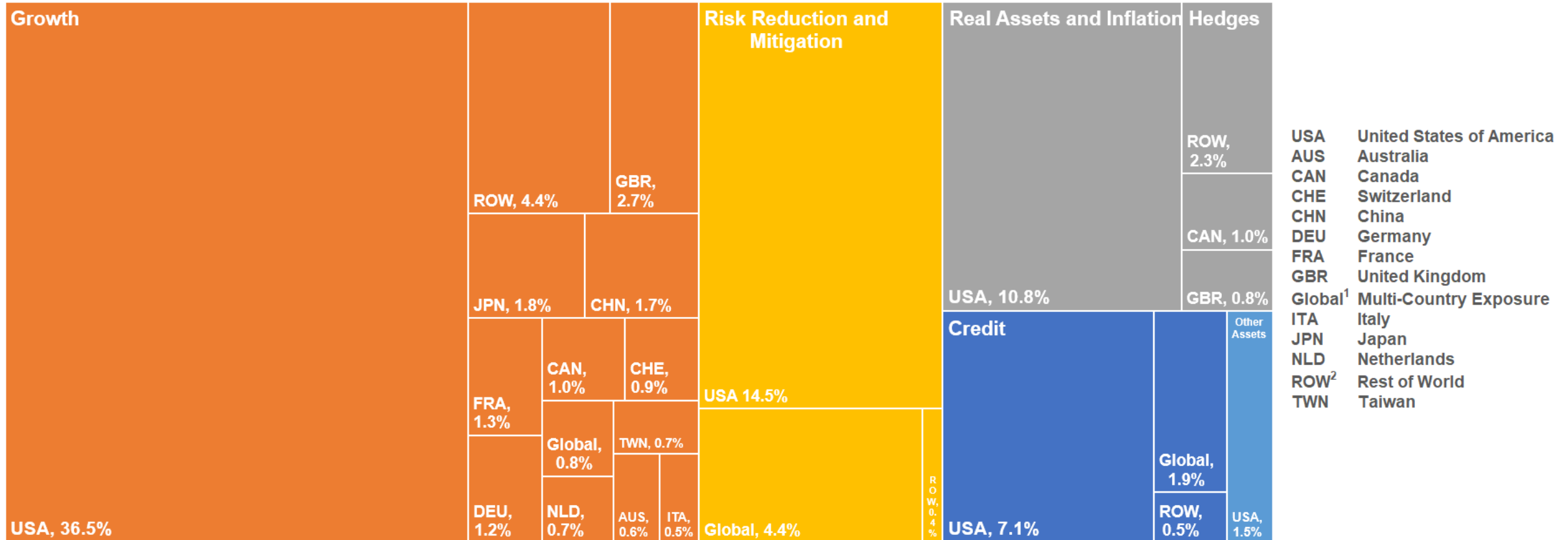
¹ "ROW - Rest of World" is sum of countries with weights below 0.5%.

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 May 2024* Ex-Overlays and Hedges



