



# Chief Investment Officer Monthly Report

**Jonathan Grabel – Chief Investment Officer**

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Board of Investments Meeting  
January 10, 2024

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# 01 Market Environment

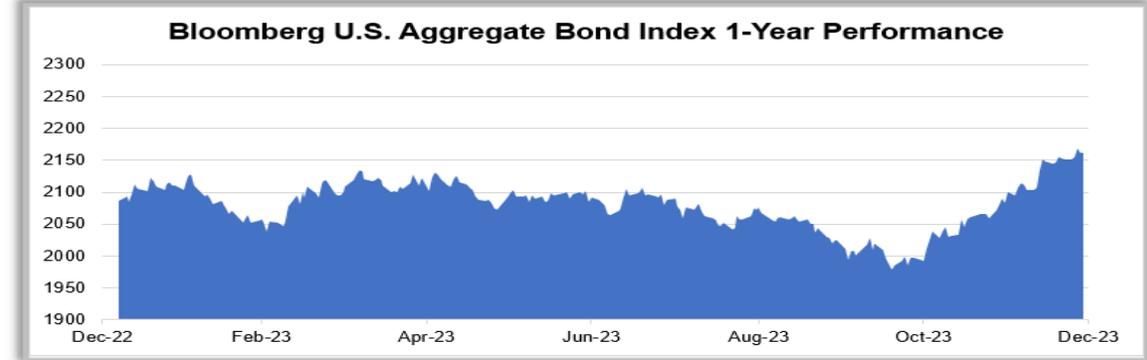
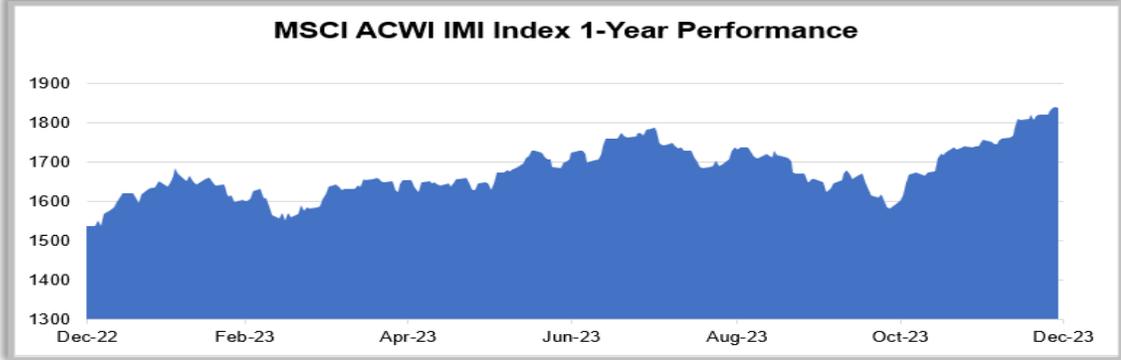
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# Global Market Performance as of December 31, 2023



MSCI ACWI IMI Index (Global Equity Market)*							
Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
5.2	11.1	7.4	21.6	21.6	5.5	11.5	7.8

Bloomberg U.S. Aggregate Bond Index**							
Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
3.8	6.8	3.4	5.5	5.5	-3.3	1.1	1.8



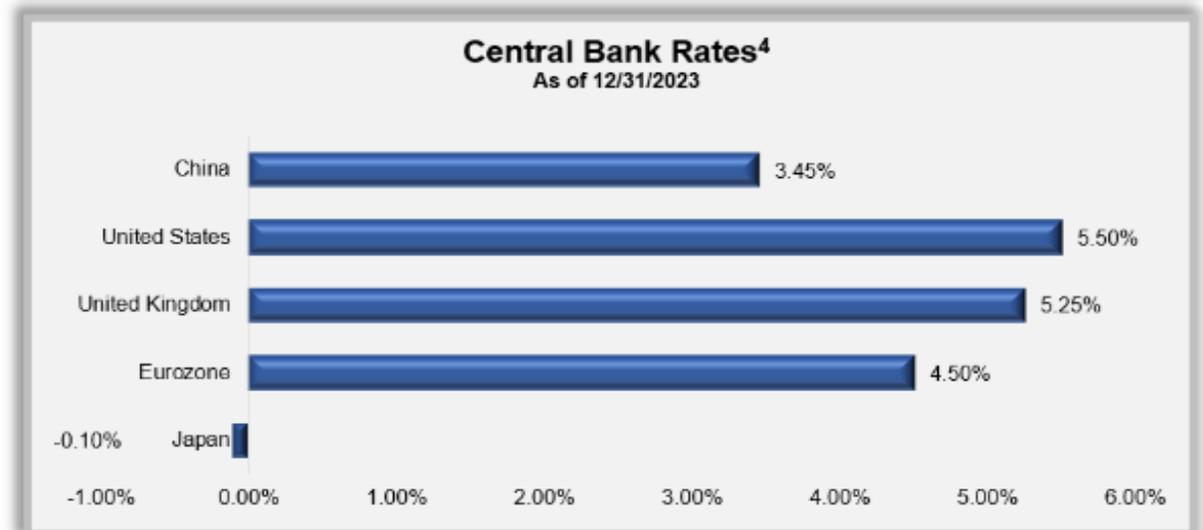
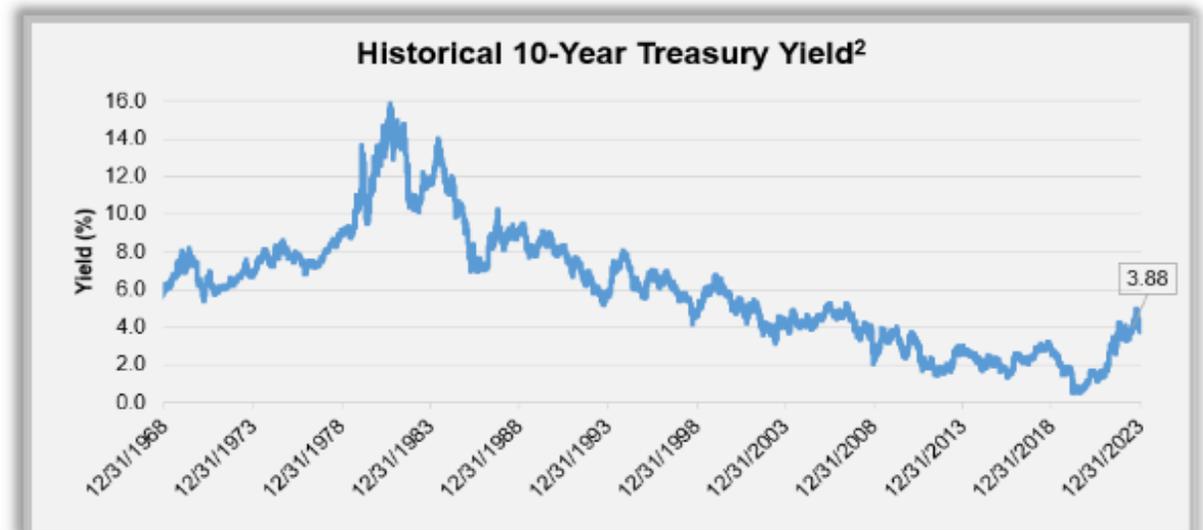
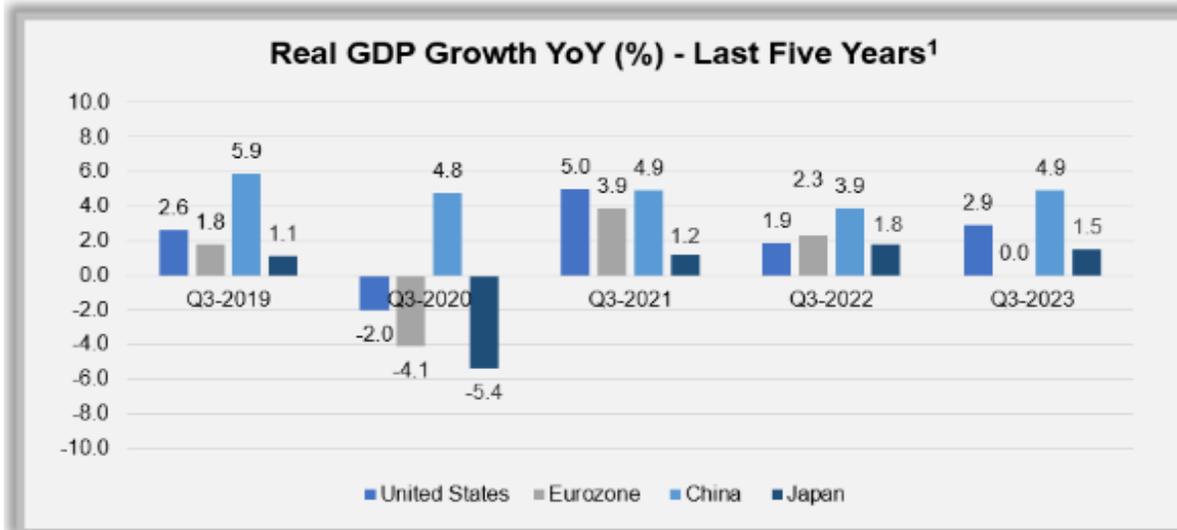
\*Global Equity Policy Benchmark - MSCI ACWI IMI Index

