

IN PERSON & VIRTUAL BOARD MEETING

*The Committee meeting will be held prior to the Board of Investments meeting scheduled prior.



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

Members of the public may address the Board orally and in writing. To provide Public Comment, please visit the above link and complete the request form.

Attention: If you have any questions, you may email PublicComment@lacera.gov.

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

AGENDA

A 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

8:00 A.M., WEDNESDAY, APRIL 8, 2026*

This meeting will be conducted by the Credit and Risk Mitigation Committee and Board of Investments both in person and by teleconference under California Government Code Section 54953.8.3.

Any person may view the meeting in person at LACERA's offices or online at <https://LACERA.gov/leadership/board-meetings>

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

COMMITTEE TRUSTEES:

Nicole Mi, Chair
Debbie Martin, Vice Chair
Trevor Fay
Alma Martinez
Patrick Jones, Alternate

- I. CALL TO ORDER
- II. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER SB707
 - A. Just Cause (Section 54953.8.3)
 - B. Statement of Persons Present at SB707 Teleconference Locations

III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Credit and Risk Mitigation Committee Meeting of August 13, 2025.

IV. PUBLIC COMMENT

(Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit <https://LACERA.gov/leadership/board-meetings> and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Board meeting.

If you select oral comment, we will contact you via email with information and instructions as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Committee. Oral comment request will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email PublicComment@lacera.gov.)

V. REPORT

A. **Risk Reduction and Mitigation Performance Review**

Vache Mahseredjian, Principal Investment Officer
Chad Timko, Senior Investment Officer
(Presentation) (Memo dated March 25, 2026)

B. **Credit Performance Review**

Vache Mahseredjian, Principal Investment Officer
Chad Timko, Senior Investment Officer
(Presentation) (Memo dated March 25, 2026)

VI. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agenda item at a future meeting.)

VII. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

April 8, 2026

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

IX. ADJOURNMENT

****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.***

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 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.gov, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF A 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

8:00 A.M., WEDNESDAY, AUGUST 13, 2025

This meeting was conducted by the Corporate Governance Committee and Board of Investments both in person and by teleconference under California Government Code Section 54953(f).

COMMITTEE TRUSTEES:

Nicole Mi, Chair

David Ryu, Vice Chair (Joined the meeting at 8:22 a.m.)

Patrick Jones, Alternate

ABSENT:

Alma Martinez

Debbie Martin

MEMBERS AT LARGE:

Aleen Langton

Elizabeth Ginsberg

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Jude Perez, Deputy Chief Investment Officer

August 13, 2025

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STAFF, ADVISORS, PARTICIPANTS:

Vache Mahseredjian, Principal Investment Officer

Pugh Capital Management

Mary Pugh, Chief Executive Officer

Deanna Hobson, Deputy CEO

Darius Cayetano, Co-Head of Investment Grade Fixed Income

I. CALL TO ORDER

The meeting was called to order by Credit and Risk Mitigation Chair Mi at 8:06 a.m. in the Board Room of Gateway Plaza.

II. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f)

A. Just Cause

B. Action on Emergency Circumstance Requests

C. Statement of Persons Present at AB 2449 Teleconference Locations

There were no requests for Just Cause or Emergency Circumstance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Credit and Risk Mitigation Committee Meeting of June 11, 2025.

A motion was made by Trustee Jones, seconded by Trustee Martin, to approve the minutes of the Board of Investments meeting of June 11, 2025. The motion passed by following roll call vote:

Yes: Jones, Mi, Ryu

IV. PUBLIC COMMENT

There were no requests from the public to speak

August 13, 2025

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V. REPORT

A. **Bond Market Update and Education**

Vache Mahseredjian, Principal Investment Officer

Pugh Capital Management speakers:

Mary Pugh, Chief Executive Officer

Deanna Hobson, Deputy CEO

Darius Cayetano, Co-Head of Investment Grade Fixed Income

(Presentation) (Memo dated July 31, 2025)

Mr. Mahseredjian and Mses. Pugh, Hobson and Mr. Cayetano of Pugh Capital Management provided a presentation and answered questions from the Board. This item was received and filed.

VI. ITEMS FOR STAFF REVIEW

There were no items for staff review.

VII. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

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

There was nothing to report.

IX. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 8:56 a.m.

March 25, 2026

TO: Trustees - Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA ^{VM} Chad Timko, CFA, CAIA ^{CT}
Principal Investment Officer Senior Investment Officer

Krista Powell ^{KPP}
Investment Officer

Cindy Rivera ^{CR}
Investment Officer

Jason Choi, CFA ^{JC}
Investment Officer

Kunal Gawande ^{KG}
Senior Investment Analyst

FOR: April 8, 2026 Credit and Risk Mitigation Committee Meeting

SUBJECT: Risk Reduction and Mitigation Performance Review

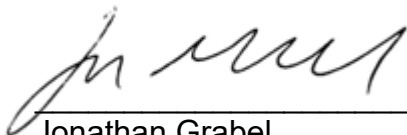
The following presentation (**Attachment**) reviews the performance of LACERA's Risk Reduction and Mitigation (RRM) functional asset category. As a reminder, the 2024 Strategic Asset Allocation increased the RRM target allocation from 19% to 24%, with the following four components: Investment Grade Bonds (13%), Long-term Government Bonds (2%), Hedge Funds (8%), and Cash (1%).

The presentation begins with a review of RRM's role and objectives within the Total Fund, as specified in LACERA's Investment Policy Statement. The introduction is followed by sections dedicated to each of the three largest components (Cash will be discussed at the BOI meeting later today). For context, the presentation includes a recap of the macro environment.

As shown on page 7, RRM--and each subcomponent--has consistently outperformed its benchmark. Overall, RRM continues to fulfill its strategic objectives, most notably to reduce the Total Fund's risk, while remaining within guidelines, as summarized on page 8.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Risk Reduction and Mitigation Performance Review

Credit and Risk Reduction and Mitigation Committee

April 8, 2026

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Roles and objectives are established in the Board-approved Investment Policy Statement:

Risk Reduction & Mitigation

- Source of liquidity
- Capital preservation
- Reduce total Fund risks
- Low correlation to growth risks
- Moderate total return

Investment Grade Bonds

- Additional source of total Fund liquidity
- Capital preservation
- Moderate duration interest rate risk exposure

Hedge Funds

- Reduce total Fund risk
- Enhance total Fund diversification
- Downside protection
- Low sensitivity to major markets

Long-Term Government Bonds

- Long duration interest rate risk exposure
- Negative historical correlation to growth assets
- Source of liquidity for the total Fund

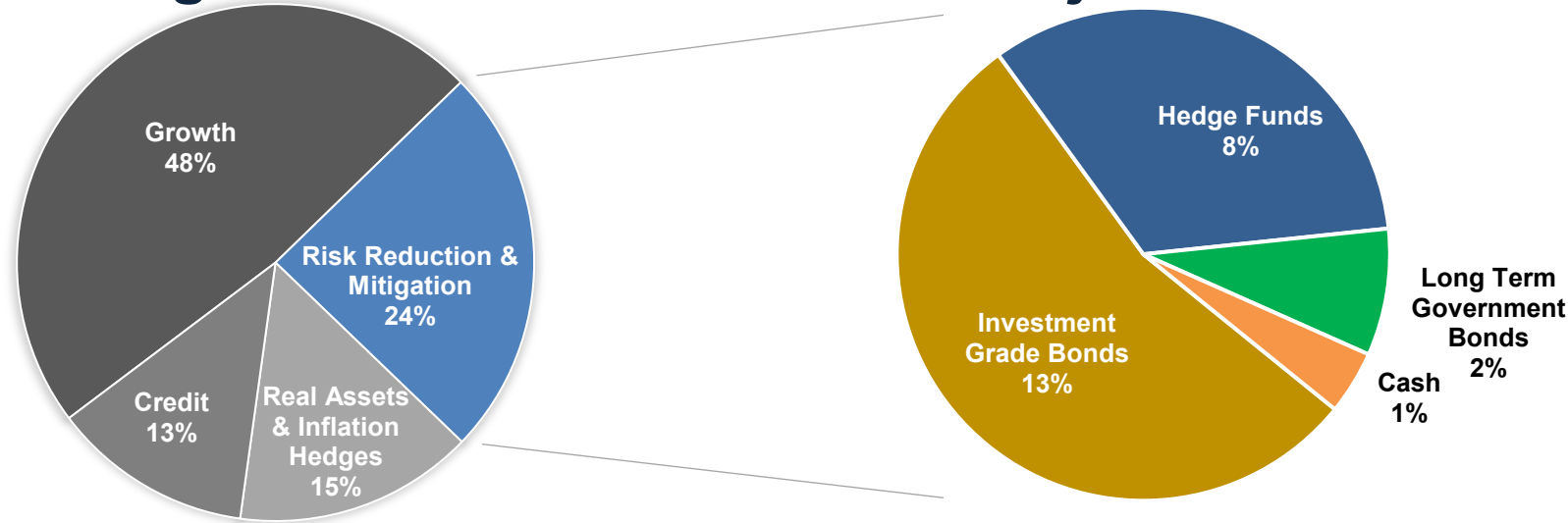
Cash

- Primary source of total Fund liquidity
- Capital preservation
- Cash and cash equivalent exposures

Risk Mitigation: Portfolio Composition



LACERA's Risk Mitigation portfolio has a 24% total Fund target allocation with four sub-categories - each with nuanced objectives and benchmarks



Asset Class	Market Value (\$MM) ²	Allocation	Policy Target	Over/Under	Target Range +/-	Target Range %	Benchmark	Investable ¹ Benchmark?
Risk Reduction and Mitigation	22,260	24%	24%	0%	+/- 8%	16-32%	Policy Benchmark (Custom Blend)	No
Investment Grade Bonds	11,723	13%	13%	0%	+/- 8%	5-21%	BBG Barc U.S. Aggregate TR Index	Yes
Hedge Funds	7,544	8%	8%	0%	+/- 4%	4-12%	FTSE 3-Month U.S. Treasury Bill Index +200 bps (1-Month lagged)	No
Long Term Government Bonds	1,716	2%	2%	0%	+/- 2%	0-4%	BBG Barc U.S. Long Treasury Bond Index	Yes
Cash	1,276	1%	1%	0%	+2/-1%	0-3%	FTSE 3-Month U.S. Treasury Bill Index	Yes

¹ An investable benchmark is one that can be reasonably replicated in practice considering liquidity, trade costs, and pricing. 3-Month U.S. Treasury Bills + 200 bps spread is a theoretical target and not directly investable in practice.

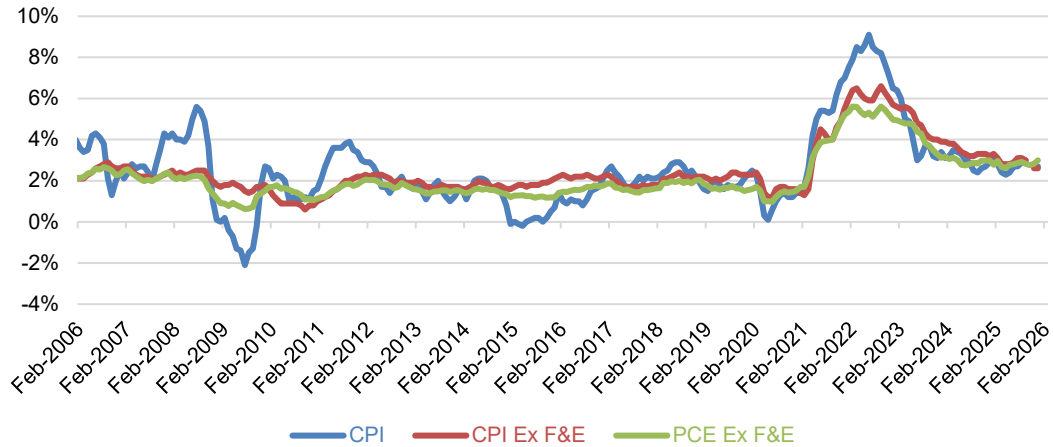
² Data is from State Street and as of February 28, 2026.

Market Environment: Macro

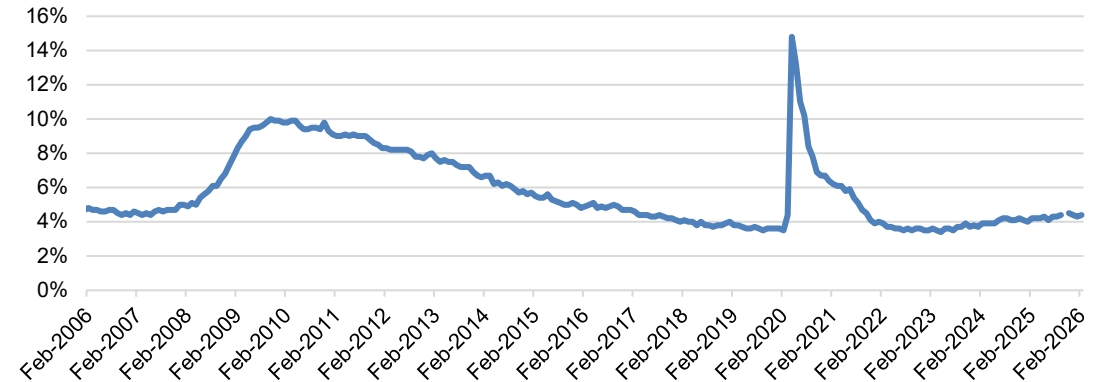


The Fed's dual mandate is to achieve stable prices and maximum sustainable employment

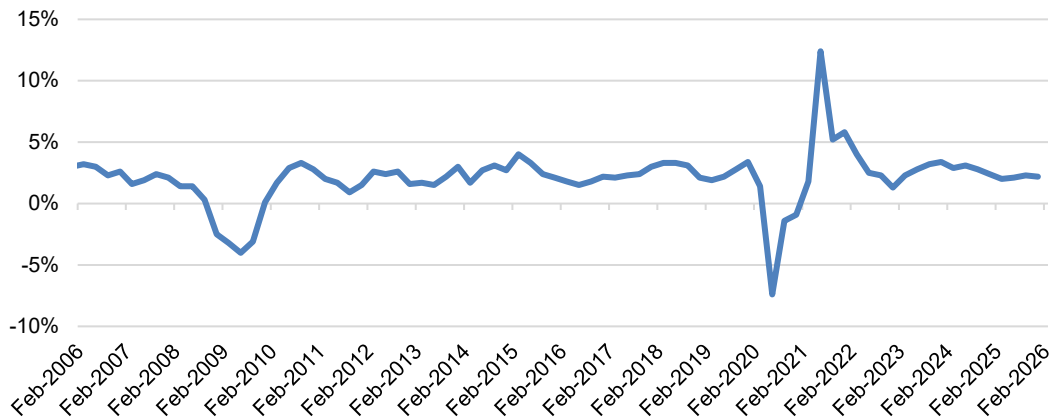
U.S. Inflation Rates



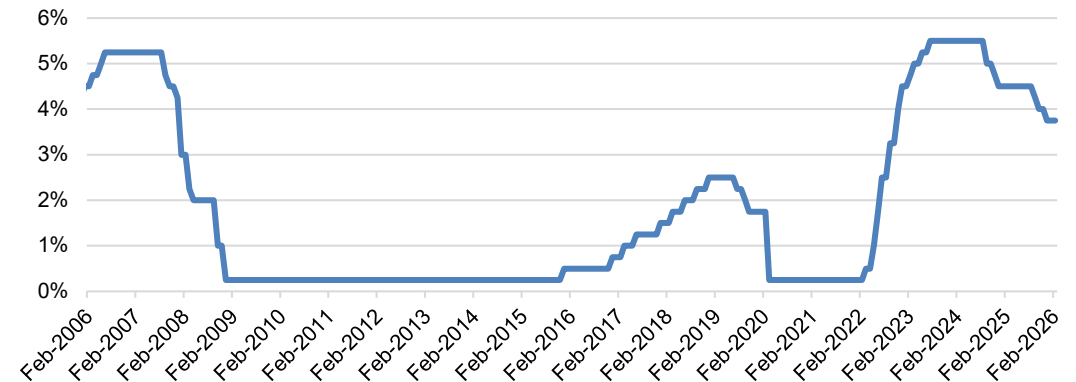
U.S. Unemployment Rate



US GDP (Year over Year)



Fed Funds Target (Upper End of Range)



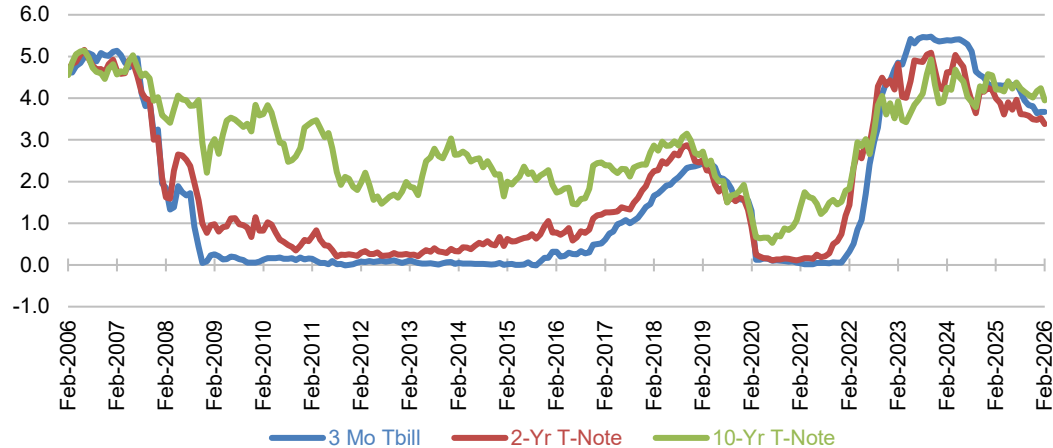
Data is sourced from Bloomberg through February 2026. Select terms are further described in the Glossary.