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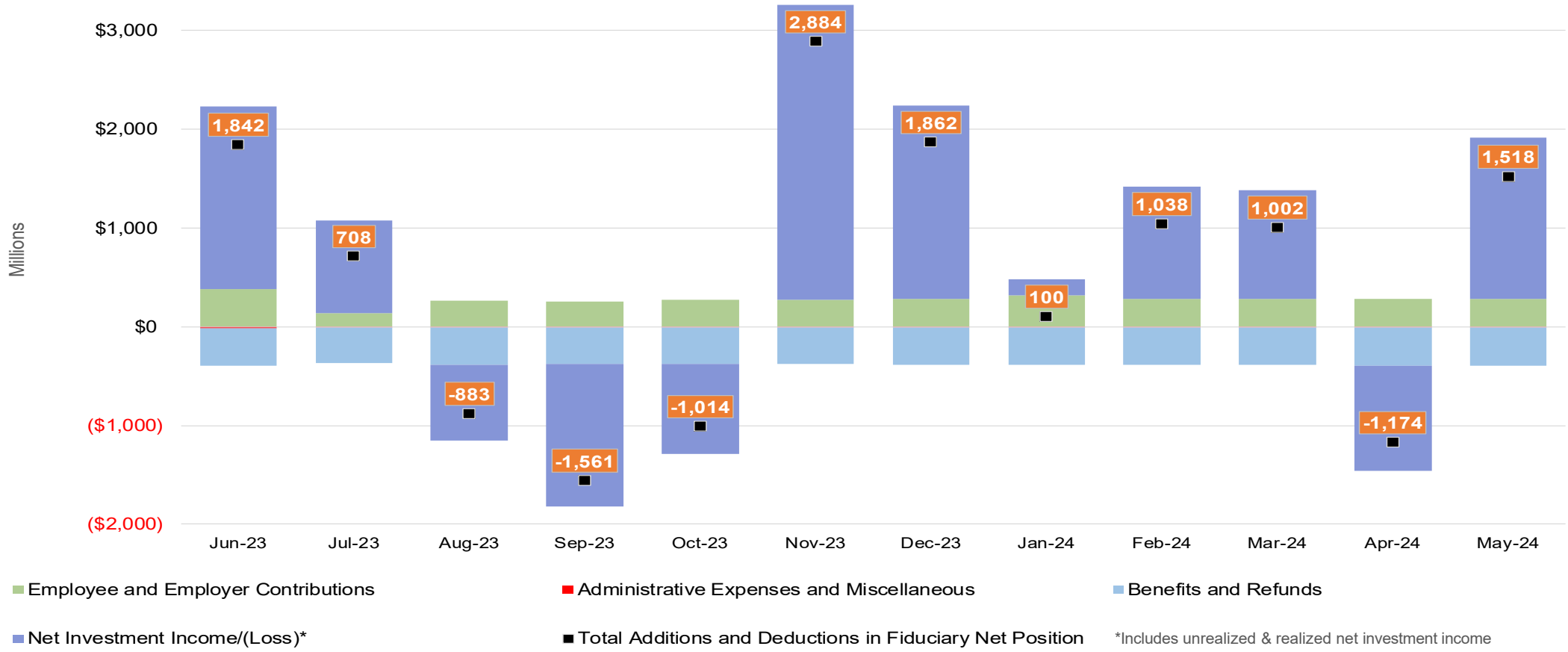
² "ROW - Rest of World" is sum of countries with weights below 0.5%.

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-22	7	5	(\$2.5 billion)
FY-23	5	7	\$3.3 billion
FY-24	4	7	\$4.5 billion