\*\*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	4.7	9.4	5.8	15.2	15.2	1.9	7.3	5.4
Equity	Global All Cap	MSCI ACWI IMI Total Return	5.2	11.1	7.4	21.6	21.6	5.5	11.5	7.8
	U.S. All Cap	Russell 3000 Total Return	5.3	12.1	8.4	26.0	26.0	8.5	15.2	11.5
	U.S. Large Cap	S&P 500 Total Return	4.5	11.7	8.0	26.3	26.3	10.0	15.7	12.0
	U.S. Small Cap	Russell 2000 Total Return	12.2	14.0	8.2	16.9	16.9	2.2	10.0	7.2
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	5.2	9.8	6.0	15.6	15.6	1.5	7.2	4.0
	Emerging Markets	MSCI Emerging Markets Total Return	3.9	7.9	4.7	9.8	9.8	-5.1	3.7	2.7
Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	7.0	19.4	10.6	4.4	4.4	-2.3	10.0	10.1
Fixed Income	U.S. Investment Grade Bonds	Bloomberg U.S. Aggregate Index	3.8	6.8	3.4	5.5	5.5	-3.3	1.1	1.8
	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	3.7	7.2	7.7	13.4	13.4	2.0	5.4	4.6
	U.S. Long Term Treasury Bonds	Bloomberg Long Term U.S. Treasury Total Return Index	8.6	12.7	-0.6	3.1	3.1	-11.4	-1.2	2.3
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	1.6	2.9	6.3	13.0	13.0	5.6	5.6	4.4
	U.S. Treasury Inflation Protected Securities	Bloomberg U.S. Treasury TIPS Total Return Index	2.7	4.7	2.0	3.9	3.9	-1.0	3.2	2.4
	U.S. 3 Month Treasury Bill	FTSE 3 Month Treasury Bill	0.5	1.4	2.8	5.3	5.3	2.2	1.9	1.3
Commodity	Commodity Prices Index	Bloomberg Commodity Index Total Return	-2.7	-4.6	-0.1	-7.9	-7.9	10.8	7.2	-1.1
	Natural Resources	S&P Global LargeMidCap Commodity & Resources Index	3.7	1.0	4.1	-1.0	-1.0	13.2	11.6	4.9
Infrastructure	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	2.5	11.2	3.5	6.2	6.2	6.7	6.8	4.7
Real Estate	U.S. REITs	MSCI U.S. REIT Index	9.9	16.0	7.9	13.7	13.7	7.1	7.4	7.6

Source: Bloomberg

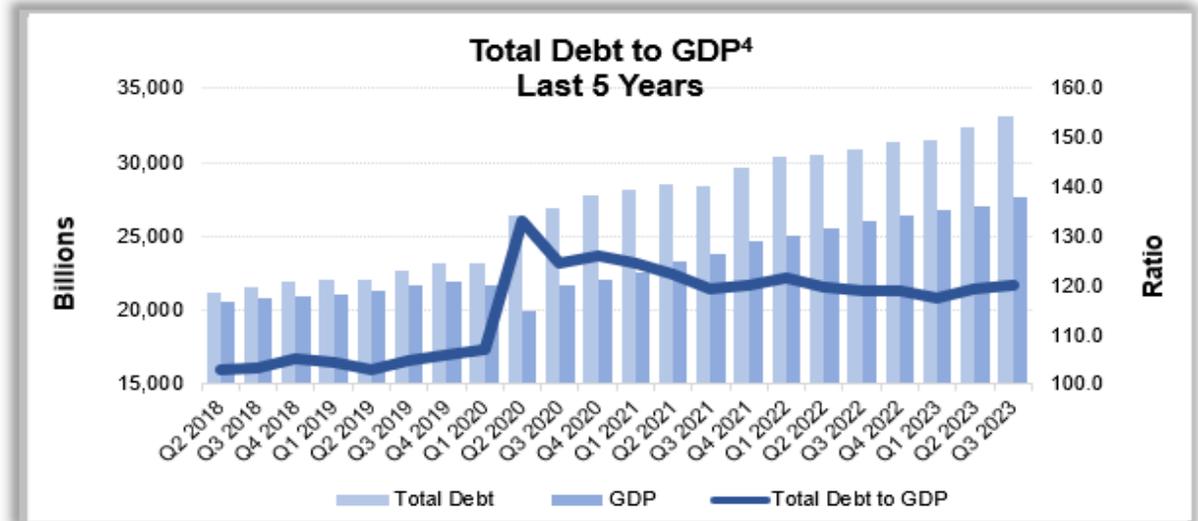
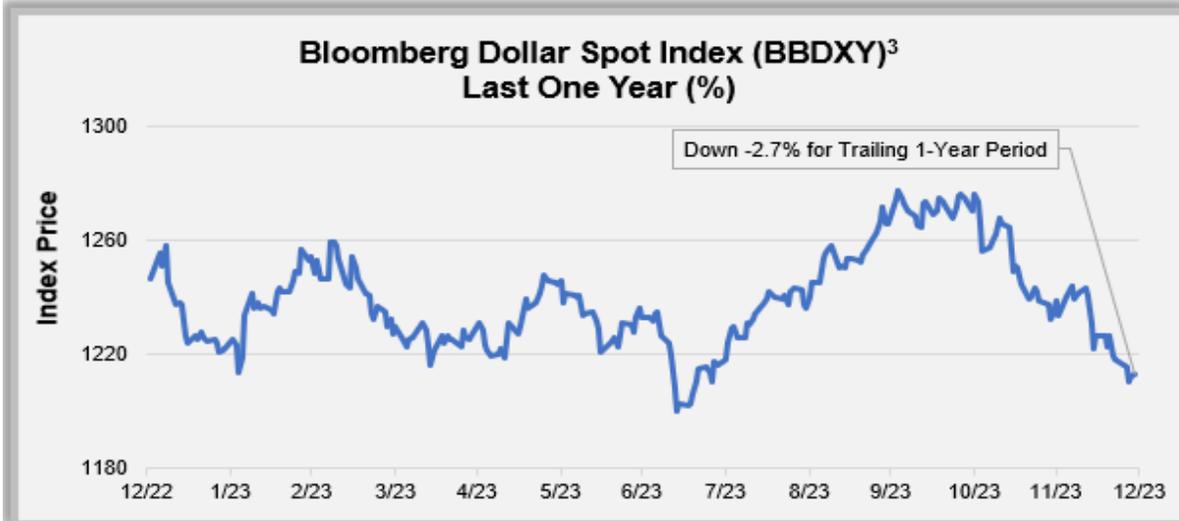
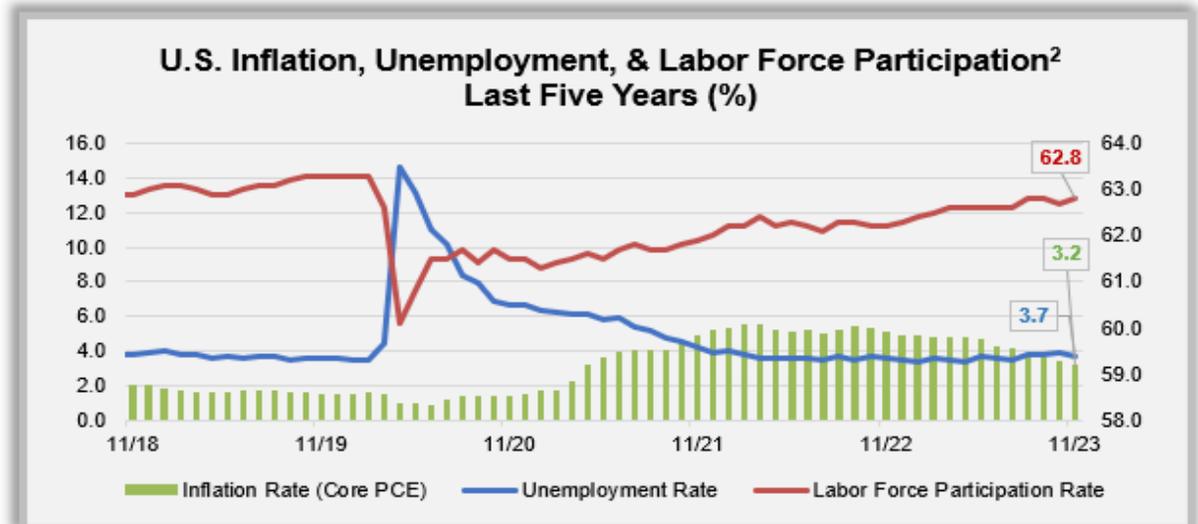
# Key Macro Indicators\*