Market Environment

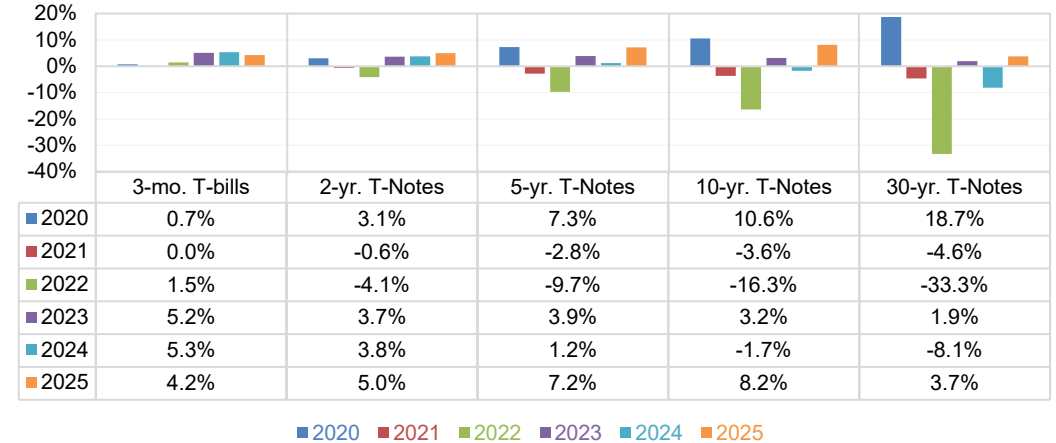


Sharp yield spike in 2022 drove negative returns, followed by mixed performance

Historical Yields

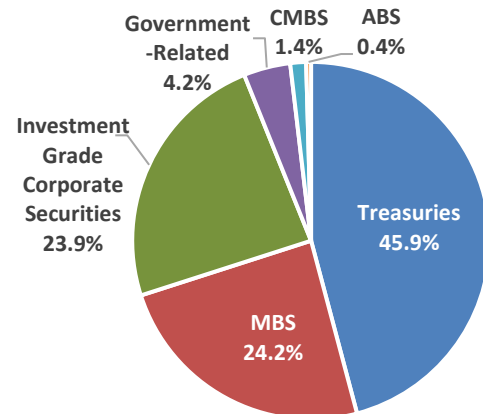


BBG Long US Treasury Bellwether Returns by Year

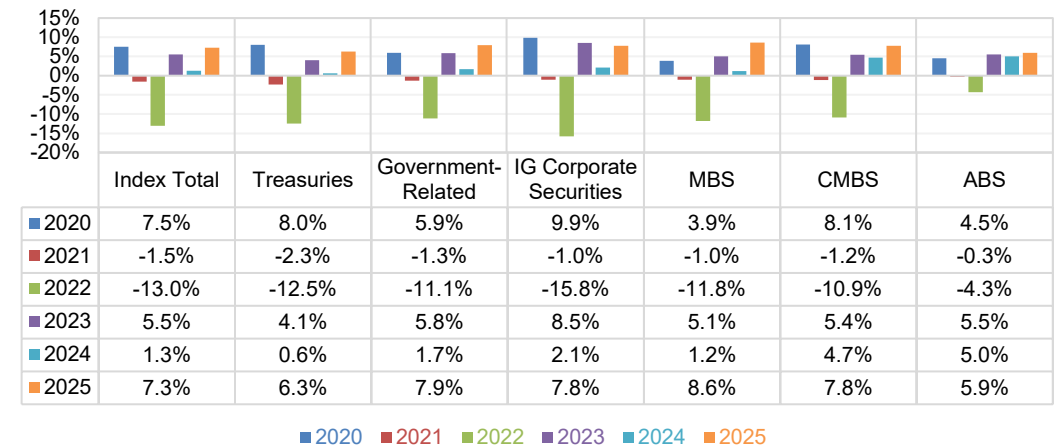


BBG US Aggregate Index Composition by Sector

The Index consists of approximately 70% government-guaranteed securities, including Treasuries and MBS



BBG US Aggregate Index Returns by Sector



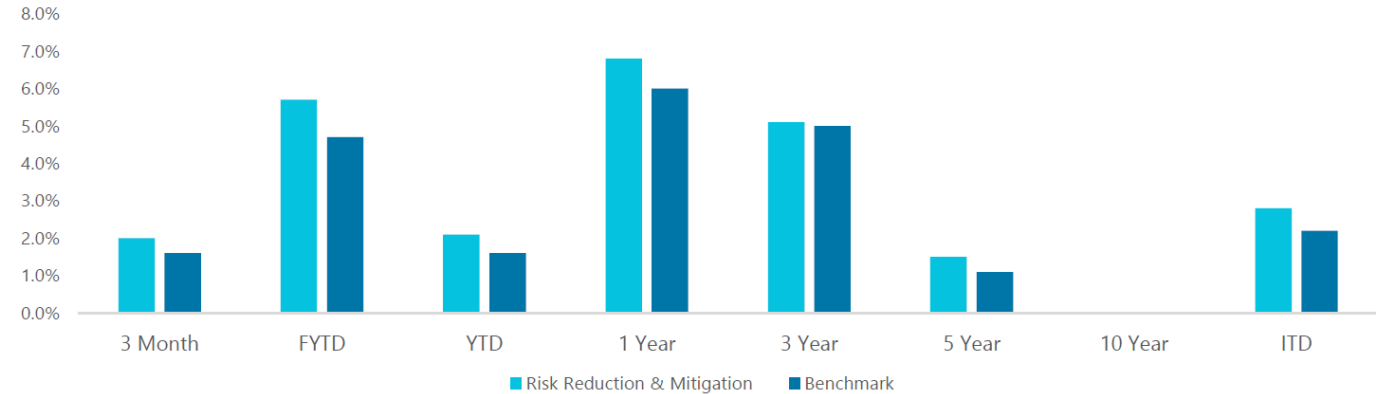
Data is sourced from Bloomberg through February 2026. Select terms are further described in the Glossary.

Performance: Returns



- The **Risk Reduction and Mitigation** portfolio is **outperforming across all time periods** the policy benchmark since inception
- The two bond portfolios are performing with benchmark-aware risk exposures and total return, **consistent with design**
- The hedge funds portfolio is **beating its difficult benchmark** of cash plus a spread across most time periods

Performance (Net)



	3 Month	FYTD	YTD	1 Year	3 Year	5 Year	10 Year	ITD
Risk Reduction & Mitigation	2.0%	5.7%	2.1%	6.8%	5.1%	1.5%	--	2.8%
Benchmark	1.6%	4.7%	1.6%	6.0%	5.0%	1.1%	--	2.2%
Excess	0.4%	0.9%	0.5%	0.7%	0.1%	0.4%	--	0.6%

Functional Category

	3 Month	FYTD	YTD	1 Year	3 Year	5 Year
Investment Grade Bonds	1.6%	5.0%	1.9%	6.4%	5.3%	0.5%
Bloomberg U.S. Aggregate	1.6%	5.0%	1.7%	6.3%	5.1%	0.4%
Excess	0.0%	0.1%	0.1%	0.1%	0.2%	0.1%
Diversified Hedge Funds	2.6%	6.8%	2.3%	8.6%	6.8%	6.5%
Hedge Funds Policy Benchmark	1.5%	4.2%	1.0%	6.4%	7.3%	5.8%
Excess	1.1%	2.6%	1.3%	2.2%	-0.5%	0.8%
Long-Term Government Bonds	1.9%	6.2%	4.1%	3.7%	1.4%	--
Bloomberg U.S. Treasury: Long	1.9%	6.2%	3.7%	3.7%	1.4%	--
Excess	0.0%	0.0%	0.4%	0.0%	0.0%	--

Data is from State Street as of February 28, 2026.
Diversified Hedge Funds Returns are reported on a 1-month lag.

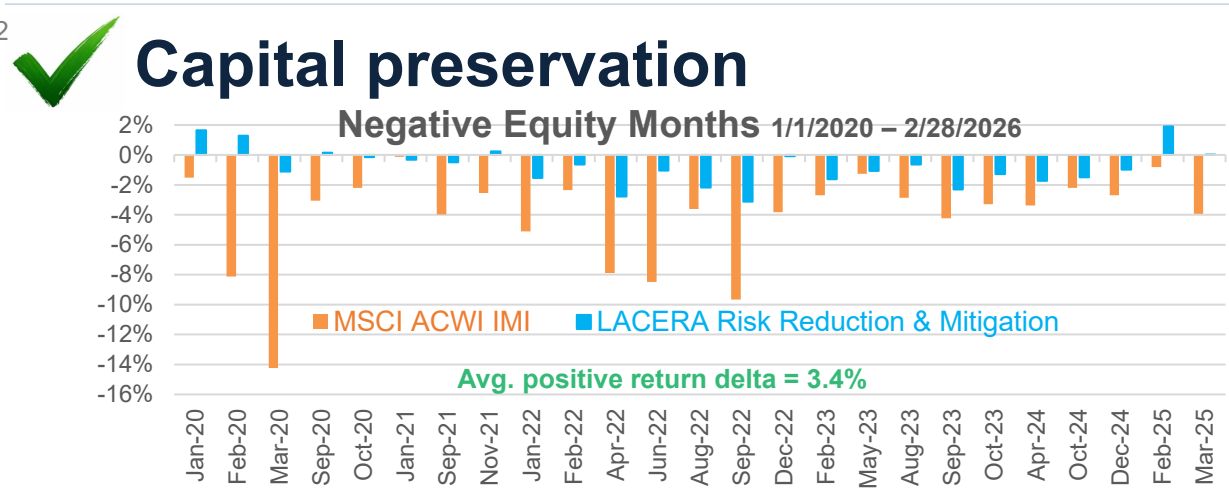
Performance: Risk Mitigation Overall



1 ✓ **Source of liquidity**
37 Months worth of benefit payments available to be harvested from the Risk Mitigation portfolio (excludes liquidity from Hedge Funds)

4 ○ **Low correlation to growth risks**

Correlation (2/28/26)	1 Year	3 Year	5 Year
MSCI ACWI IMI (Equities)	0.18	0.66	0.69



5 ✓ **Moderate total return**

Risk and Return Metric (2/28/26)	1 Year	3 Year	5 Year
Annualized Return (%)	6.8	5.1	1.5
Annualized Volatility (%)	2.1	4.5	5.0
Sharpe Ratio	1.3	0.1	-0.4

3 ✓ **Reduce total Fund risks**
 25% Allocation
 3% Risk

Current Asset Allocation: 25%, 15%, 13%, 48%

Total Fund Risk by Functional Category: 1%, 14%, 4%, 79%

Risk Mitigation

6 ✓ **Relative performance**

Performance % (Annualized, 2/28/26)	1 Year	3 Year	5 Year
Risk Reduction & Mitigation	6.8	5.1	1.5
RR & M Policy Benchmark	6.0	5.0	1.1
Excess	0.8	0.1	0.4



Investment Grade Bonds

Investment Grade Bonds: Role and Objectives



Investment Grade Bonds

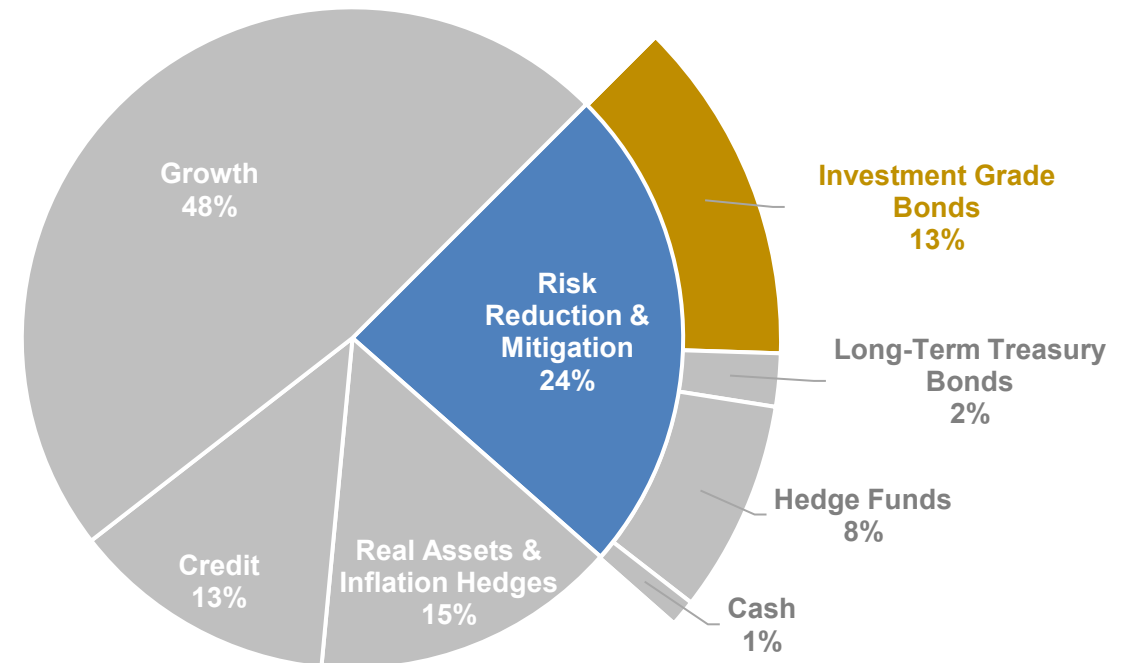
Role

- Additional source of total Fund liquidity
- Capital preservation
- Moderate duration interest rate risk exposure

Objectives

- Provide diversification by complementing economic growth risk
- Preserve capital when there is a “flight to safety” or investors otherwise seek high quality assets
- Reduce total Fund risk by having a low correlation to growth assets and low-to-moderate volatility