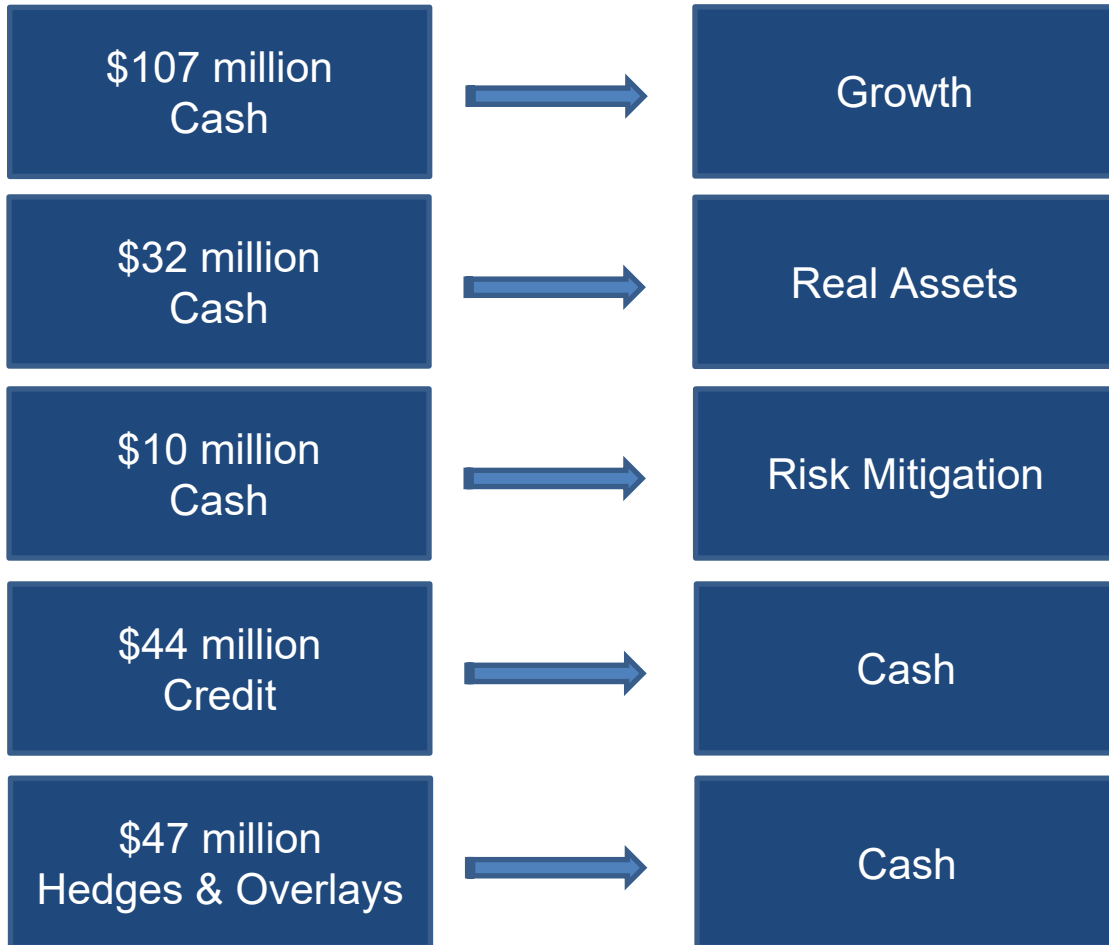
03 Portfolio Structural Updates

Portfolio Structural Updates



Portfolio Movements

Rebalancing Activity



Hedges & Overlays

Monthly Activity

Program	May Return	May Gain/(Loss)	Inception ¹ Gain/(Loss)
Currency Hedge ²	-0.6%	\$47.3 Million	\$1.5 Billion
Cash/Rebalance Overlay ³	0.6%	\$3.1 Million	\$507.4 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
Risk and Analytics System, and ESG Research Services Search	✓	✓	TBD
Real Assets Emerging Manager Program Separate Account Manager Search	✓	✓	TBD



04 Key Initiatives & Operational Updates

Notable Initiatives and Operational Updates



Key Initiative Updates

- The April 2024 approved Strategic Asset Allocation implementation has begun
- 2024 Offsite preparations are underway
- Adhering to the BOI-approved 2024 Work Plan and Strategic Initiatives

Team Searches and Vacancies

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

Operational Updates

- Annual LACERA T.I.D.E. data collection exercise has begun

Manager/Consultant Updates

Parametric – Total Fund – Informed LACERA that Tom Seto, Head of Investment Management for Equities, will be retiring in February 2025. Tom’s responsibilities will be assumed by Jennifer Mihara, Managing Director, Centralized Portfolio Management, and Gordon Wotherspoon, Managing Director, Advisor Channel Portfolio Management. Effective January 1, 2025, Jennifer will be named Head of Equity Fund Management, and Gordon will become Head of Equity SMA. Additionally, Reuben Butler, Chief Administrative Officer, has decided to leave Parametric to pursue other opportunities effective July 30, 2024. Melissa Fell, Managing Director, Human Resources and Business Administration, will replace him.