\*The information on the "Key Macro Indicators" charts is the best available data as of 12/31/23 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\*



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 12/31/23 and may not reflect the current market and economic environment



# 02 Portfolio Performance & Risk Updates

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# Market Themes and Notable Items to Watch



## Recent Themes

- At the December Federal Open Markets Committee (“FOMC”) meeting, policy makers unanimously voted to hold interest rates steady at a 22-year high of 5.25% to 5.5%
  - Federal Reserve Chair Jerome Powell indicated that the FOMC is willing to cut rates in 2024 even without an economic recession and further said that progress has been made to slow inflation
- The U.S. 10-year Treasury yield ended December at 3.88% after being 3.88% at the end of 2022, 1.52% at the end of 2021 and 0.93% at the end of 2020
  - Two months prior, at the end of October, the 10-year Treasury yield was 4.88% or a full 1% higher
- Global equities (MSCI All Country World Investable Market Index) returned 5.2% in December and gained 21.6% in the calendar year of 2023

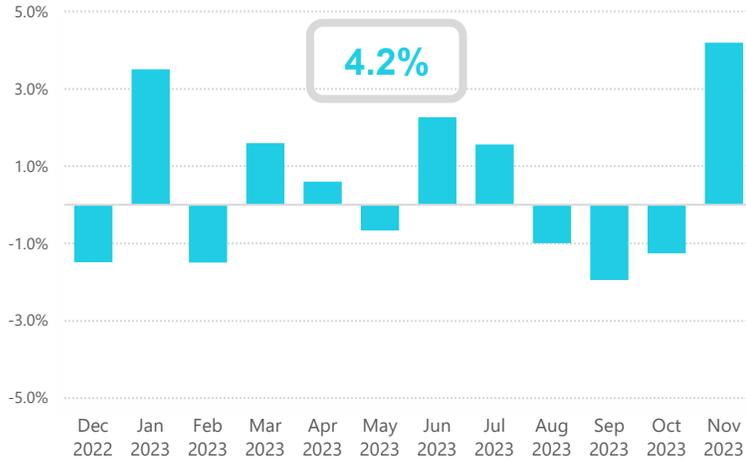
## What to Watch

- Interest rates and central bank actions
- Economic data and trends
  - Inflation, supply chains, and labor developments
- Macro conditions and geopolitical risks
- Stewardship and ESG-related developments
  - Fifth Circuit Court of Appeals vacated SEC rule requiring public companies to disclose more details of share buyback activity and rationales
  - Corporate boards and investors cite similar governance challenges for corporate board oversight in recent surveys, including geopolitics, technological disruption and cybersecurity, talent management/ labor shortages, supply chain disruption, climate change/energy transition, and regulatory shifts

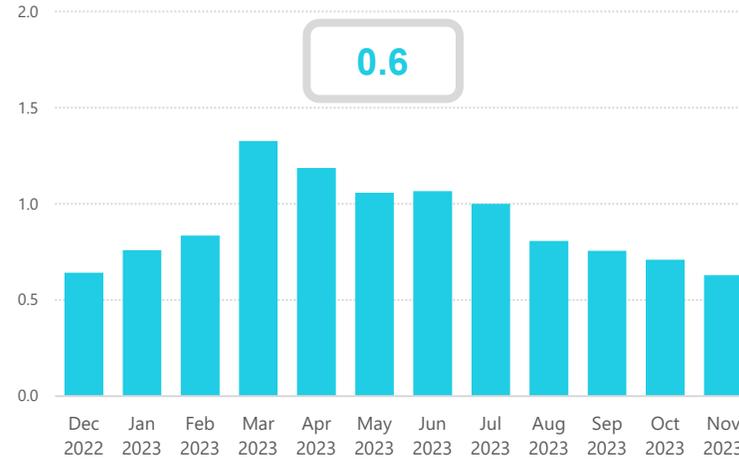
# Total Fund Summary as of November 2023



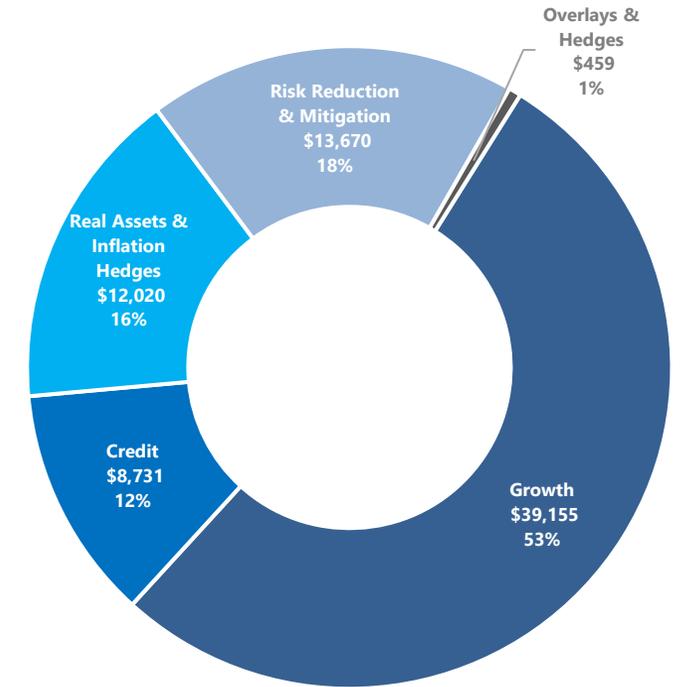
Monthly Return (net)



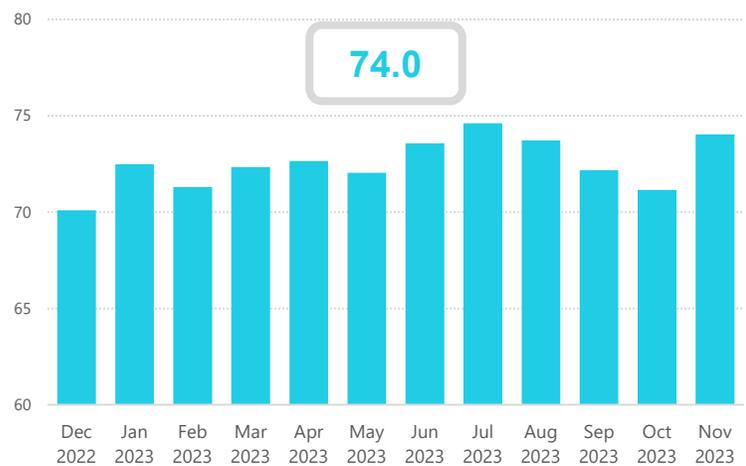
Sharpe Ratio (3-year annualized)



Asset Allocation (\$ millions)



Total Market Value (\$ billions)



Cash (\$ millions)