Allocation

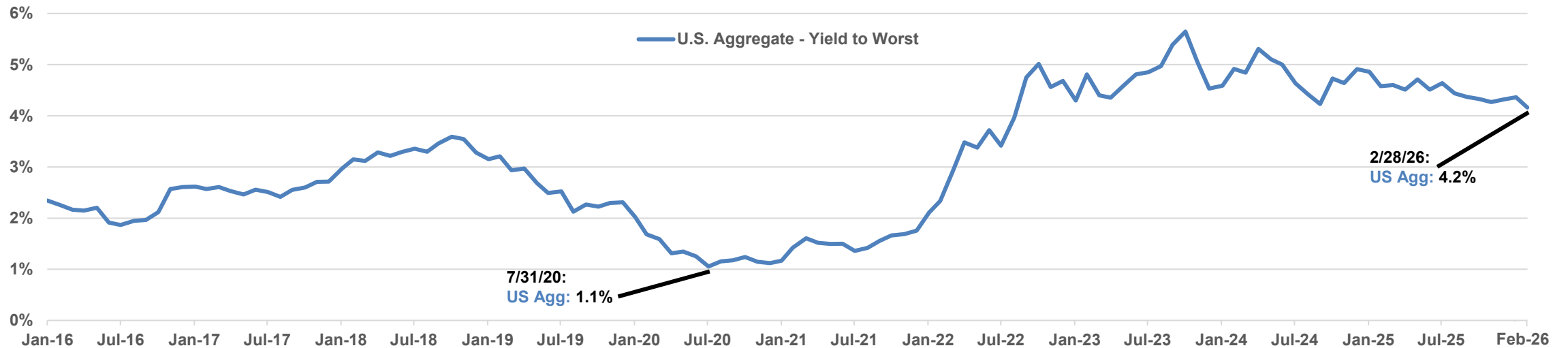


Investment Grade Bonds: Performance



Return Metrics							Risk Metrics (3-yr)			
Bonds Portfolio	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Bonds Portfolio	Standard Deviation	Sharpe Ratio	Max Drawdown
Investment Grade Bonds	1.6%	1.9%	6.4%	5.3%	0.5%	2.5%	Investment Grade Bonds	5.6%	0.1	-6.0%
BBG US Agg. (Benchmark)	1.6%	1.7%	6.3%	5.1%	0.4%	2.0%	BBG US Agg. (Benchmark)	5.6%	0.1	-6.1%
Excess	0.0%	0.2%	0.1%	0.2%	0.1%	0.5%	Excess	0.0%	0.0	0.1%

Investment Grade Bonds Yield To Worst (YTW)
(Last 10 Years as of 2/28/2026)



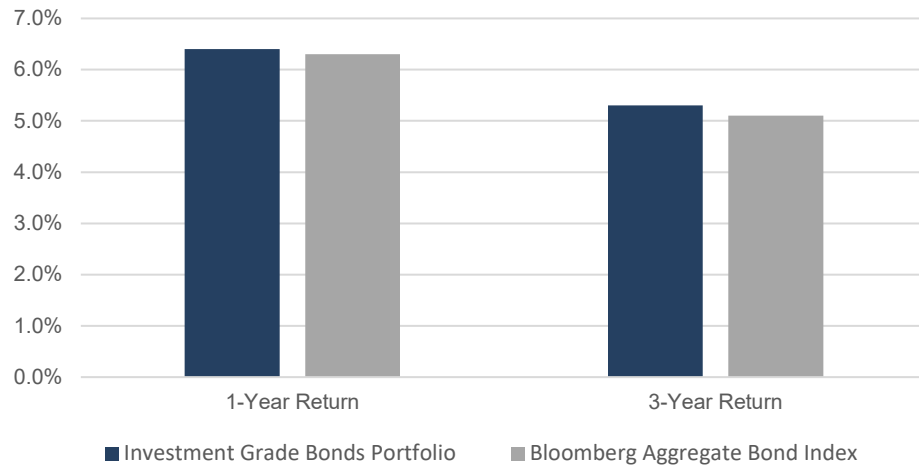
Source of returns for LACERA Investment Grade Bonds and Long-Term Government Bonds is State Street for the 3-year period ended February 28, 2026. Source of returns for the remaining line items are from Zephyr.

Investment Grade Bonds: Performance



- **Performed in-line** with market benchmark, consistent with goals and portfolio structure
- Met portfolio objectives as a **source of income** and **liquidity provider** for benefit payments or portfolio rebalancing
- **Portfolio composition in-line** with Structure Review target strategy mix of 70% passive / 30% active

Trailing 1-year and 3-year returns as of 2/28/2026 Investment Grade Bonds



Effective Duration	Yield to Worst (YTW)
5.8 years	4.2%

- Exposures consistent with higher credit quality of the index (e.g., U.S. Treasuries, agency mortgage-backed securities, and Aaa rated corporate bonds)
- For Investment Grade Bonds, the primary risk factor is interest rate risk, which is represented by duration
- The rise of U.S. interest rates beginning in 2022 had a material impact on the fixed income space, including investment grade bonds

Data is from State Street as of February 28, 2026. Select terms are further described in the Glossary.



Long-Term Government Bonds

Long-Term Government Bonds: Role and Objectives

Long-Term Government Bonds

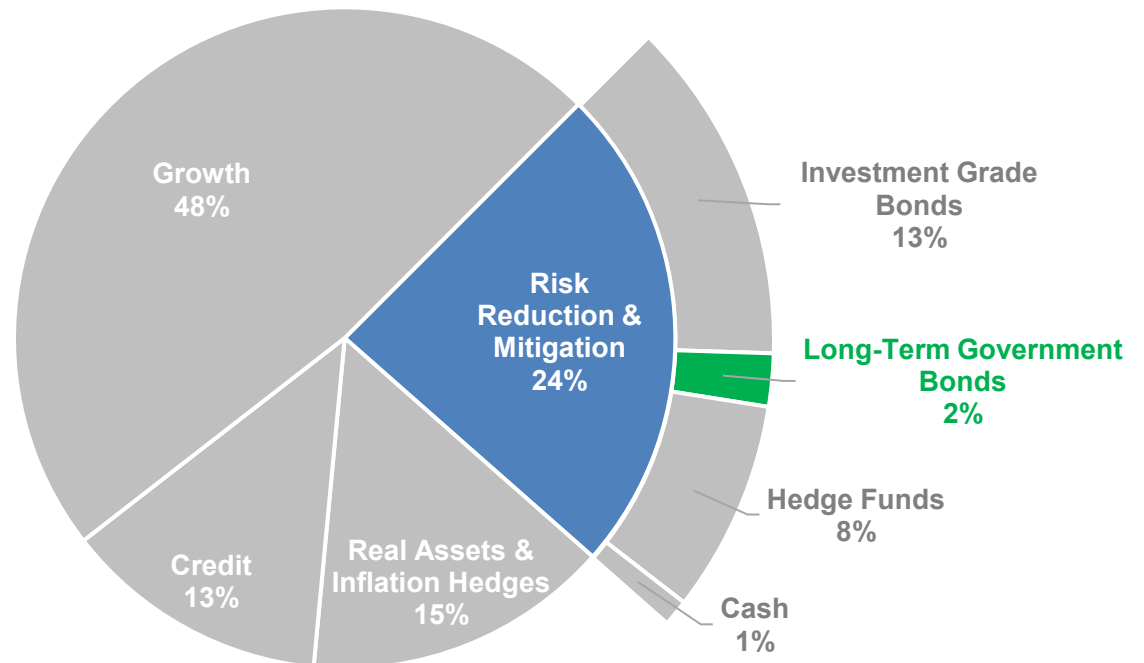
Role

- Source of liquidity for the total Fund
- Negative historical correlation to growth assets
- Long duration interest rate risk exposure

Objectives

- Diversify and reduce overall risk to total Fund given its negative historical correlation to growth assets
- Preserve capital when there is a “flight to safety” or investors otherwise seek high quality assets
- Provide capital efficient way to access interest rate risk exposure

Allocation



Long-Term Government Bonds: Performance



Return Metrics						
Bonds Portfolio	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr
Long-Term Government Bonds ¹	1.9%	4.1%	3.7%	1.4%	--	--
BBG Long US Treasury (Benchmark)	1.9%	3.7%	3.7%	1.4%	--	--
Excess	0.0%	0.4%	0.0%	0.0%	--	--

Risk Metrics (3-yr)			
Bonds Portfolio	Standard Deviation	Sharpe Ratio	Max Drawdown
Long-Term Government Bonds	12.9%	-0.3	-18.6%
BBG Long US Treasury (Benchmark)	13.0%	-0.3	-18.5%
Excess	-0.1%	0.0	-0.1%

¹ Inception date of the Long-Term Government Bond portfolio is Nov 2021 and has returned -6.4% annualized since inception.

Long US Treasury Index Yield To Worst (YTW)
(Last 10 Years as of 2/28/2026)



Source of returns for LACERA Investment Grade Bonds and Long-Term Government Bonds is State Street for the 3-year period ended February 28, 2026. Source of returns for the remaining line items are from Zephyr.

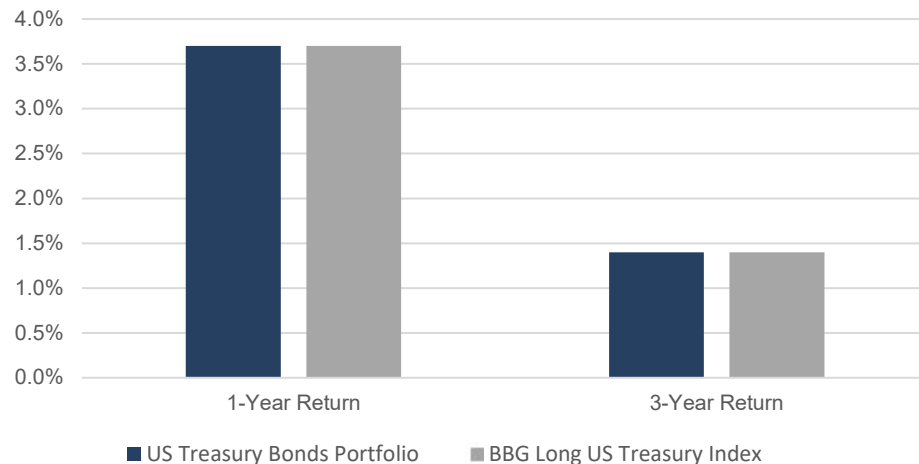
Long-Term Government Bonds: Performance



- **Performed in-line** with market benchmark, consistent with goals and portfolio structure
- Achieved portfolio objectives to be a **source of income**
- Provided a **capital efficient** way for the total Fund to access **interest rate risk exposure**

Effective Duration	Yield to Worst (YTW)
13.9 years	4.6%

Trailing 1-year and 3-year returns as of 2/28/2026 US Treasury Bonds



- As with Investment Grade Bonds, the primary driver of risk for long term treasuries is interest rate risk
- The rise in U.S. interest rates in 2022 had a material negative impact on Long-Term Government Bond returns
- Long-Term Government Bonds provide risk mitigation characteristics by providing capital efficiency for the total Fund, and have historically performed positively when equity markets perform negatively, notwithstanding calendar year 2022

Data is from State Street as of February 28, 2026. Select terms are further described in the Glossary.



Hedge Funds

Hedge Funds: Role and Objectives

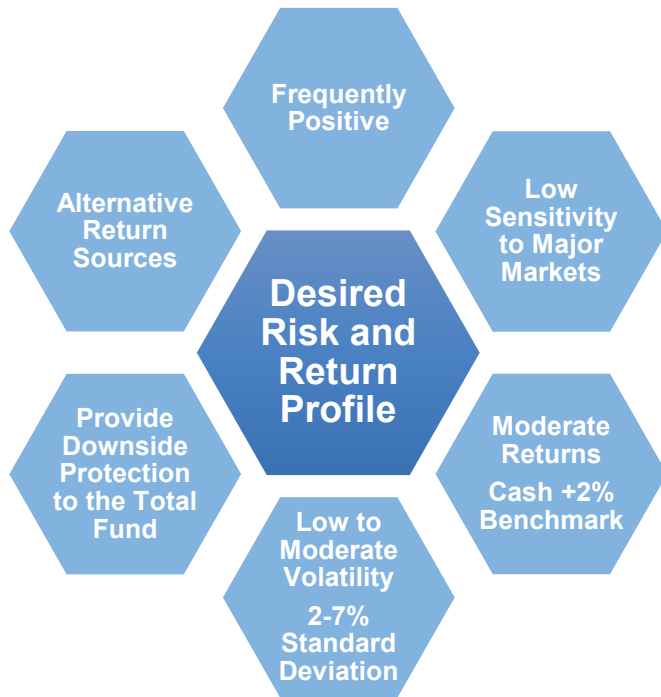


Hedge Funds

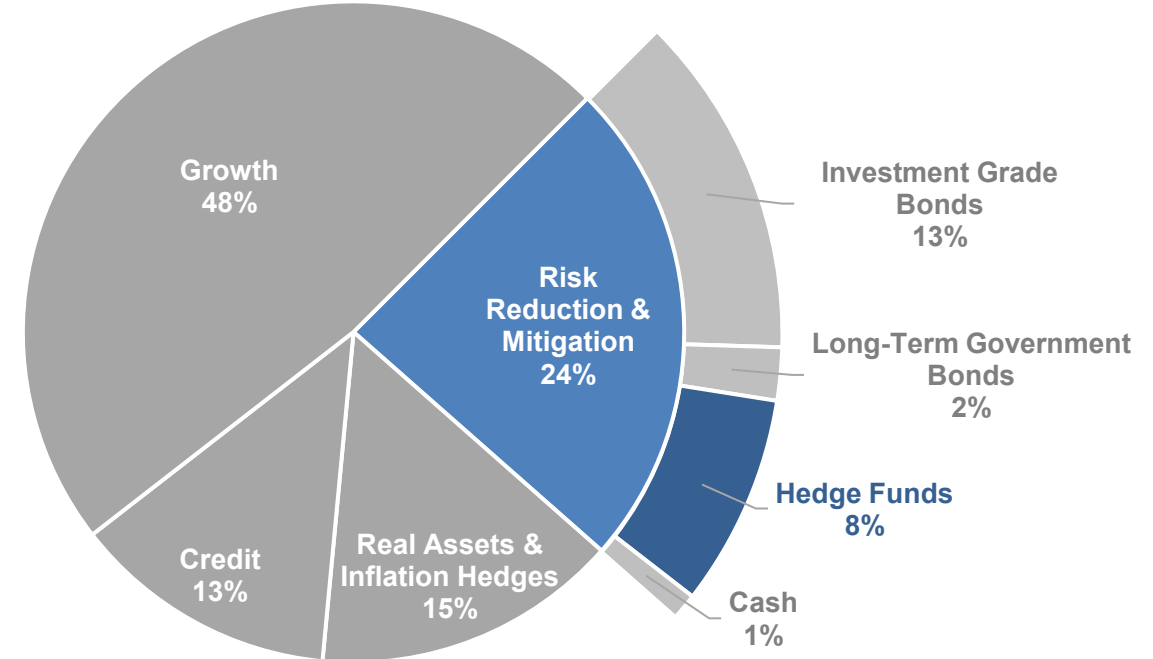
Role

- Reduce total Fund risk
- Enhance total Fund diversification

Objectives



Allocation



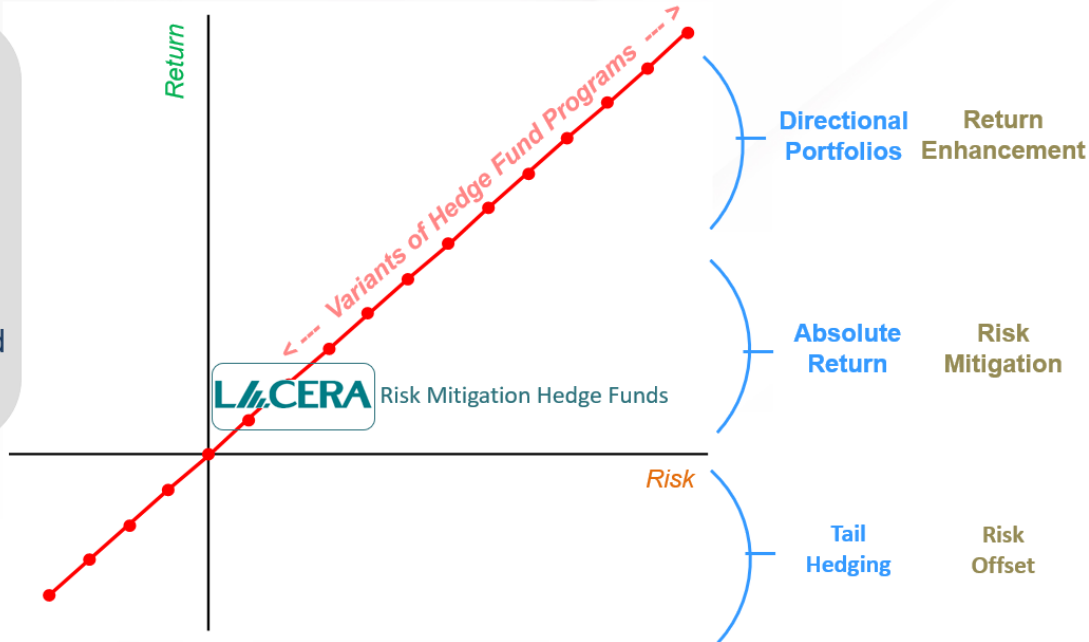
The role and objectives were approved by the BOI in the 2023 Risk Reduction and Mitigation Structure Review. The benchmark was updated in July 2024 to be equal to 3-Month U.S. T-Bills + 200 basis points instead of 3-Month U.S. T-Bills + 250 basis points.