05 **Commentary**

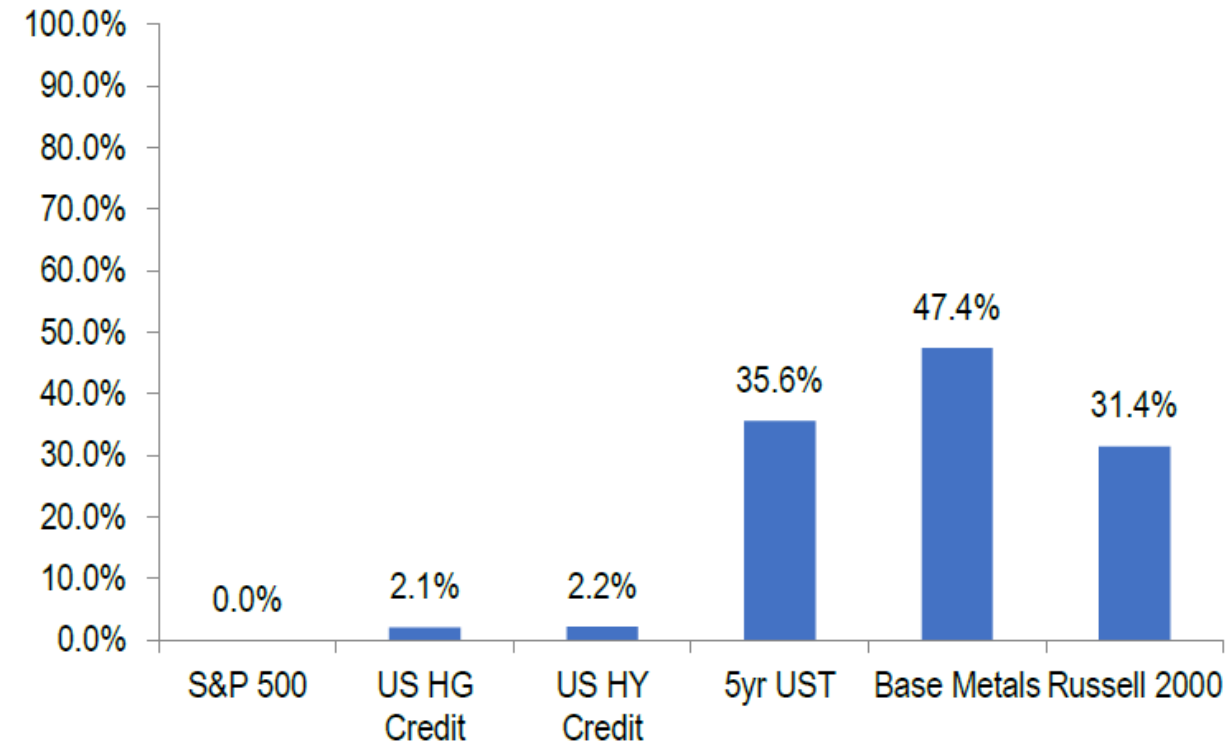
Staff Chart of the Month

Probability of a Recession across US Equity, Credit and Rate Markets



Figure 16: Probability of a recession as it was priced on June 13th 2024 across US equity, credit and rate markets

In %.



Source: Bloomberg Finance L.P., J.P. Morgan.