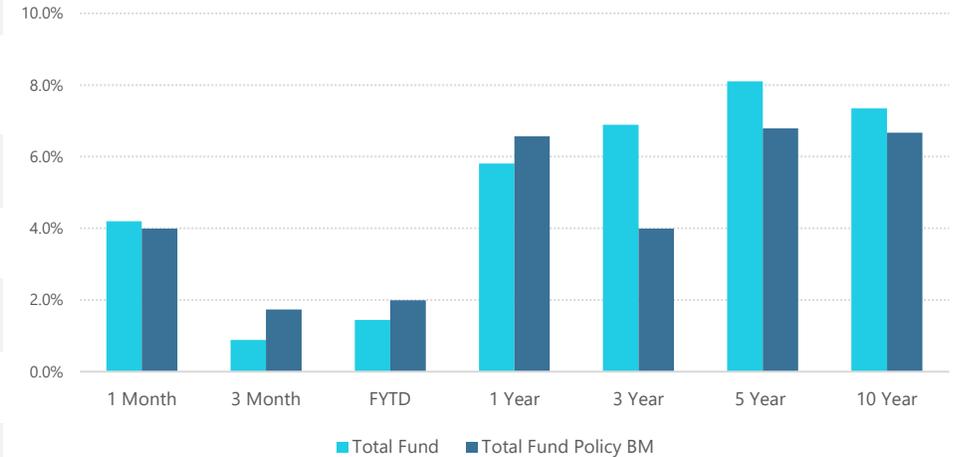


# Historical Net Performance as of November 2023



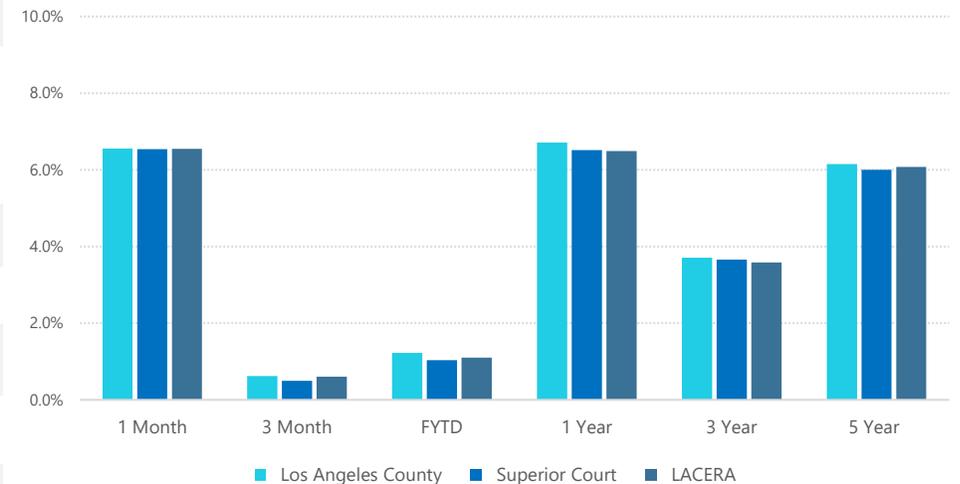
## LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>Total Fund</b>	<b>74,034</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4.2%</b>	<b>0.9%</b>	<b>1.4%</b>	<b>5.8%</b>	<b>6.9%</b>	<b>8.1%</b>	<b>7.4%</b>
Total Fund Policy BM				4.0%	1.7%	2.0%	6.6%	4.0%	6.8%	6.7%
7% Annual Hurdle Rate				0.6%	1.7%	2.9%	7.0%	7.0%	7.0%	7.0%
<b>Growth</b>	<b>39,155</b>	<b>52.9%</b>	<b>53.0%</b>	<b>5.9%</b>	<b>0.9%</b>	<b>2.1%</b>	<b>9.0%</b>	<b>10.2%</b>		
Growth Policy BM				4.7%	3.2%	3.7%	11.4%	6.7%		
<b>Credit</b>	<b>8,731</b>	<b>11.8%</b>	<b>11.0%</b>	<b>1.3%</b>	<b>3.1%</b>	<b>5.5%</b>	<b>12.1%</b>	<b>5.8%</b>		
Credit Policy BM				0.8%	0.3%	3.3%	10.5%	1.5%		
<b>Real Assets &amp; Inflation Hedges</b>	<b>12,020</b>	<b>16.2%</b>	<b>17.0%</b>	<b>1.7%</b>	<b>0.0%</b>	<b>-1.1%</b>	<b>-3.7%</b>	<b>7.6%</b>		
Real Assets & Inflation Hedges Policy BM				3.5%	0.2%	-0.7%	-4.9%	6.9%		
<b>Risk Reduction &amp; Mitigation</b>	<b>13,670</b>	<b>18.5%</b>	<b>19.0%</b>	<b>3.6%</b>	<b>0.0%</b>	<b>-1.0%</b>	<b>1.4%</b>	<b>-2.8%</b>		
Risk Reduction & Mitigation Policy BM				4.3%	-0.1%	-1.2%	1.4%	-3.3%		
<b>Overlays &amp; Hedges</b>	<b>459</b>	<b>0.6%</b>		<b>4.5%</b>	<b>10.5%</b>	<b>18.7%</b>	<b>30.5%</b>			



## OPEB Master Trust<sup>1</sup>

	Market Value (\$ millions)	% of Master Trust	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>OPEB Master Trust</b>	<b>3,257</b>			<b>6.6%</b>	<b>0.6%</b>	<b>1.2%</b>	<b>6.7%</b>	<b>3.7%</b>	<b>6.1%</b>	<b>6.6%</b>
OPEB Master Trust Policy Benchmark				5.5%	0.9%	1.4%	6.3%	3.5%	5.8%	5.6%
Los Angeles County	3,173	97.4%	—	6.6%	0.6%	1.2%	6.7%	3.7%	6.2%	6.1%
Superior Court	68	2.1%	—	6.5%	0.5%	1.0%	6.5%	3.7%	6.0%	—
LACERA	16	0.5%	—	6.5%	0.6%	1.1%	6.5%	3.6%	6.1%	6.1%
<b>OPEB Growth</b>	<b>1,478</b>	<b>45.4%</b>	<b>45.0%</b>	<b>9.2%</b>	<b>1.3%</b>	<b>2.1%</b>	<b>11.3%</b>	<b>5.6%</b>	<b>9.0%</b>	
OPEB Growth Policy Benchmark				7.9%	2.0%	2.8%	11.9%	5.3%	8.7%	
<b>OPEB Credit</b>	<b>589</b>	<b>18.1%</b>	<b>18.0%</b>	<b>2.7%</b>	<b>1.7%</b>	<b>3.3%</b>	<b>10.2%</b>	<b>2.2%</b>	<b>3.5%</b>	
OPEB Credit Policy Benchmark				2.1%	1.4%	3.8%	10.1%	2.0%	3.5%	
<b>OPEB Real Assets &amp; Inflation Hedges</b>	<b>637</b>	<b>19.6%</b>	<b>20.0%</b>	<b>5.3%</b>	<b>-1.4%</b>	<b>-0.7%</b>	<b>-2.2%</b>	<b>5.1%</b>	<b>3.8%</b>	
OPEB RA & IH Policy Benchmark				3.1%	-0.8%	-0.5%	-4.6%	5.2%	3.8%	
<b>OPEB Risk Reduction &amp; Mitigation</b>	<b>552</b>	<b>17.0%</b>	<b>17.0%</b>	<b>5.3%</b>	<b>-0.7%</b>	<b>-2.2%</b>	<b>-0.1%</b>	<b>-3.8%</b>	<b>0.6%</b>	
OPEB RR & M Policy Benchmark				5.4%	-0.7%	-2.5%	-0.6%	-4.4%	0.2%	
OPEB HL PM Cash	0	0.0%								

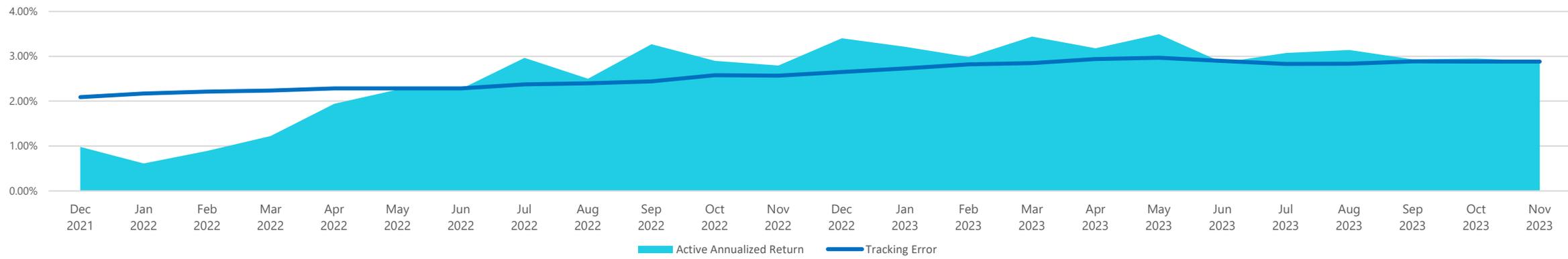


<sup>1</sup> OPEB Master Trust total market value includes participant level cash.