Hedge Funds: Portfolio Implementation and Expectations



Hedge Funds: Portfolio Structure

- LACERA's hedge fund portfolio:
 - Risk mitigation objectives
 - "Absolute return" approach
 - Less risky and less directional compared to many hedge fund portfolios



Risk as graphed is a measure of return volatility, market directionality, and overall correlation to LACERA's total Fund

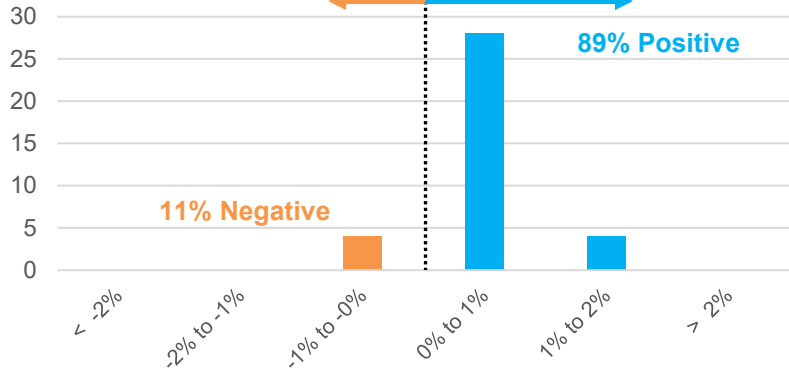
Diversified hedge funds comprise a variety of hedged investments, such as relative value, arbitrage, and long/short strategies within a diversified portfolio. **They would be expected to produce returns at or above high-grade bond portfolios, with equal or lower volatility, and be largely uncorrelated with other portfolio assets.**



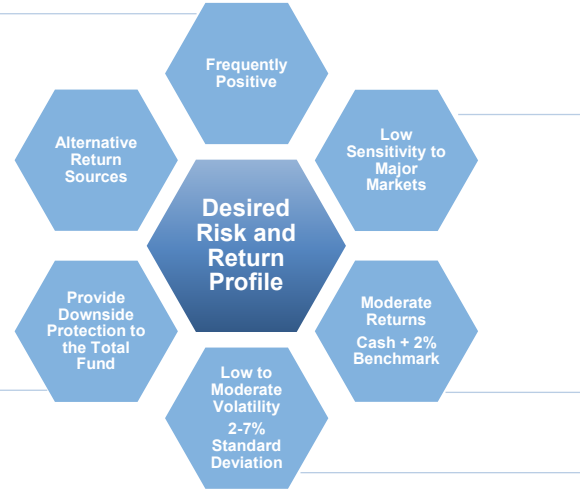
Hedge Funds: Performance



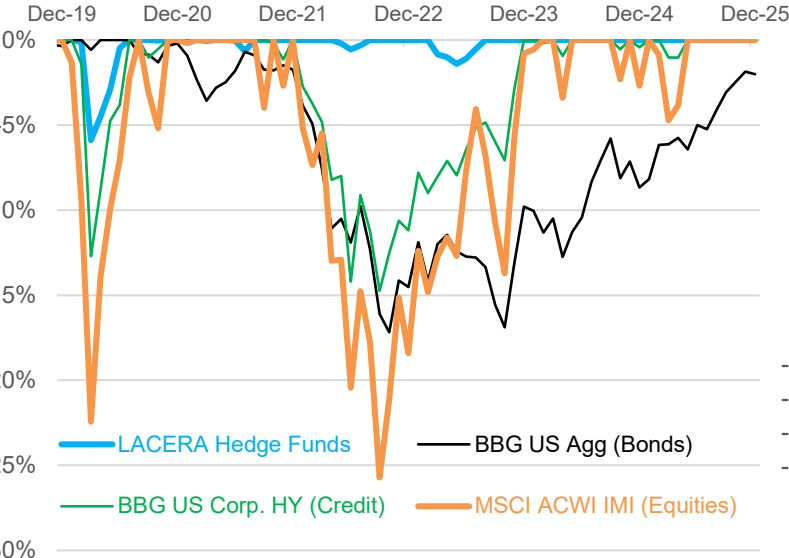
Histogram of Monthly Returns Trailing 3-Year Period



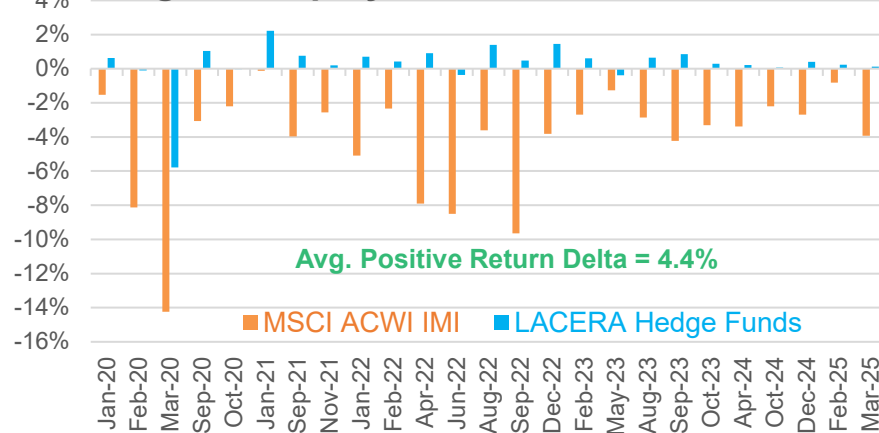
Hedge Funds Portfolio Objectives
From Board-Approved Risk Reduction & Mitigation Structure Review



Historical Drawdowns Since Inception



Negative Equity Months 1/1/2020 – 12/31/2025



Metrics Relative to Indices ¹	3-Year Correlation	3-Year Up/Down Capture Spread	3-Year Beta
MSCI ACWI IMI (Equities)	0.31	29.9%	0.04
BBG US Agg (Bonds)	0.25	74.9%	0.07
BBG US Corp. HY (Credit)	0.34	95.0%	0.12

Annualized Returns %	QTD	1 Year	3 Year	5 Year	Since April 2019
Hedge Funds ¹	2.1	7.8	6.7	6.7	6.9
Hedge Funds Policy Benchmark ¹	1.5	6.5	7.4	5.7	5.2
BBG US Agg	1.1	7.3	4.7	-0.4	1.6

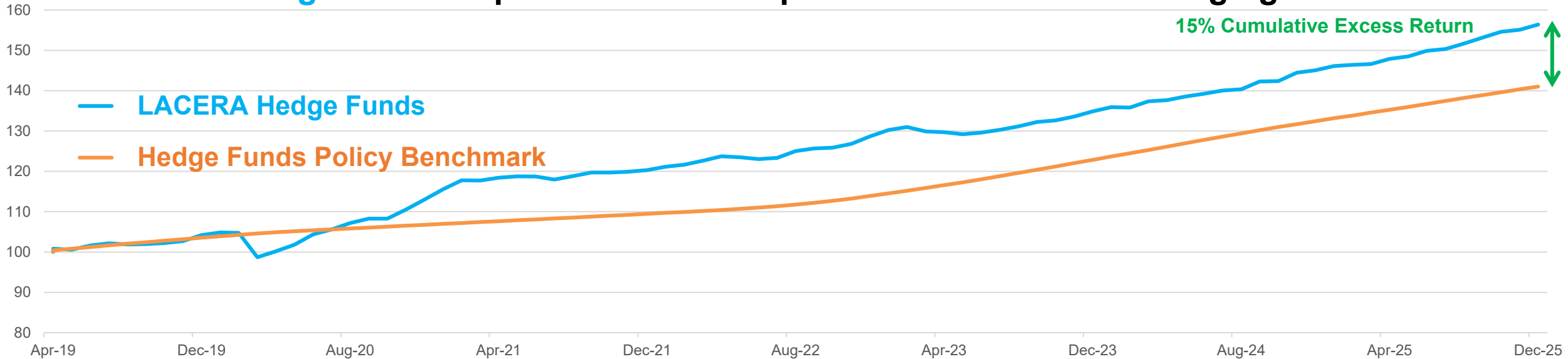
Annualized Volatility %	QTD	1 Year	3 Year	5 Year	Since April 2019
Hedge Funds ¹	0.3	1.1	1.7	2.0	3.4
BBG US Agg	0.5	2.9	6.1	6.4	5.8

¹ Returns and return metrics use Diversified Hedge Fund composite and benchmark returns data from State Street as of December 31, 2025. Data is reported on a 1-month lag by default which has been unlagged for effective comparison with relevant market indices. Market index data is from Zephyr.

Hedge Fund: Performance to Benchmark



- **LACERA's Hedge Funds Benchmark** is un-investable with un-attainable risk and return metrics
- **LACERA's Hedge Funds** implementation competes well with this challenging benchmark



Risk & Return Metrics	Since April 2019									
	1-year Return %	3-year Return %	Annualized Return %	Sharpe Ratio	Standard Deviation %	Max Drawdown %	Positive Months %	Beta to Equity ³	Beta to IG Bonds ³	Beta to Credit ³
LACERA Hedge Funds	7.8	6.7	6.9	1.2	3.4	-5.9	81.5	0.10	0.02	0.24
Hedge Funds Policy Benchmark²	6.5	7.4	5.2	4.2	0.6	0.0	100.0	0.00	0.02	0.01

¹ Data is from State Street as of December 31, 2025.

² Hedge Funds policy benchmark is equal to 3-Month U.S.T-Bills + 250 basis points annually beginning March 1, 2019, and for periods prior to June 30, 2024. Beginning July 1, 2024, Hedge Funds policy benchmark is equal to 3-Month U.S T-Bills + 200 basis points.

³ Benchmarks utilized for beta calculation purposes are MSCI ACWI IMI for Equity; Bloomberg US Aggregate Index for IG Bonds and Bloomberg US High Yield Credit Index for Credit.

Hedge Funds: Emerging Manager Program



Snapshot of Program as of December 31, 2025

Separate Account Manager	Stable Asset Management
Portfolio Net Asset Value ¹	\$683 million
Portfolio Inception	August 2021
Emerging Managers	10
Revenue Sharing Structures	9

Performance ¹	1-Year	3-Year	Since Inception
Hedge Fund - Emerging Manager Program	6.5%	4.1%	3.0%
Hedge Fund Policy Benchmark	6.5%	7.4%	6.1%

Portfolio Sensitivity to Major Markets²

Market Index	Beta	Max Drawdown
Hedge Fund – Emerging Manager Program	--	-3.3%
Equities (MSCI ACWI IMI)	0.00	-25.7%
IG Bonds (BBG US Agg)	0.02	-16.6%
Credit (BBG US Corp HY)	0.01	-14.4%

¹ Hedge Fund EMP data and policy benchmark data is from State Street as of December 31, 2025. Data is reported on a 1-month lag by default which has been unlagged for effective comparison with relevant market indices. Market index data is from Zephyr.

² Beta and drawdown figures are measured since Program inception. Beta figures are measured relative to the HF EMP portfolio.

- LACERA has intentionally **scaled the Program** in recent years, bringing it close to its allocation range (10-20% of hedge funds)
- Initial underperformance during the portfolio ramp-up phase has moderated, with **performance improving over the past year**
- Program design prioritizes LACERA risk mitigation objectives** and results demonstrate consistently low market sensitivity and reduced total Fund drawdown risk
- LACERA intentionally structured the Program to **participate in manager success**, embedding revenue-sharing economics across most mandates
- LACERA designed the **Program as a pipeline**, with select managers positioned as graduation prospects based on early performance and firm-building progress
- Future scalability and optionality** was purposefully engineered through pre-negotiated capacity rights and implementation discipline that matches LACERA objectives



Performance Summary



Risk Reduction & Mitigation

- **24%** total Fund allocation
- **Outperforming** benchmarks over 1, 3, and 5 years
- Results are **meeting asset category roles and objectives**

	3 Month	FYTD	YTD	1 Year	3 Year	5 Year	10 Year	ITD
Risk Reduction & Mitigation	2.0%	5.7%	2.1%	6.8%	5.1%	1.5%	--	2.8%
Benchmark	1.6%	4.7%	1.6%	6.0%	5.0%	1.1%	--	2.2%
Excess	0.4%	0.9%	0.5%	0.7%	0.1%	0.4%	--	0.6%

Data is from State Street as of February 28, 2026.



Appendix

Attachment 1 – Glossary of Terms



Term	Definition
Absolute Return	A measure of the total gain or loss of an investment over a specific period. Reflects how much the investment increased or decreased in value without adjusting for time, risk or comparing to any benchmark.
Annualized Return	A measure of the average yearly rate of investment growth, expressed as a consistent compounded annual percentage.
Annualized Volatility	A measure of an investment's return variability scaled to a one-year period, reflecting the investment's annualized risk.
BBG Barc U.S. Aggregate TR Index	Bloomberg Barclays U.S. Aggregate Bond Total Return Index, an index that constitutes broad market exposure to U.S. investment grade bonds. The benchmark for Investment Grade Bonds at LACERA.
BBG Barc U.S. Long Treasury Bond Index	Bloomberg Long U.S. Treasury Bond Index, an index consisting of U.S. Treasury bonds with maturities greater than 10 years. The benchmark for Long-Term Government Bonds at LACERA.
Beta	A measure of the sensitivity of an asset to movements in the market or other benchmark; thus, a measure of its non-diversifiable or systematic risk. A beta of one 1.0 indicates that, on average, the asset is expected to move in tandem with the market or benchmark.
Bps or bps	An acronym for basis points where one bps equals one hundredth of one percent or 0.01%.
Correlation	A statistical measure of how closely related two variables are.
Custom Risk Reduction & Mitigation Policy Benchmark	Custom blend of the following indices: 54.17% Bloomberg U.S. Aggregate; 33.33% FTSE 3-month U.S. Treasury Bills + 200bps (including a 1-month lag); 8.33% Bloomberg Long U.S. Treasury Bills and 4.17% FTSE 3-month U.S. Treasury Bills.
Down Capture	Measure of an investment's performance during down markets, calculated as the strategy's returns divided by the returns of the benchmark index during the down market. A lower down market capture ratio means an investment was less negatively impacted during market downturns.
Duration (or Effective Duration)	A measure of the price sensitivity of bonds with respect to a parallel shift of the discount curve that is particularly useful for bonds with embedded options (e.g., callable bonds, putable bonds, and mortgage-backed securities).
Fed Funds Rate	The Federal Funds Target Rate is a crucial interest rate set by the Federal Open Market Committee (FOMC) that influences other interest rates in the economy.
Flight to safety	Shift of capital from riskier to safer assets during periods of market stress or uncertainty.