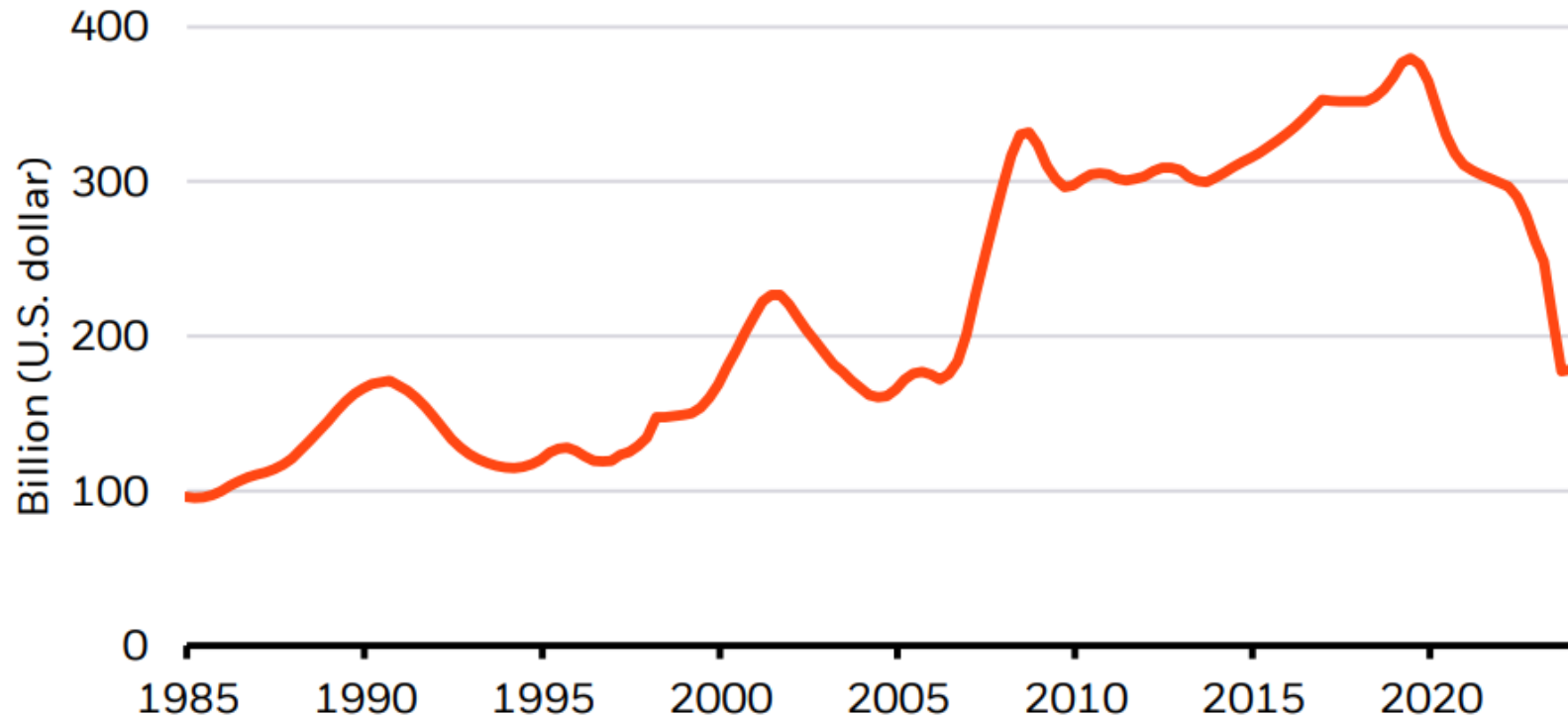
Staff Chart of the Month

Corporations are paying less in interest payments despite higher rates



Paying less interest

Non-financial corporate net interest payments, 1985-2024



Source: BlackRock Investment Institute, U.S. Bureau of Economic Analysis (BEA), U.S. Department of Commerce with data from LSEG Datastream, July 2024. Notes: The chart shows the net interest paid by non-financial companies and the rest of the world for the U.S.' financial resources. Read more in the [BEA's handbook](#).



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

Risk and Analytics System, and ESG Research Services Search

- ✓ BlackRock Financial Management Inc.
- ✓ Barra, LLC
- ✓ Bloomberg Finance L.P.
- ✓ Clearwater Analytics
- ✓ eVestment Alliance, LLC
- ✓ FactSet Research Systems Inc.
- ✓ ISS STOXX GmbH
- ✓ MSCI ESG Research LLC
- ✓ Northfield Information Systems, Inc.
- ✓ Solovis, Inc.