# Active and Excess Return as of November 2023



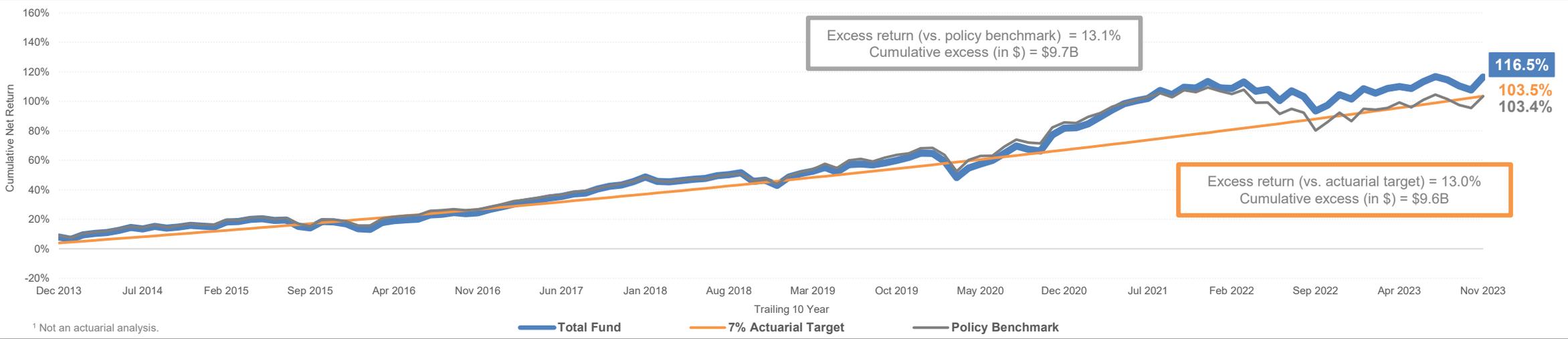
## Active Return vs. Tracking Error<sup>1,2,3</sup>



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
Nov 2023	6.9%	4.0%	2.9%	2.9%

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

## Excess Return<sup>1</sup>



<sup>1</sup> Not an actuarial analysis.

# Total Fund Forecast Volatility as of November 2023\*

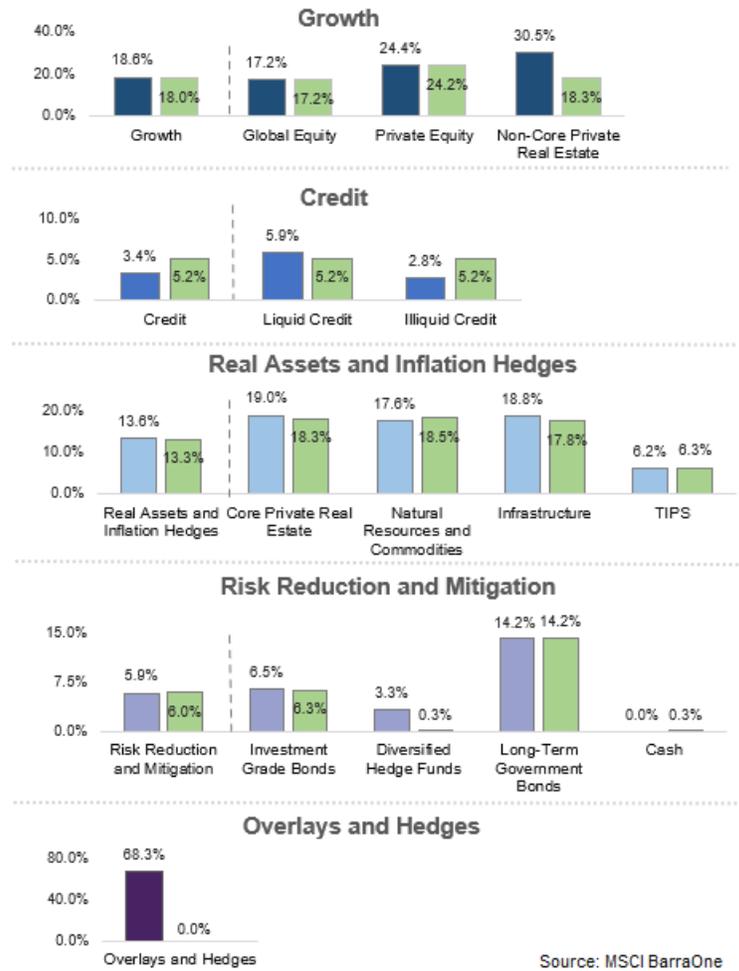


## Forecasted Total Fund Volatility Trend

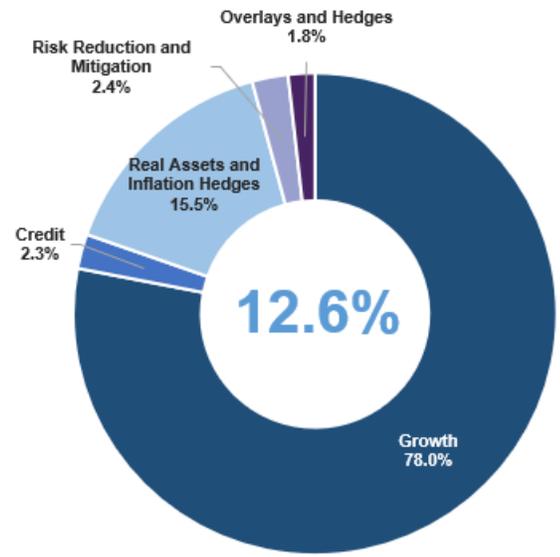


## Subcategory Volatility

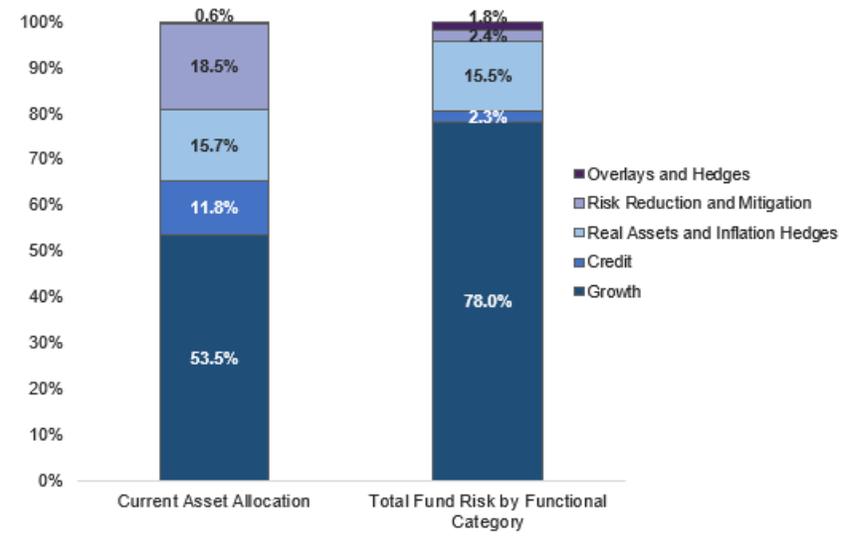
1 Subcategory volatility is on the left bar and benchmark risk is on the right bar.



## Functional Category Contributions to Total Fund Volatility



## Total Fund Asset Allocation Capital-based versus Risk-based



\* 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.

Source: MSCI BarraOne

# Total Fund Forecast Tracking Error as of November 2023\*

**TOTAL FUND TRACKING ERROR**

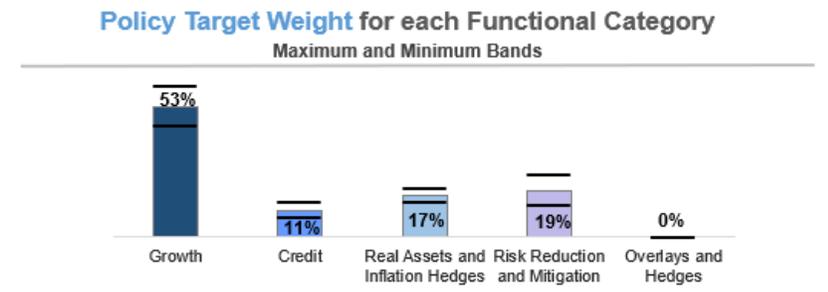
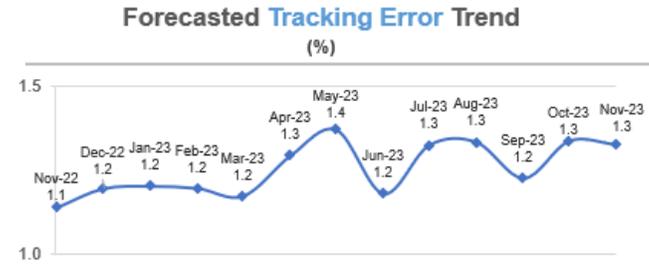
**1.33%**