Attachment 1 – Glossary of Terms (continued)

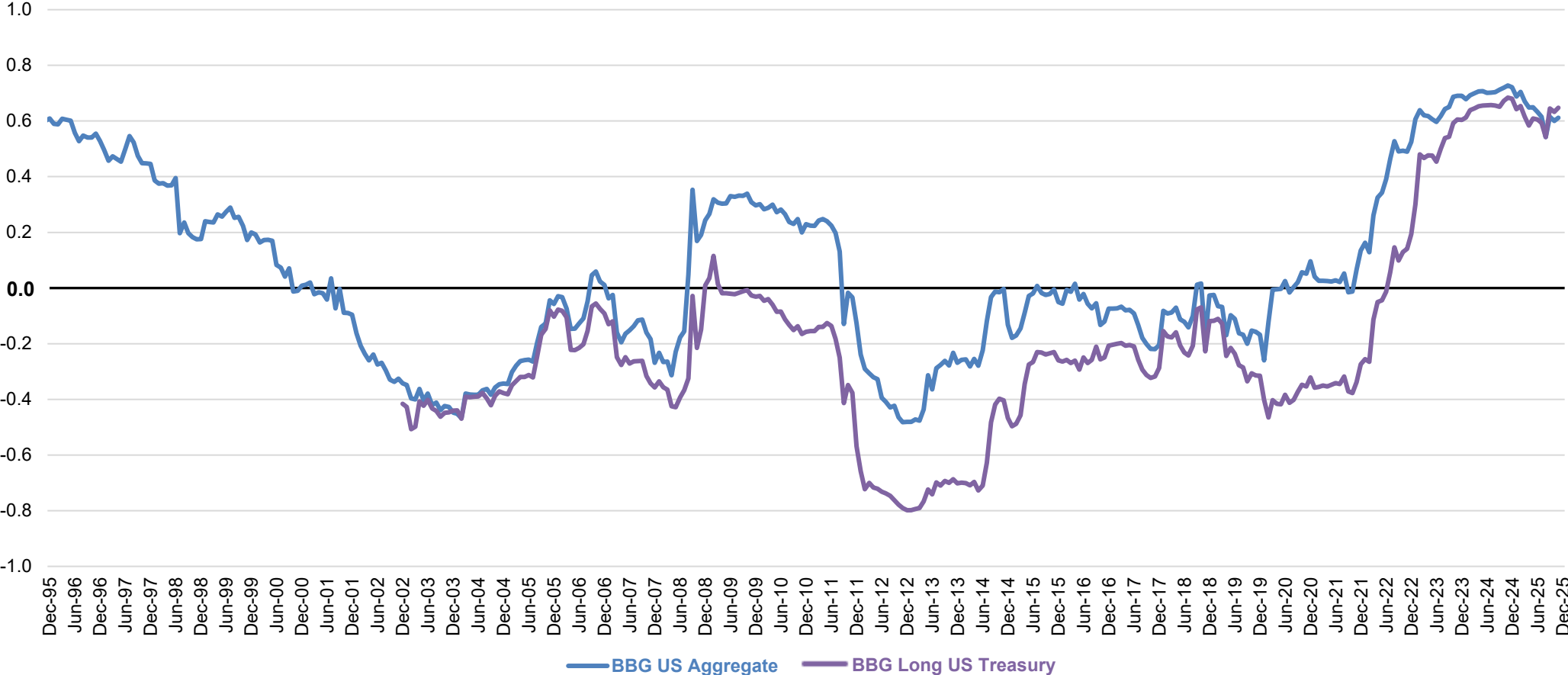


Term	Definition
FTSE 3-Month U.S. Treasury Bill Index +200 bps (1-Month lagged)	Financial Times Stock Exchange 3-month U.S. Treasury Bill Index, an index that tracks the daily performance of 3-month U.S. Treasury bills +200 bps, with 1-Month of lag. The benchmark for Hedge Funds at LACERA.
FTSE 3-Month U.S. Treasury Bill Index	Financial Times Stock Exchange 3-month U.S. Treasury Bill Index, an index that tracks the daily performance of 3-month U.S. Treasury bills. The benchmark for Cash at LACERA.
Interest Rate Risk	Reflects how shifts in the market interest rates can affect the pricing and performance of fixed-income securities.
Maximum Drawdown	The largest peak-to-trough decline in value experienced by an investment over a given period, before reaching a new peak.
Mortgage Backed Securities (MBS)	Investment product, similar to bonds, backed by a bundle of home loans and other real estate debt.
Risk Offset	Strategies designed to perform well during a significant market downturn. These strategies are similar to buying insurance where there is a cost of premium associated with receiving a payoff when an adverse market event occurs.
Selection Risk	Risk that is specific to an asset and is uncorrelated (or negligibly correlated) with the risks of other assets. Asset selection risk is the portion of an asset's risk that is unexplained by the risk model. Also called specific, unique, idiosyncratic, or independent risk.
Sharpe Ratio	Measures risk-adjusted performance of an investment compared to a risk-free asset.
Standard Deviation	Volatility of monthly returns that measures the average deviation from the mean.
Up Capture	Measure of an investment's performance during up markets, calculated as returns divided by the returns of the benchmark index during the up market. A high up capture ratio means an investment outperformed the index during up markets.
Up / Down Capture Spread	A measurement of the difference between up capture and down capture.
Yield to Worst (YTW)	Yield of a bond adjusted for any embedded options. Equals the lowest yield, among all possible redemption dates, for a given bond.
Yield Curve	A graph that plots the interest rates of bonds with equal credit quality but differing maturities.

Attachment 2 – Correlation of Stocks and Bonds



Bond Index Correlations to Stock Index (Russell 3000) Based on trailing 36-month returns



Data is sourced from State Street and Russell Indices through December 2025. The Russell 3000 Index is a broad measure of the U.S. stock market and represents performance of the 3,000 largest publicly traded U.S. companies. Select terms are further described in the Glossary.

March 25, 2026

TO: Trustees - Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA ^{VM} Chad Timko, CFA, CAIA ^{CT}
Principal Investment Officer Senior Investment Officer

Krista Powell ^{KPP} Cindy Rivera ^{CR}
Investment Officer Investment Officer

Jason Choi, CFA ^{JC} Kunal Gawande ^{KG}
Investment Officer Senior Investment Analyst

FOR: April 8, 2026 Credit and Risk Mitigation Committee Meeting

SUBJECT: **Credit Performance Review**

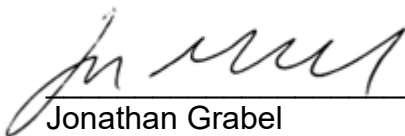
The following presentation (**Attachment**) reviews the performance of LACERA's Credit functional asset category. As a reminder, the 2024 Strategic Asset Allocation increased the Credit allocation from 11 % to 13% and consolidated the two prior components—Liquid Credit and Illiquid Credit—into a unified category effective July 1, 2024, reflecting the ongoing convergence of public and private credit markets.

The presentation begins with a review of Credit's role and objectives within the Total Fund, as specified in LACERA's Investment Policy Statement. Also discussed is Credit's design and implementation framework, as set forth in the most recent Board-approved Structure Review. For context, the presentation provides a recap of the macroeconomic environment and the evolution of credit markets over the past two decades.

As shown on page 12, Credit has outperformed its benchmark over the past 1, 3, and 5 years, though it is currently trailing the benchmark in the fiscal year-to-date period. Credit continues to fulfill its strategic objectives of income generation, diversification, and moderate risk while remaining within guidelines.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Credit

Performance Review

Credit and Risk Reduction and Mitigation Committee

April 8, 2026

Table of Contents



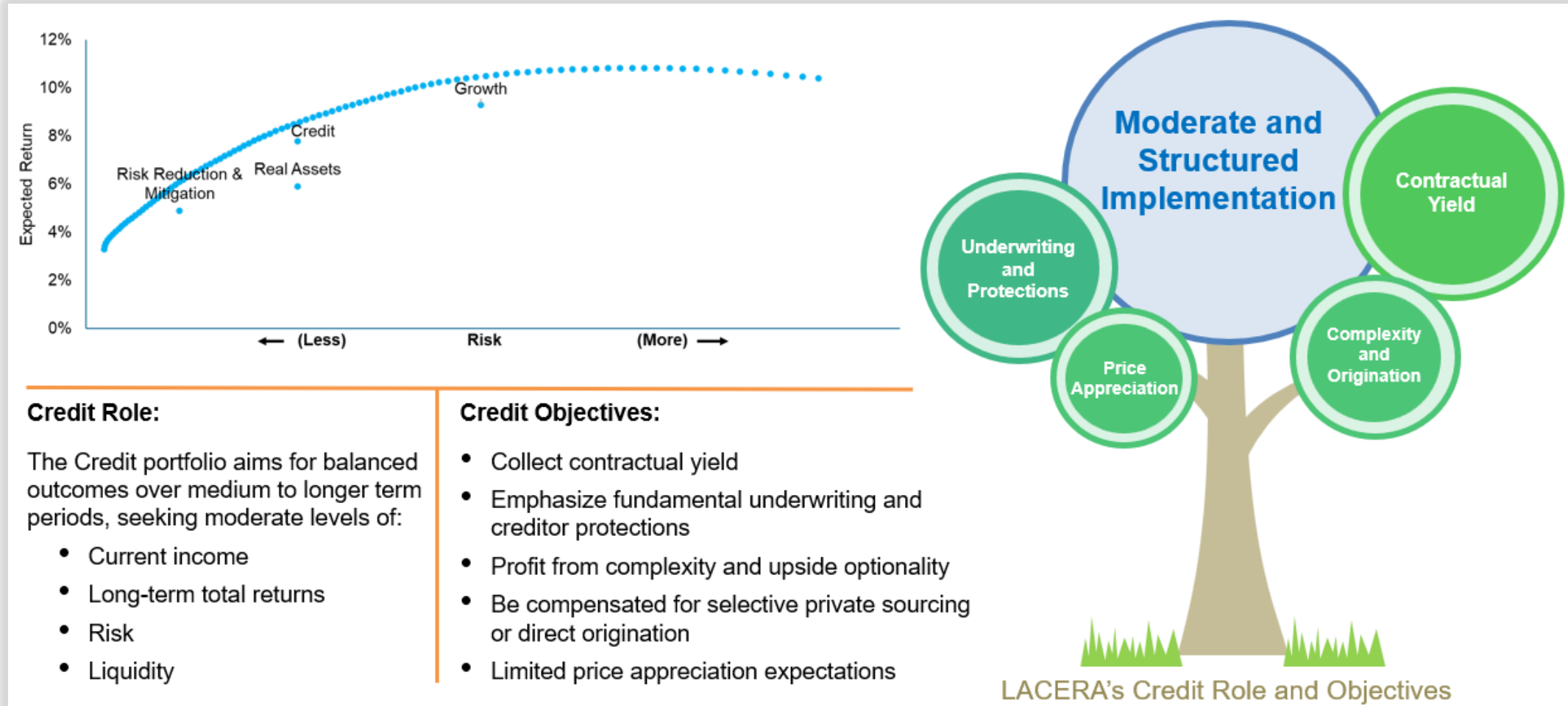
TITLE	SLIDE
Credit	
Portfolio Role and Objectives	3
Portfolio Implementation Principles	4
Portfolio Design and Implementation	5
Market Environment	6
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Credit Design: Role and Objectives



A section of [LACERA's Board-approved Credit Investment Guideline Review](#) is shown below and illustrates concepts further described in the [Investment Policy Statement](#):



Credit Design: Implementation Principles

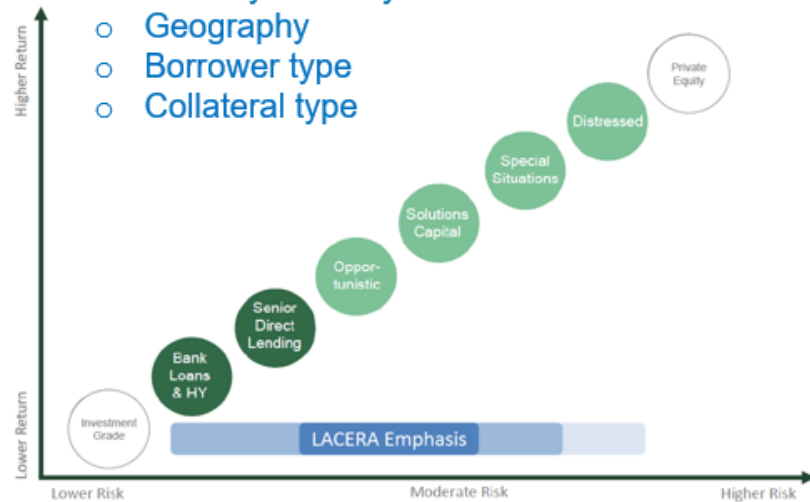


A section of **LACERA's Board-approved Credit Investment Guideline Review** is shown below and illustrates implementation concepts further described in the **Credit Structure Review**:

Moderate and Broad Implementation

LACERA's Credit portfolio implementation should:

- Exhibit **moderate risk** and **moderate return**
- **Emphasize yield-generating strategies**
- Have considerable **breadth** across types of credit assets and strategies
- **Opportunistically invest** across risk spectrums
 - Security seniority
 - Geography
 - Borrower type
 - Collateral type



HY is an abbreviation for High Yield bonds. Return and risk levels are imprecise and shown for illustration purposes. Categories of credit shown are examples and may not be comprehensive or adhere to other listings of credit categories.

Implementation Attributes



To execute a moderate and broad implementation, LACERA's Credit portfolio construction focuses on:

- Identifying **complementary exposures**
- Sourcing **multi-dimensional** and **dynamic** strategies
- Structuring **evergreen** mandates

Credit Design and Implementation



The **2025 Board of Investment Offsite** reviewed the intentional design and implementation of its credit portfolio. The diagram below reflects key themes and takeaways from that session.

LACERA
Los Angeles County Employees Retirement Association

NAVIGATING OUR CHARTED COURSE

BOARD OF INVESTMENTS OFFSITE

SEPTEMBER 9-10



Portfolio Framework

- Creation of Credit
- Transition to functional total Fund categories
- Addition of a Credit Emerging Manager Program (EMP)



Objective-Oriented

- Uplifting roles, objectives and desired attributes
- Implementation principles across sourcing, underwriting, and monitoring



LACERA-Centric

- Single-investor
- Evergreen
- DMA = Dedicated Managed Account



Incentivization and Alignment

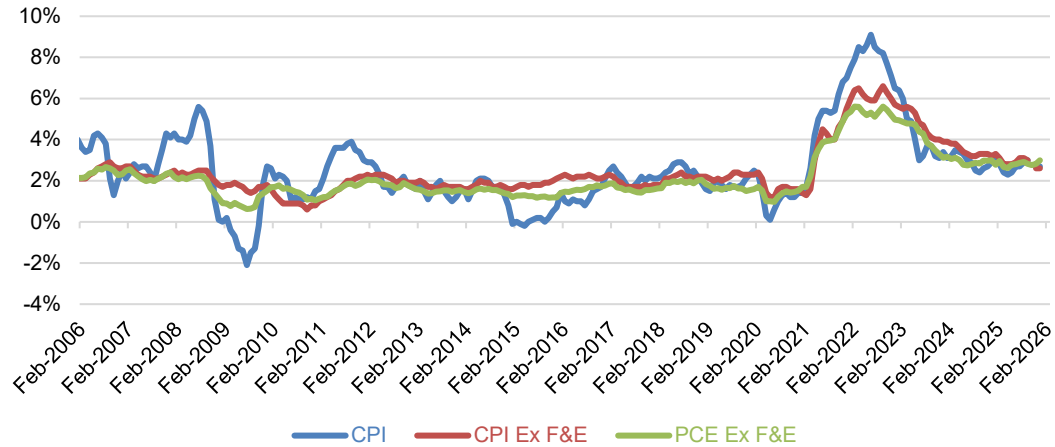
- Alignment of Interests
- Hard hurdles = reward outperformance
- IPR = Investor Profit Retention

Market Environment: Macro

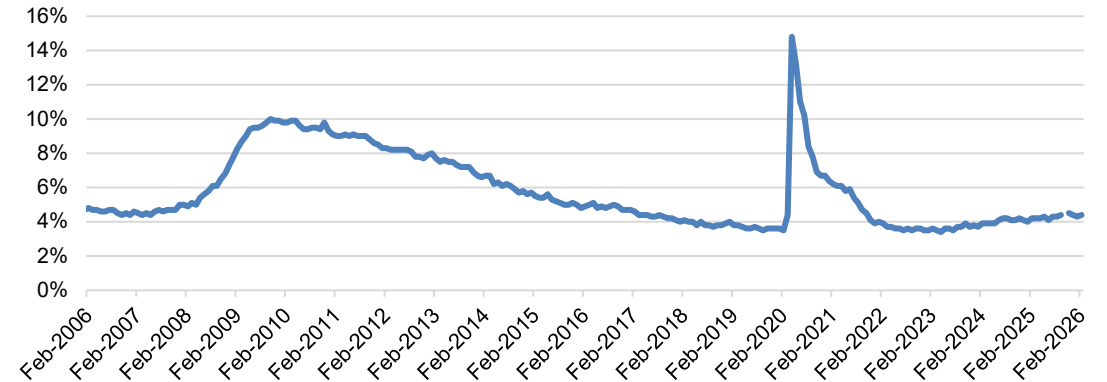


The Fed's dual mandate is to achieve stable prices and maximum sustainable employment

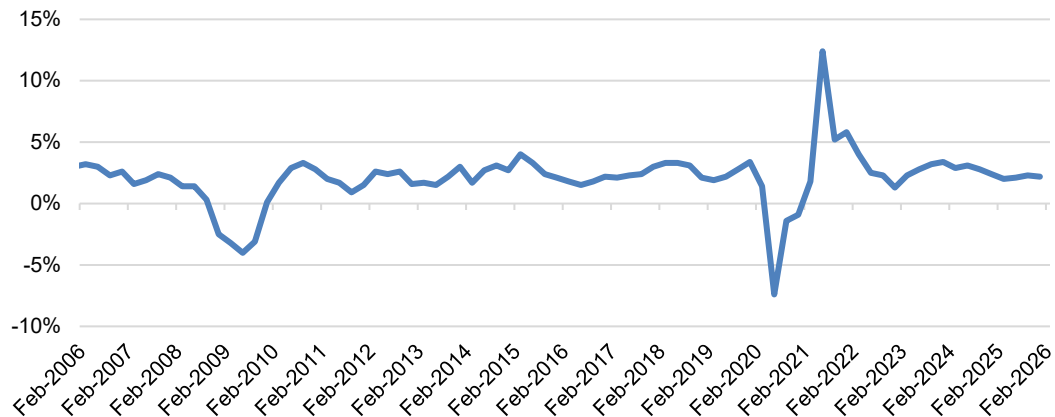
U.S. Inflation Rates



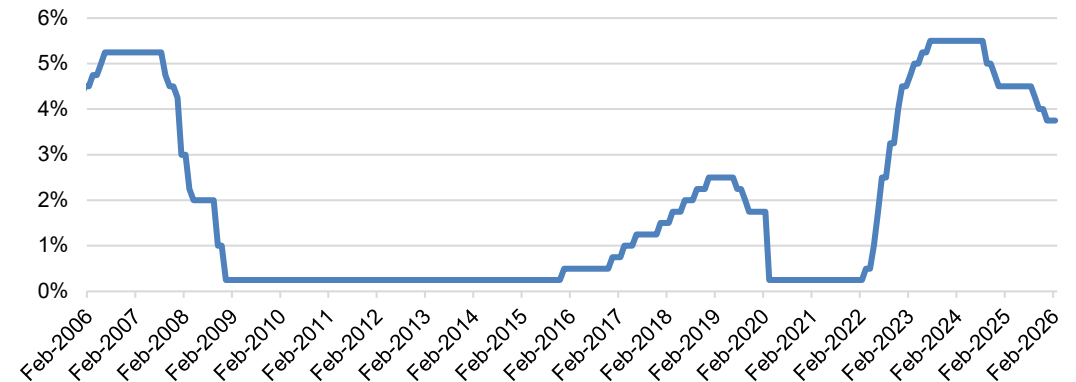
U.S. Unemployment Rate



US GDP (Year over Year)



Fed Funds Target (Upper End of Range)

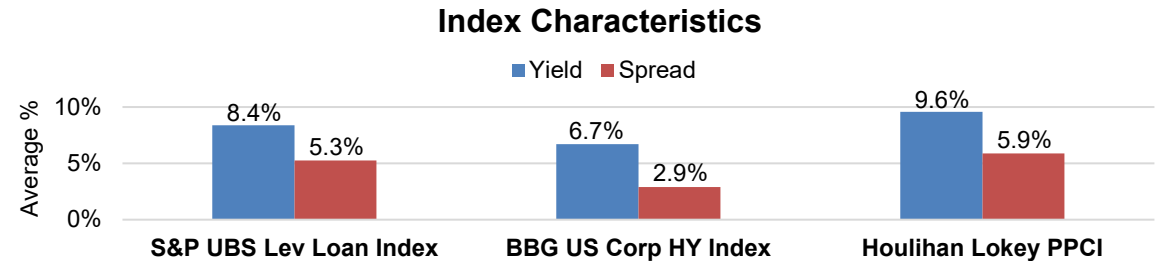
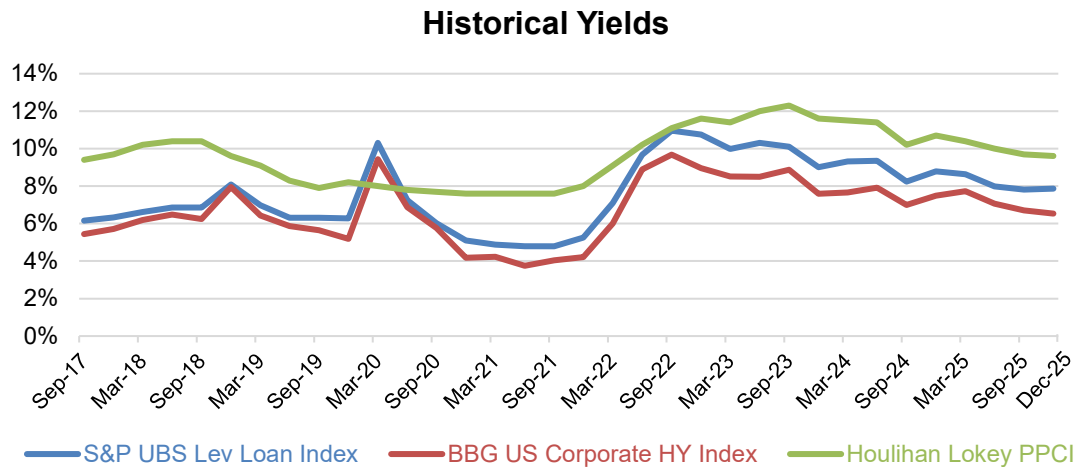
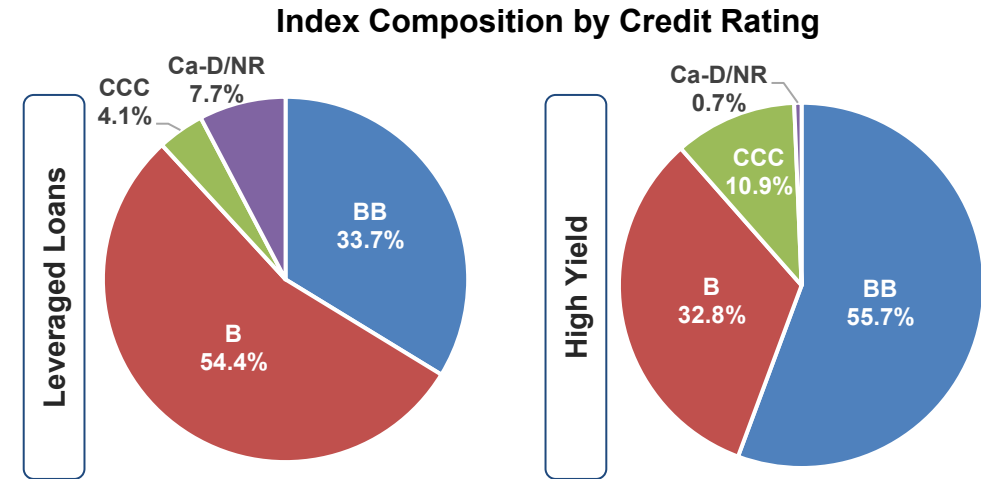
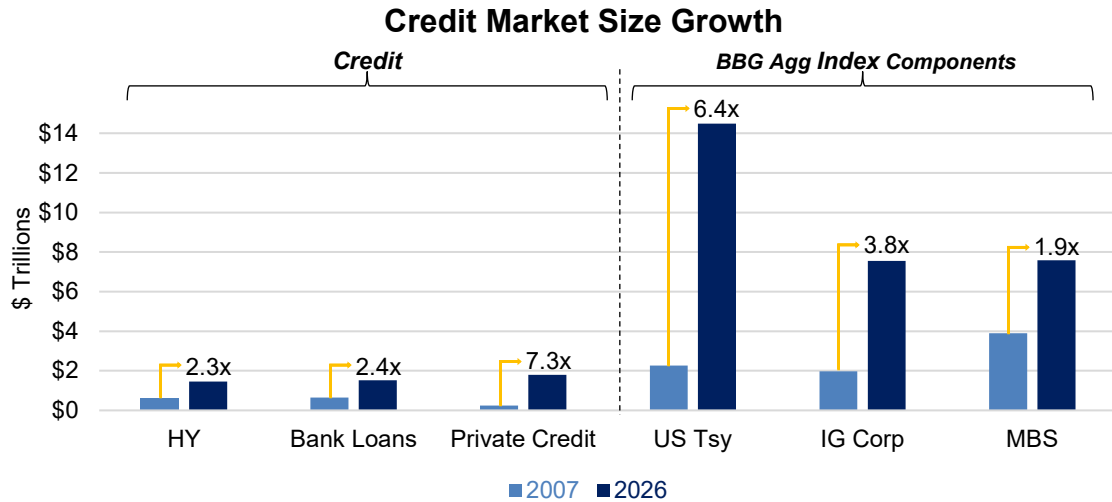


Data is sourced from Bloomberg through February 2026. Select terms are further described in the Glossary.

Market Environment



The credit market has expanded, with yields higher and spread dispersion wider since 2022



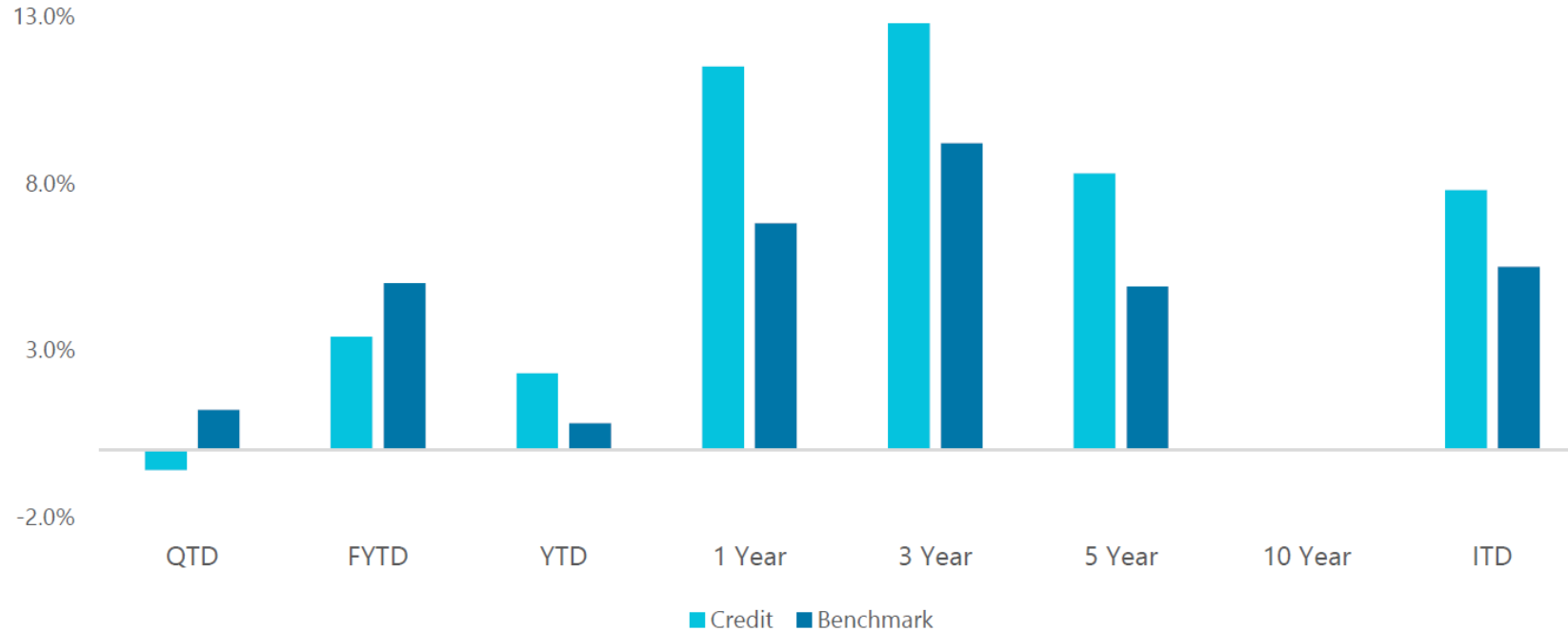
	S&P UBS Lev Loan Index	BBG US Corp HY Index	Houlihan Lokey PPCI
Description	Public syndicated loans	Public bond market	Private credit
Liquidity	Tradeable	Tradeable	Non-traded
Coupon Type	Floating	Fixed	Floating
Interest Duration	0.25	2.91	0.25

Data is sourced from Bloomberg through February 2026. Select terms are further described in the Glossary.

Performance: Returns



Performance (Net)



- The **Credit** portfolio is **underperforming** the policy benchmark in **QTD** and **FYTD** periods, while **outperforming** across **longer time periods**
- Absolute returns for both LACERA and the benchmark over **3 years** exceeds long run capital market expectations and **may not be sustainable**
- Recent **underperformance** reflects a price pullback in a public equity position that began as a convertible bond, generated significant gains, and peaked in value last fiscal year

Functional Category

	QTD	FYTD	YTD	1 Year	3 Year	5 Year	10 Year	ITD
Credit	-0.6%	3.4%	2.3%	11.5%	12.8%	8.3%	--	7.8%
Benchmark	1.2%	5.0%	0.8%	6.8%	9.2%	4.9%	--	5.5%
Excess	-1.8%	-1.6%	1.5%	4.7%	3.6%	3.4%	--	2.3%

Data is from State Street as of February 28, 2026.

Performance: Portfolio Data

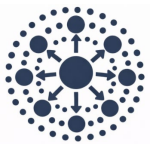


To support data-driven portfolio design, implementation, and oversight, LACERA is enhancing data collection, aggregation, and reporting. Select credit portfolio metrics are presented below.



8.9%

Average cash yield



47,000+

Total underlying exposures and positions



2.9 Years

Low to moderate effective average maturity



< 25%

Diversified across 8 major strategy categories; no category exceeds 25%:

- High yield
- Bank loans
- Direct lending
- Specialty finance
- Asset-backed lending and securities
- Collateralized loan obligations
- Real estate lending
- Stressed & opportunistic lending

The data above is preliminary and reflects aggregated information across approximately 92% of LACERA's credit portfolio and incorporates reasonable interpretations and adjustments to accommodate data aggregation where raw data may have been non-uniform.