**ALLOCATION RISK**

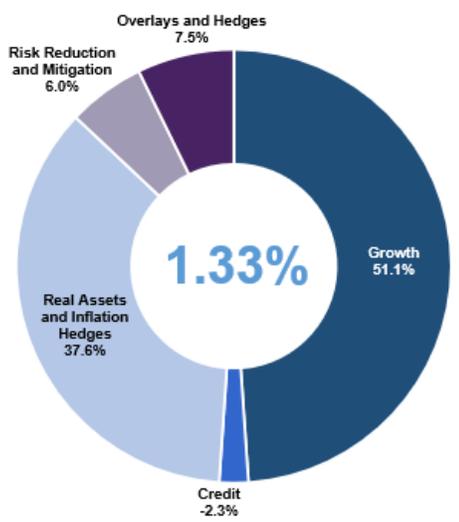
**0.17%**

**SELECTION RISK**

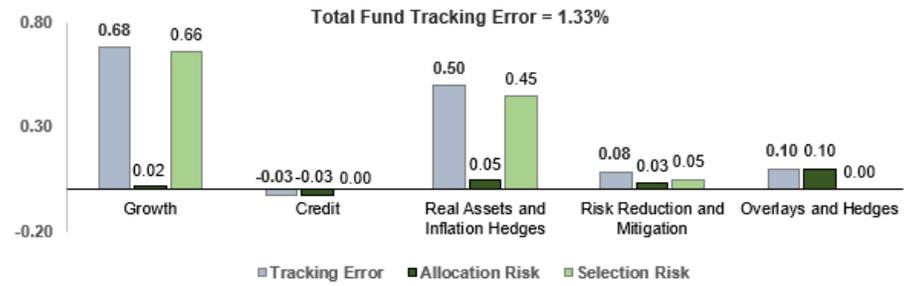
**1.16%**



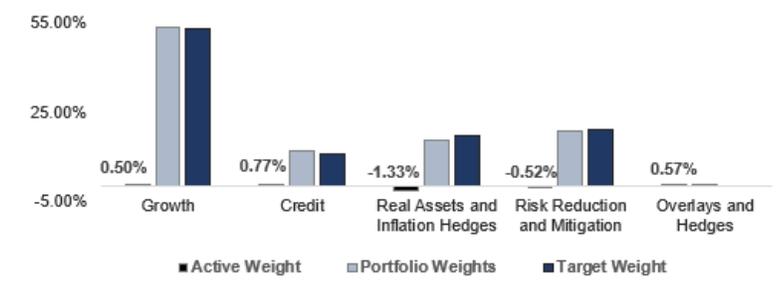
## Functional Category Contributions to Tracking Error



## Tracking Error Attribution (%)



## Active Weights for each Functional Category



## Subcategory Tracking Error (%)

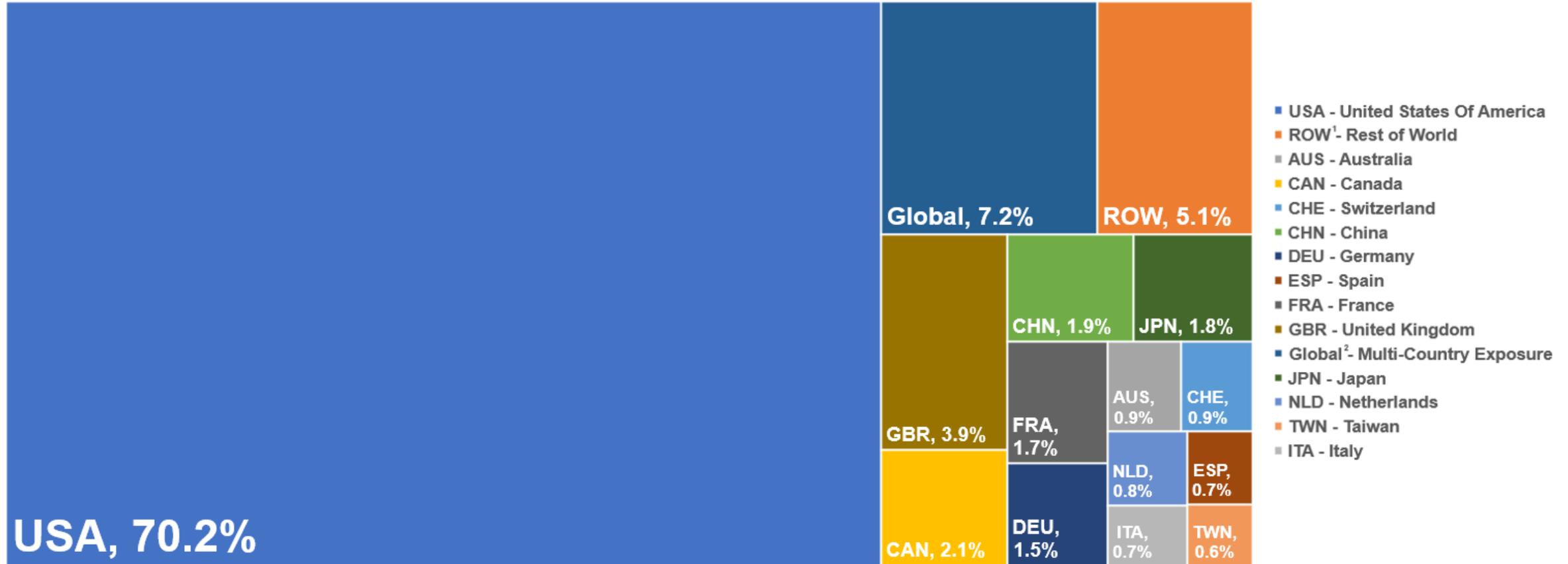
Total Fund	Global				Credit			Real Assets and Inflation Hedges				Risk Reduction and Mitigation					Overlays and Hedges	
1.33	1.45	0.39	3.12	14.15	2.60	0.94	4.17	3.64	4.21	4.57	8.51	0.07	1.12	0.22	3.27	0.03	0.25	68.25
Total Fund	Growth	Global Equity	Private Equity	Non-Core Private Real Estate	Credit	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	Overlays and Hedges

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 2023\* 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.

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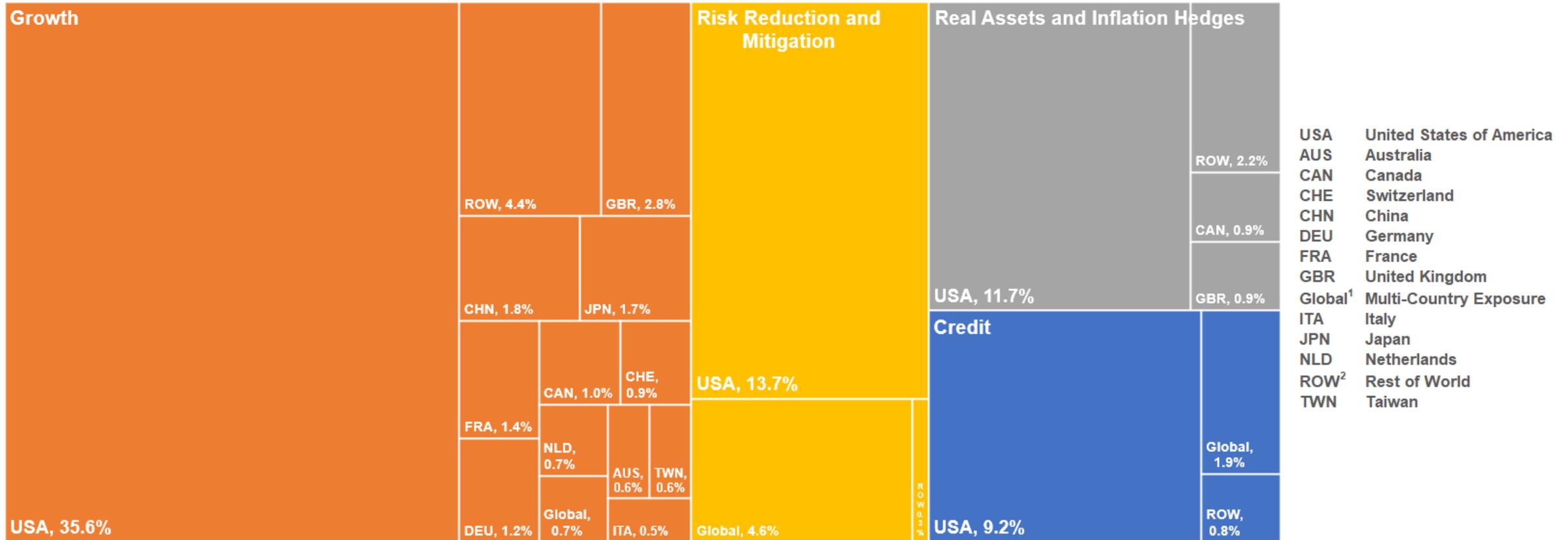
<sup>1</sup> "ROW - Rest of World" is sum of countries with weights below 0.5%.

<sup>2</sup> 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 2023\* 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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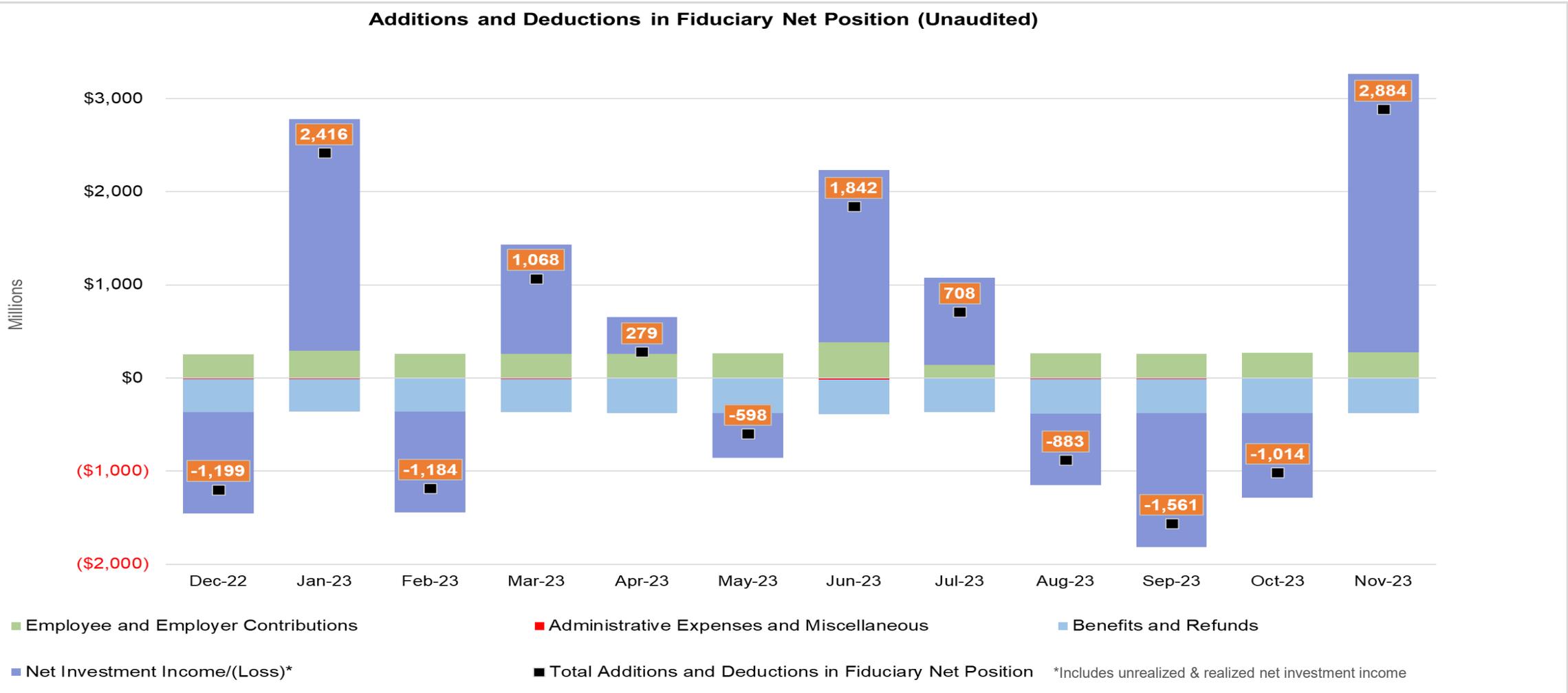
<sup>2</sup> "ROW - Rest of World" is sum of countries with weights below 0.5%.

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	3	2	\$0.1 billion



# 03 Portfolio Structural Updates

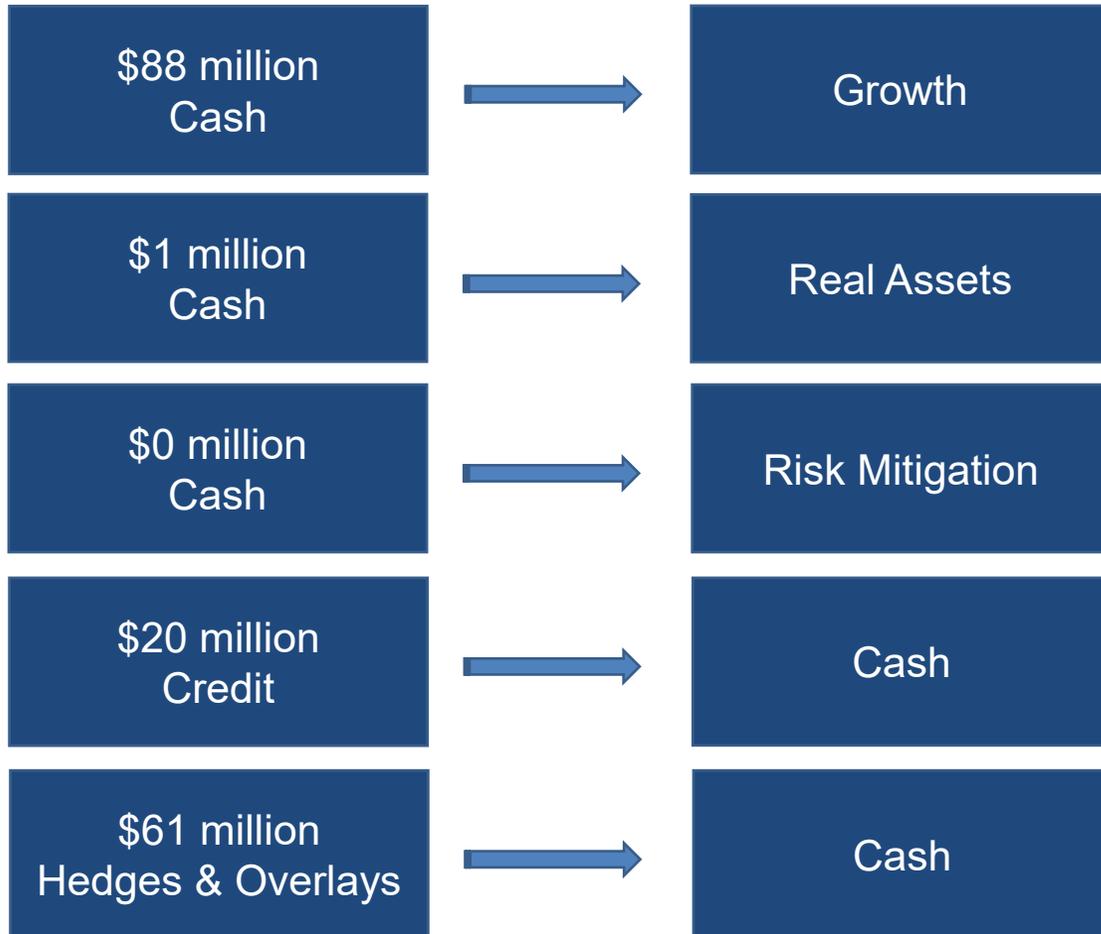
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# Portfolio Structural Updates



## Portfolio Movements

### Rebalancing Activity



## Hedges & Overlays

### Monthly Activity

Program	November Return	November Gain/(Loss)	Inception <sup>1</sup> Gain/(Loss)
Currency Hedge <sup>2</sup>	-1.6%	\$60.9 Million	\$1.5 Billion
Cash/Rebalance Overlay <sup>3</sup>	4.5%	\$121.4 Million	\$373.2 Million

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

<sup>2</sup> 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.