Credit Portfolio Evolution

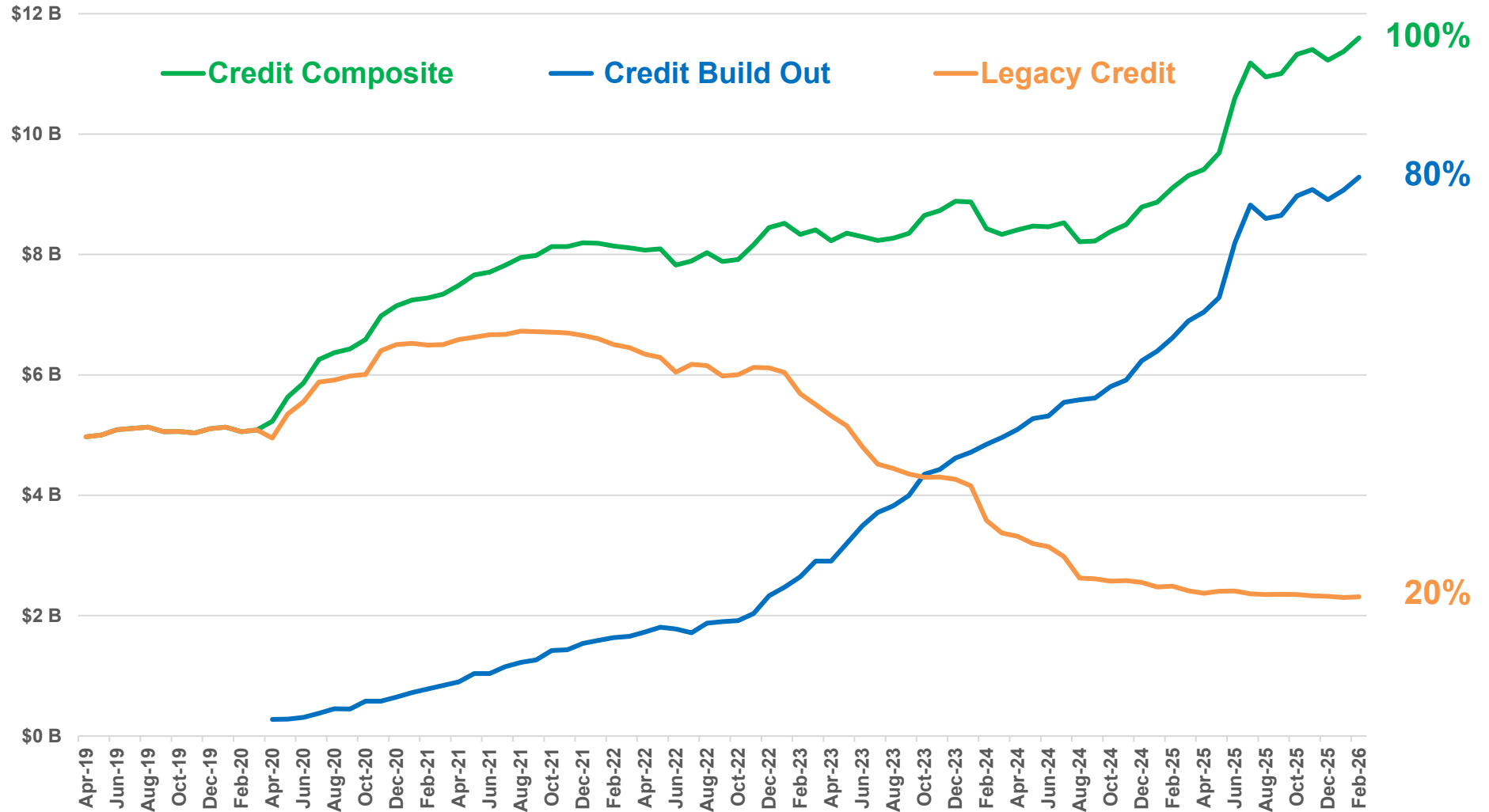


LACERA's total credit portfolio has expanded materially, now exceeding \$11 billion in assets

The intentional credit portfolio build-out initiated in 2020 has grown to more than \$9 billion, representing 80% of total credit exposure

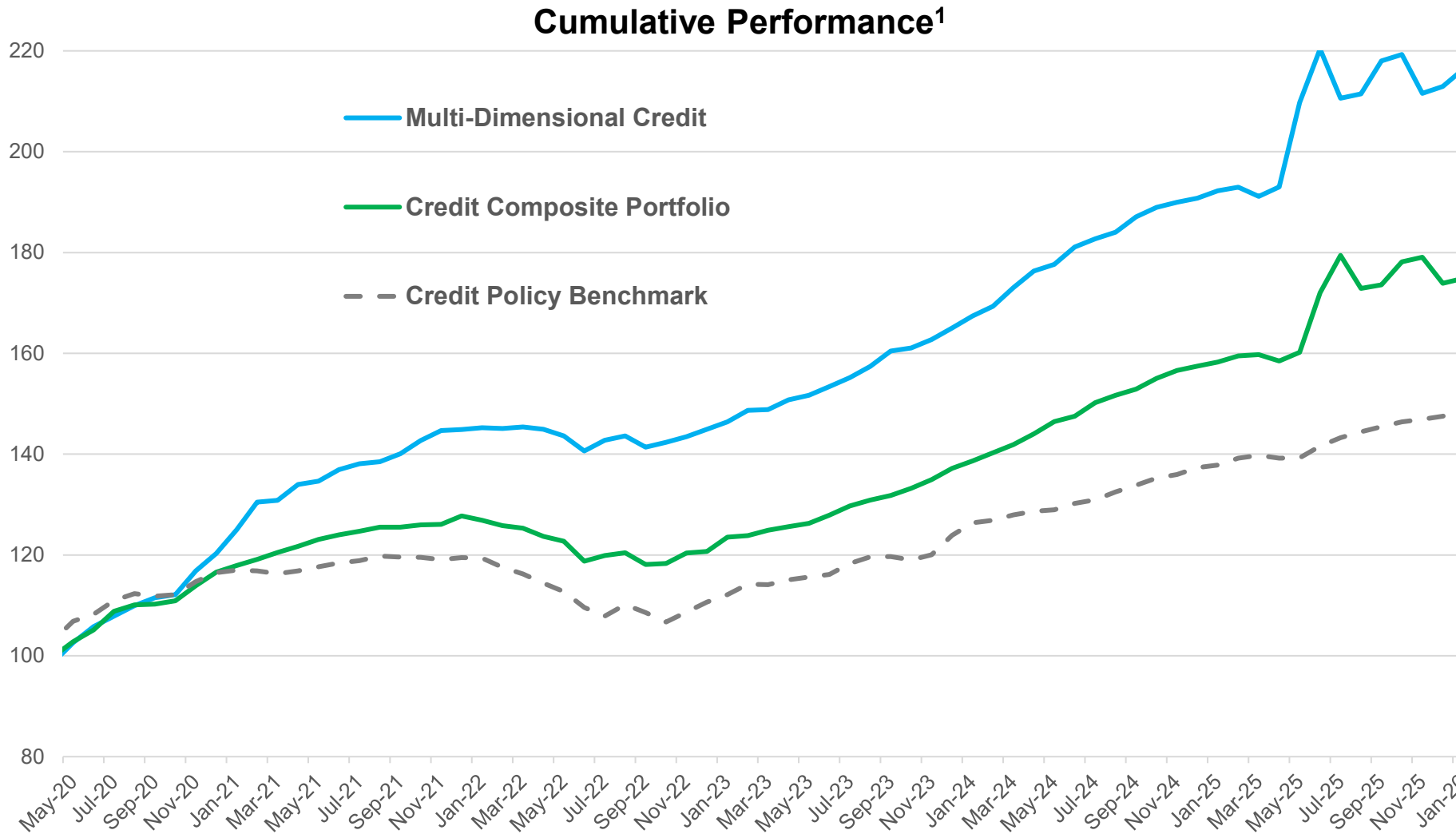
Legacy credit investments from the pre-2020 implementation have been reduced through strategic redemptions and natural portfolio maturities

Evolution of Credit Portfolio Composition

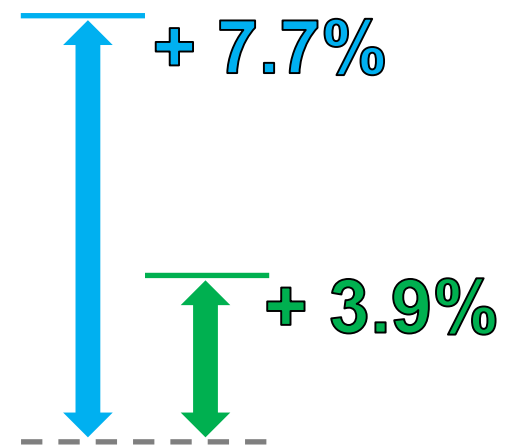


Data from State Street as of February 2026.

Performance: Current Implementation



Annualized Outperformance¹



- LACERA's recent credit implementation has **outperformed** the benchmark by an **annualized 7.7%**
- LACERA credit overall has **outperformed** the benchmark by an **annualized 3.9%**

¹ Returns data uses existing Credit composites and Credit policy benchmark returns data from State Street as of 2/28/26 since 4/1/2020. Relevant State Street composite data is reported on a 1-month lag by default which has been unlagged for effective comparison with relevant market indices. Market index data is from Zephyr.

Performance: Versus Benchmarks



The Credit portfolio is **underperforming** the policy benchmark **FYTD**, while **outperforming** across longer time periods

Performance vs. Benchmark ¹ and Related Indices					
4/1/2019 - 2/28/2025 Inception Date of Credit Composite: April 2019	FYTD	1 Year	3 Year	5 Year	Since Inception
LACERA CREDIT COMPOSITE	2.3%	11.5%	12.8%	8.3%	7.8%
Credit Policy Benchmark ²	5.0%	6.8%	9.2%	4.9%	5.5%
Excess Return	-2.7%	4.7%	3.6%	3.4%	2.3%
LACERA CREDIT COMPOSITE	2.3%	11.5%	12.8%	8.3%	7.8%
BBG US Corporate High Yield Index	4.6%	7.2%	9.4%	4.5%	5.3%
Excess Return	-2.3%	4.3%	3.4%	3.8%	2.5%
LACERA CREDIT COMPOSITE	2.3%	11.5%	12.8%	8.3%	7.8%
S&P UBS Leveraged Loan Index	1.8%	3.9%	7.8%	5.7%	5.5%
Excess Return	0.5%	7.6%	5.0%	2.6%	2.3%
LACERA CREDIT COMPOSITE	2.3%	11.5%	12.8%	8.3%	7.8%
BBG US Aggregate Index	5.0%	6.3%	5.1%	0.4%	1.6%
Excess Return	-2.7%	5.2%	7.7%	7.9%	6.2%
LACERA CREDIT COMPOSITE	2.3%	11.5%	12.8%	8.3%	7.8%
Actuarial Hurdle Rate of Total Fund	--	7.0%	7.0%	7.0%	7.0%
Excess Return	--	4.5%	5.8%	1.3%	0.8%

- Credit performance has **primarily outperformed** amidst a timeframe in which the policy benchmark and credit markets have exceeded long run capital market expectations, particularly in the 3-year period
- The Credit program has outperformed the **actuarial target** of the total Fund in all periods

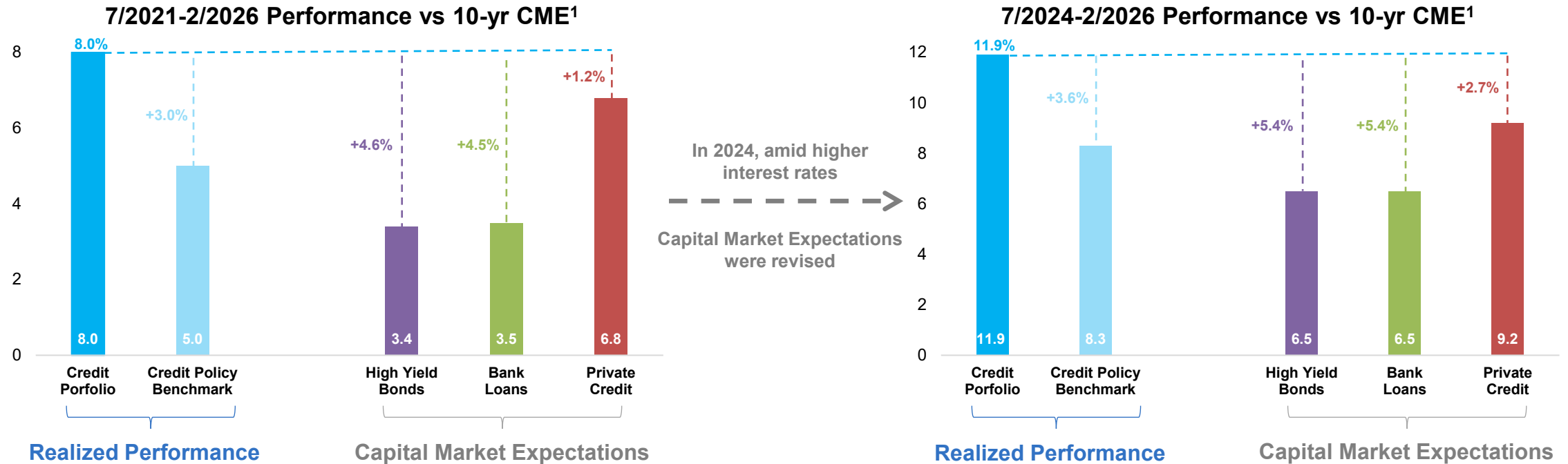
¹ Data is from State Street and is net of fees. Credit returns and its benchmark returns are reported on a 1-month lag.

² Credit policy benchmark was a 40/40/20 blend of bank loan, high yield, and emerging market debt indices with an additional 150 bps spread for illiquid credit prior to June 30, 2024. Beginning July 1, 2024, the Credit policy benchmark is 70% S&P UBS Leveraged Loans; 30% Bloomberg U.S. Corporate High Yield + 100 bps. Market Index data is from Zephyr.

Performance: Versus SAA Expectations



The Credit Portfolio continues to outperform the Benchmark and board-approved Capital Market Expectations (CME)



Relative to CMEs¹

+4.5%

LACERA's Credit portfolio has **outperformed** the high yield and bank loan CMEs approved in 2021

+5.4%

LACERA's Credit portfolio has **outperformed** the high yield and bank loan CMEs approved in 2024

Since January 2023, the high yield and bank loans indices that comprise the Credit policy benchmark have significantly **outperformed capital market expectations, returning 9.8% and 8.4%**, respectively. **Benchmark performance at this level is atypically high and is unlikely to persist over near-future and long-term time periods.**

¹ Capital Market Expectation (CME) data is Board-approved. Portfolio data is from State Street and is net of fees. Credit returns and its benchmark returns are reported on a 1-month lag.

² Credit policy benchmark was 40/40/20 blend of bank loan, high yield, and emerging market debt indices plus a 150 bps spread for illiquid credit prior to June 30, 2024. Beginning July 1, 2024, the Credit policy benchmark is 70% S&P UBS Leveraged Loans; 30% Bloomberg U.S. Corporate High Yield + 100 bps. Market Index data is from Zephyr.

Performance: Emerging Manager Program



Snapshot of Program as of February 28, 2026

Separate Account Manager	Stable Asset Management
Portfolio Net Asset Value	\$717 million
Portfolio Inception	November 2022
Emerging Managers	8
Revenue Sharing Structures	5

Performance ¹	1-Year	3-Year	Since Inception
Credit - Emerging Manager Program Internal Rate of Return (IRR) ²	--	--	11.6%
Credit - Emerging Manager Program Time-Weighted Return (TWR) ³	14.5%	6.9%	6.3%
Credit Policy Benchmark ⁴	6.8%	9.2%	10.5%

- LACERA has intentionally **scaled the Program** in recent years
- Credit EMP performance has been **above benchmark on an IRR basis** and below benchmark on a TWR basis
 - IRR evaluation is more relevant, as the program is maturing and has grown with frequent large cash flows since inception
- LACERA intentionally structured the Program to **participate in manager success**, embedding revenue-sharing economics across most mandates
- LACERA designed the **Program as a pipeline**, with select managers positioned as graduation prospects based on early performance and firm-building progress
- Future scalability and optionality** was purposefully engineered through pre-negotiated capacity rights and implementation discipline that matches LACERA objectives

¹ Data is from State Street and is net of fees. Credit Emerging Manager Program returns and its benchmark returns are reported on a 1-month lag.

² Internal rate of return (IRR) is a money-weighted rate of return that considers the timing and magnitude of cash flows, calculated as the discount rate that equates the present value of cash flows with the ending value of the investment. IRR is most relevant for evaluating performance where cash flows are frequent, large in size compared to the composite, where timing is controlled by external managers, or for new programs where early returns are temporarily depressed during the initial ramp-up period before capital is fully deployed and performance matures. IRR is typically calculated on a since-inception basis and is less meaningful over shorter horizons (e.g., 1-year or 3-year).

³ Time-weighted return (TWR) is a geometric rate of return that reflects the compound growth of one unit of currency invested, independent of the timing and amount of external cash flows. TWR is most relevant for evaluating performance where cash flows are infrequent, small in size compared to the composite, or where timing is controlled by LACERA.

⁴ Credit policy benchmark was 40/40/20 blend of bank loan, high yield, and emerging market debt indices plus a 150 bps spread for illiquid credit prior to June 30, 2024. Beginning July 1, 2024, the Credit policy benchmark is 70% S&P UBS Leveraged Loans; 30% Bloomberg U.S. Corporate High Yield + 100 bps. Market Index data is from Zephyr.