<sup>3</sup> 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 Search	✓	✓	TBD
Hedge Funds, Credit, & Real Assets Consultant Search	✓		TBD



# 04 Key Initiatives & Operational Updates

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# Notable Initiatives and Operational Updates



## Key Initiative Updates

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- The 2024 Strategic Asset Allocation study is underway
- The 2024 Work Plan and Strategic Initiatives will be presented at the January 2024 BOI
- Board education library under development

## Operational Updates

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- Annual contract compliance is in progress

## Manager/Consultant Updates

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Acadian – Global Equities – Acadian’s Executive Committee appointed Kelly Young Chief Executive Officer in December 2023. Ms. Young assumes the role from Ross Dowd, who left the firm in December and had served as CEO since 2018.

## Team Searches and Vacancies

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



# 05 **Commentary**

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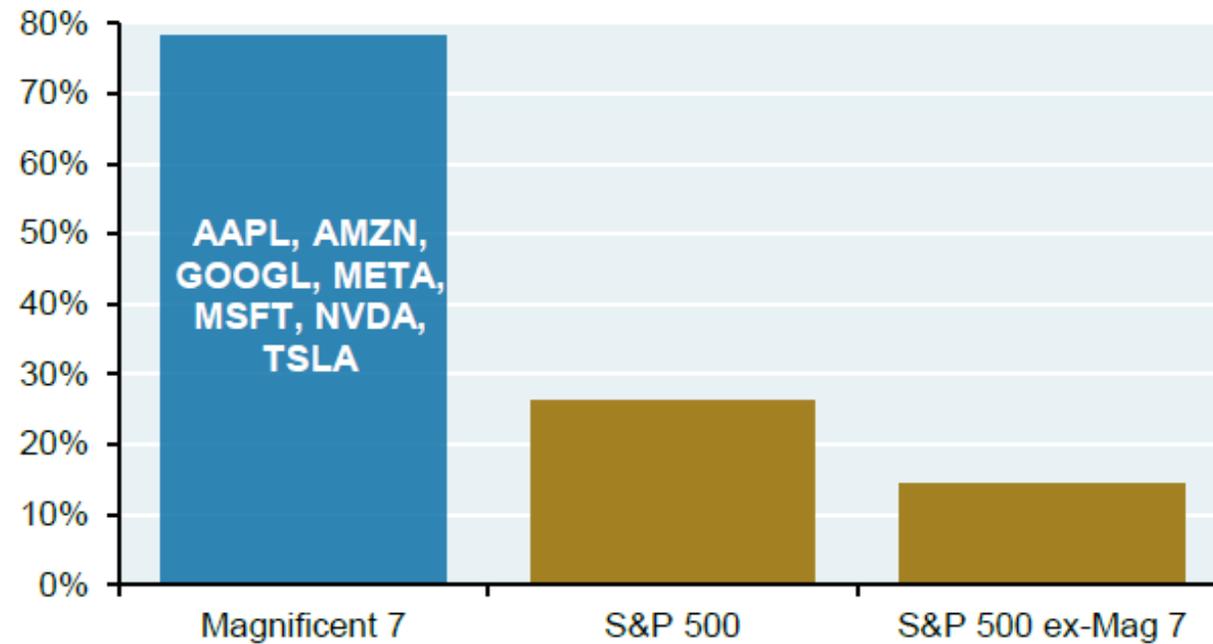
# Staff Chart of the Month

## Magnificent 7 Stocks led U.S. Markets in 2023



### Magnificent 7 stocks led S&P 500 in 2023

Percent, YTD return



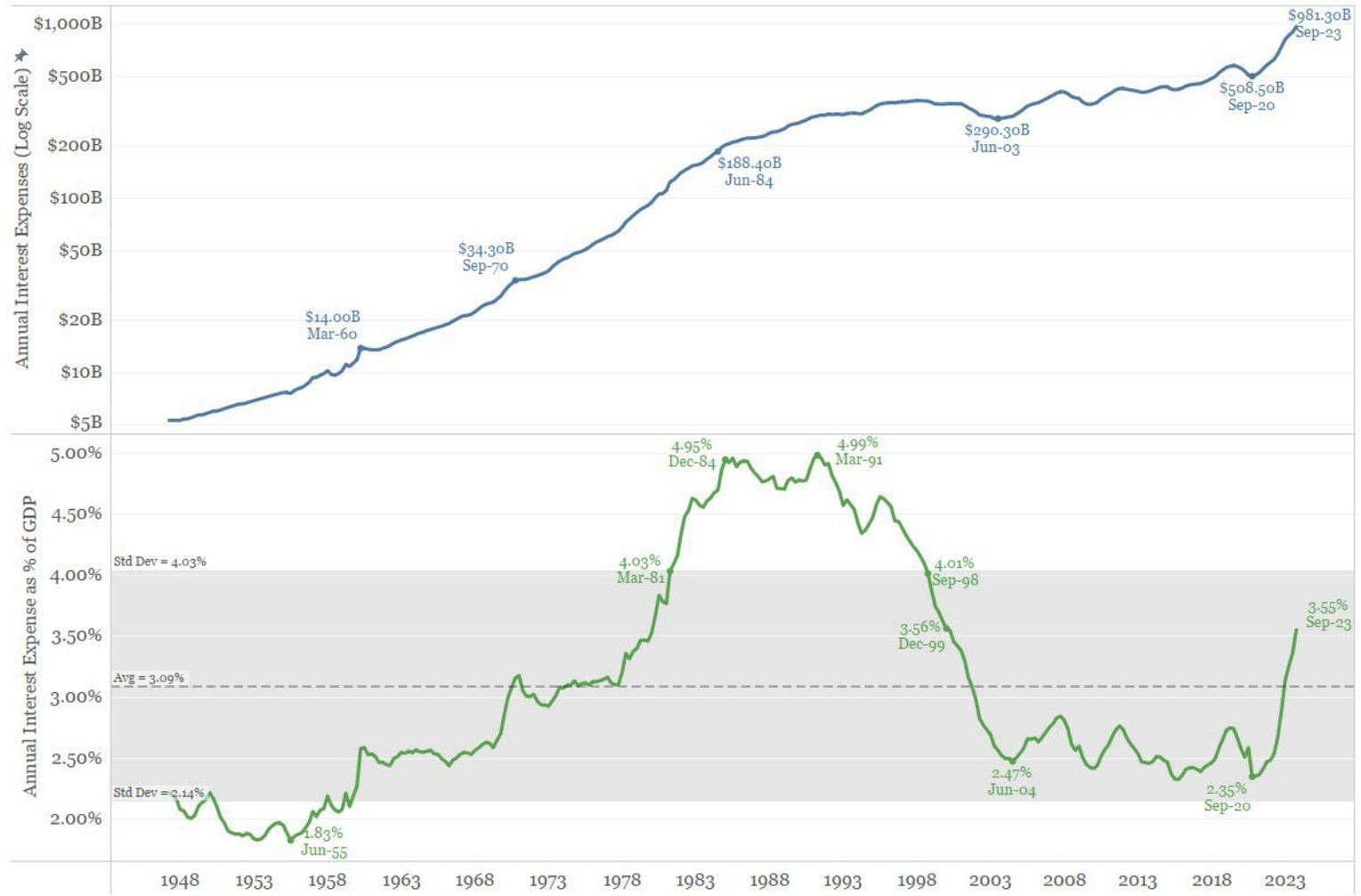
Source: Bloomberg, JPMAM, December 27, 2023

# Staff Chart of the Month

## U.S. Treasury Annual Debt Payments Over Time



**How Much Interest Does the U.S. Treasury Pay on Its Debt in a Year?**  
Nominal Dollars and as Percentage of GDP



Source: U.S. Treasury, BEA

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# 06 Appendix

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# Quiet Period for Search Respondents



## Real Assets Emerging Manager Program Discretionary Separate Account Manager Search

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- ✓ ACRES Capital
- ✓ Aether Investment Partners
- ✓ Artemis Real Estate Partners
- ✓ Astarte Capital Partners
- ✓ Barings
- ✓ Belay Investment Group
- ✓ Bentall Green Oak
- ✓ BlackRock Investments, LLC
- ✓ Cambridge Associates
- ✓ Clear Investment Group
- ✓ Clear Sky Advisers
- ✓ Cloverlay
- ✓ Cypress Creek Partners
- ✓ Encore Enterprises, Inc.
- ✓ GCM Grosvenor
- ✓ Hamilton Lane Advisors
- ✓ Hawkeye Partners, LP
- ✓ Neuberger Berman Group
- ✓ Oak Street
- ✓ ORG Portfolio Management
- ✓ Poverni Sheikh Group
- ✓ Stable
- ✓ Stepstone
- ✓ The Townsend Group
- ✓ Trilogy
- ✓ Wafra Inc.
- ✓ White Deer