Credit

- **12.6%** total Fund allocation (target of 13%)
- **Outperforming** benchmarks over 1, 3, and 5 years
 - **Underperforming** for the quarter and fiscal year-to-date
- Results are **-serving asset category roles and objectives**

Functional Category

	QTD	FYTD	YTD	1 Year	3 Year	5 Year	10 Year	ITD
Credit	-0.6%	3.4%	2.3%	11.5%	12.8%	8.3%	--	7.8%
Benchmark	1.2%	5.0%	0.8%	6.8%	9.2%	4.9%	--	5.5%
Excess	-1.8%	-1.6%	1.5%	4.7%	3.6%	3.4%	--	2.3%

Data is from State Street as of February 28, 2026.



Appendix

Attachment 1 – Glossary of Terms



Term	Definition
Asset Based Lending	A form of business financing secured by specific underlying assets such as receivables, inventory, or equipment.
BBG Barc US Agg Index	Bloomberg Barclays U.S. Aggregate Bond Index, an index that constitutes broad market exposure to U.S. investment grade bonds.
BBG US Corp HY Index	Bloomberg U.S. High Yield Index, an index that constitutes broad market exposure to U.S. dollar denominated fixed-rate bonds issued by companies rated below investment grade.
Bps or bps	An acronym for basis points where one bps equals one hundredth of one percent or 0.01%.
Capital Market Expectations	Forward-looking assumptions about returns, risk, correlations, and macro conditions used to inform portfolio construction and investment decisions.
Cash Yield	The expected rate of cash income the portfolio receives from its investments, expressed as a percentage of invested capital.
Composite	An aggregation of one or more portfolios managed according to a similar investment mandate, strategy, or objective.
Consumer Price Index (CPI)	A widely used measure of inflation that tracks how the cost of everyday goods and services changes over time, reflecting the erosion of purchasing power.
Collateralized Loan Obligations	Investment vehicles that bundle together corporate loans and distribute the resulting cash flows to investors in tiers with different levels of risk and return.
CPI Ex F&E	An inflation measure that tracks changes in prices for goods and services excluding food and energy, providing a clearer view of underlying, long-term inflation trends.
PCE Ex F&E	Another inflation measure that tracks changes in consumer spending prices excluding food and energy.
Correlation	A statistical measure of the extent of the linear relationship between two data series.
Contractual Yield	Interest payments that lenders collect from borrowers through fixed income securities, corporate loans or other instruments.
Dedicated Managed Account Platform	A DMA platform allows an investor such as LACERA to invest in a single-investor structure where assets within the account are held in custody for the sole benefit of the investor. Benefits include the potential for: increased options for control of assets, reduction of investment and non-investment related costs, and increased transparency. A DMA platform manager, such as Innocap for LACERA, acts as a fiduciary, has oversight responsibilities, and administers day-to-day functions of the account.
Duration (or Effective Duration)	A measure of the price sensitivity of bonds to a change in interest rates.

Attachment 1 – Glossary of Terms (continued)

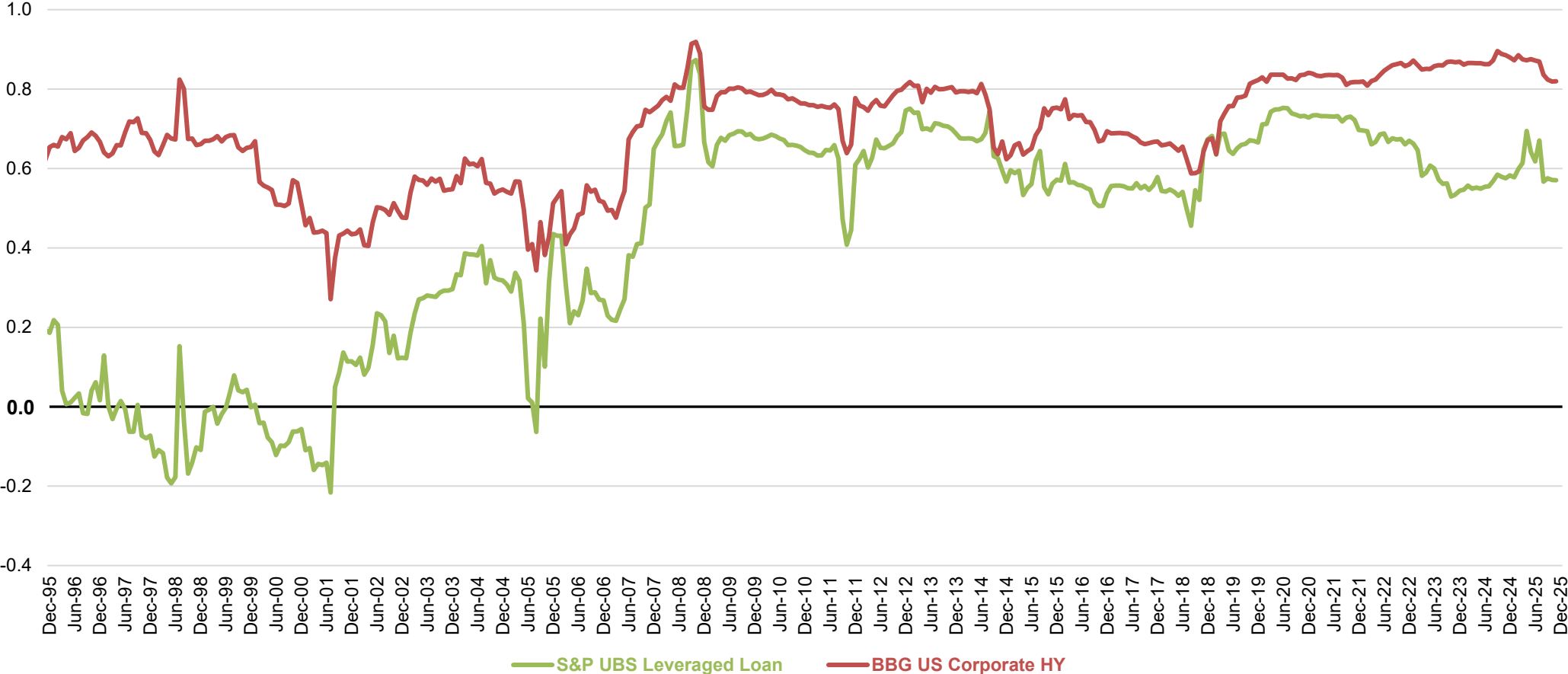


Term	Definition
Effective Average Maturity	The expected length of time, on a weighted basis, before the portfolio gets repaid.
Evergreen Mandate	Reference to mandate structures with no fixed end date, allowing capital to be reinvested to new opportunities over time, without the forced realization and reinvestment cycle typical of closed-end drawdown vehicles.
Fed Funds Rate	The Federal Funds Target Rate is a crucial interest rate set by the Federal Open Market Committee (FOMC) that influences other interest rates in the economy.
Fixed Rate Instruments	A debt security or loan that pays interest at a predetermined constant rate over the life of the instrument, regardless of changes in market rates.
Floating Rate instruments	A debt security or loan with interest payments that adjust periodically in line with a reference interest rate.
Hard Hurdle Performance Fee Structure	A fee structure where performance fees are paid to the manager only on a percentage of the profits that exceed a negotiated threshold hurdle rate.
Houlihan Lokey PPCI Index	A commonly used benchmark that tracks the weighted-average performance of performing private credit loans on a quarterly basis.
Internal Rate of Return (IRR)	The single annualized return that summarizes how fast the investment grows, taking into account both the size and the timing of all cash contributions and distributions.
Investor Profit Retention	The portion of gross investment profits that remains with investors after all fees, expenses, and performance allocations are paid.
Maximum Drawdown	The largest peak-to-trough decline in value experienced by an investment over a given period, before reaching a new peak.
Mezzanine Debt	Subordinated debt that sits between senior loans and equity, offering higher returns in exchange for greater risk.
S&P UBS Leveraged Loan Index	A commonly used benchmark for U.S. Dollar denominated floating-rate loans issued by companies rated below investment grade.
Special Situations Lending	Lending to borrowers facing unique, complex, or transitional circumstances where capital is tailored to a specific opportunity or stress event.
Specialty Finance	A credit strategy focused on lending to niche markets or assets with customized structures, higher complexity, and risk-adjusted pricing.
Standard Deviation	Volatility of monthly returns that measures the average deviation from the mean.
Structured Credit	A type of financial instrument that involves pooling cash flows from various sources into marketable securities.
Yield to Worst	The lowest yield that a bondholder could receive, corresponding to a bond being called at the most inopportune time.

Attachment 2 – Correlation of Stocks and Credit

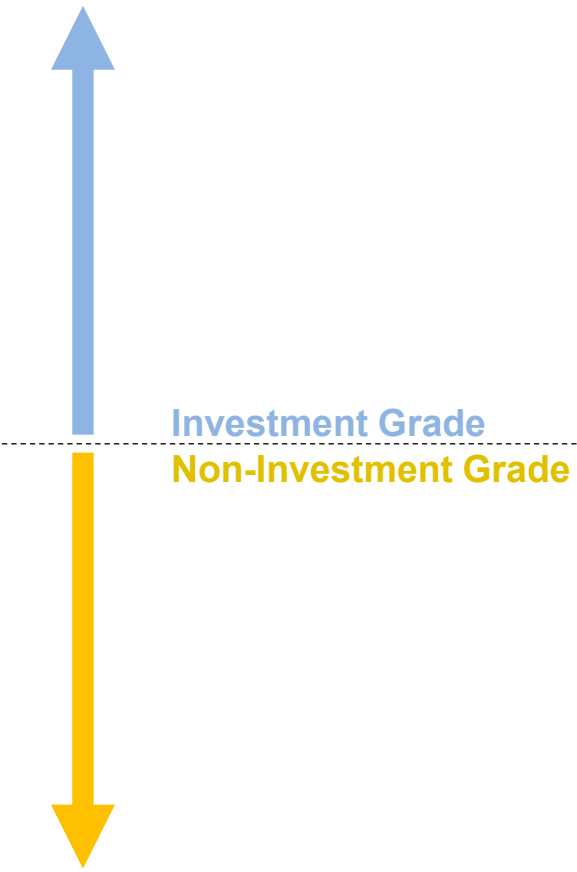


Credit Indices Correlation to Stock Index (Russell 3000) Based on trailing 36-month returns



Data is sourced from State Street and Russell Indices through December 2025. The Russell 3000 Index is a broad measure of the U.S. stock market and represents performance of the 3,000 largest publicly traded U.S. companies. Select terms are further described in the Glossary.

Attachment 3 – Bond Ratings Overview



Moody's	Standard & Poor's	Fitch	Rating Description
Aaa	AAA	AAA	Highest credit quality, minimum credit risk
Aa1	AA+	AA+	Very high credit quality, very low credit risk
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	High credit quality, low credit risk
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Good credit quality, currently low credit risk
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	
Caa	CCC	CCC	Substantial credit risk
Ca	CC	CC	Very high levels of credit risk
C	C	C	Near default
	D	D	Default

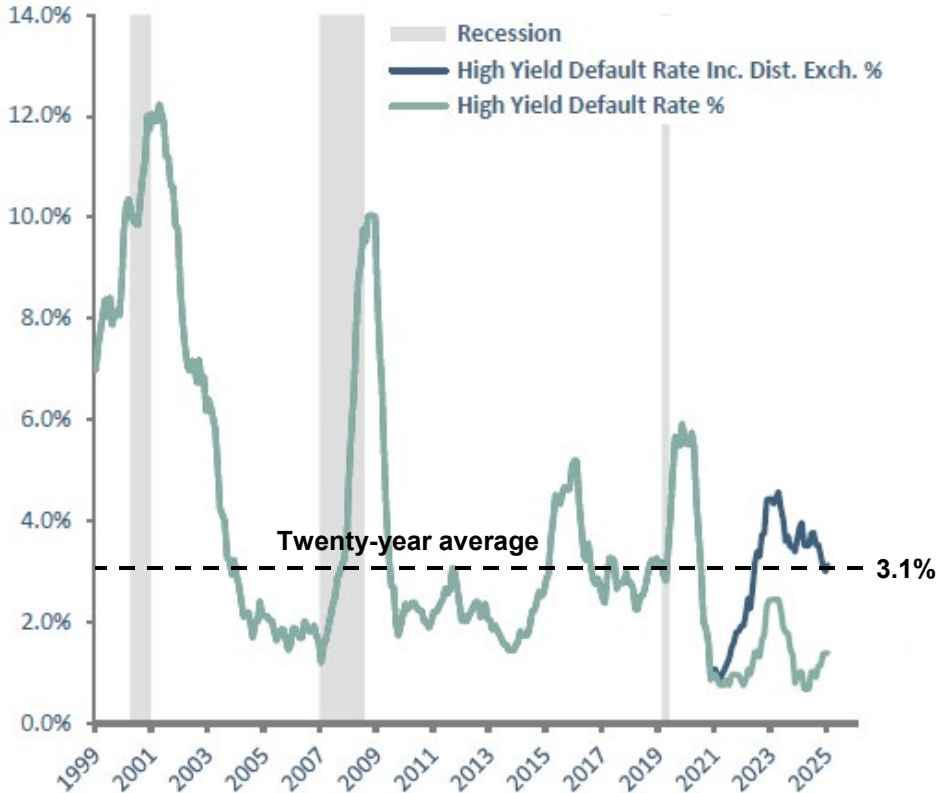
Sources: SIFMA, Fitch, Moody's, Standard & Poor's.

Attachment 4 – Bond and Loan Defaults

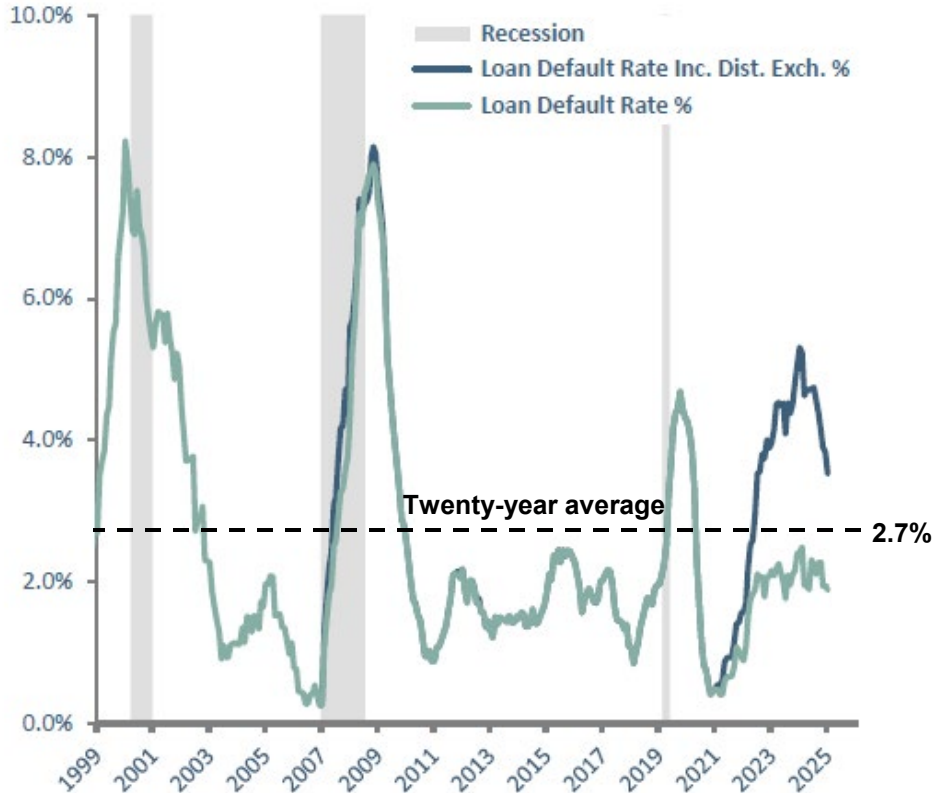


US high yield defaults including distressed exchanges has a **twenty-year historical average of 3.1%**
Similarly, US loan defaults has a **twenty-year historical average of 2.7%**

High Yield Default Rate



Loan Default Rate



Source: Data and chart adapted from Beach Point Capital, Q4-2025 Update, which includes data from JPMorgan Research, as of December 31, 2025.