



Investment Committee Agenda

REGULAR MEETING

TUESDAY, FEBRUARY 13, 2024

**TIME: 10:30 A.M. OR IMMEDIATELY
FOLLOWING THE REGULAR
BOARD MEETING**

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

Disclaimer to Participants

Please be advised that all LACERS Committee meetings are recorded.

LACERS Website Address/link:
www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Committee in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a non-exempt record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

Chair: Elizabeth Lee

Committee Members: Annie Chao
Gaylord "Rusty" Roten

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

Legal Counselor: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

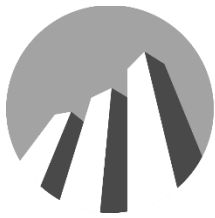
Request for Services

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 855-9348 and/or email at lacers.board@lacers.org.

[**CLICK HERE TO ACCESS BOARD REPORTS**](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
- II. [APPROVAL OF MINUTES FOR THE MEETING OF JANUARY 9, 2024 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [PRESENTATION BY AKSIA LLC OF THE PRIVATE CREDIT PROGRAM 2024 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION](#)
- V. [SEMI-FINALISTS OF THE MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING SEARCH AND POSSIBLE COMMITTEE ACTION](#)
- VI. [INVESTMENT MANAGEMENT CONTRACT WITH ROBERT W. BAIRD & CO. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- VII. [INVESTMENT MANAGEMENT CONTRACT WITH J.P. MORGAN INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- VIII. OTHER BUSINESS
- IX. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, March 12, 2024, at 10:30 a.m., or immediately following the Board Meeting in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.
- X. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, FEBRUARY 13, 2024

**TIME: 10:30 A.M. OR IMMEDIATELY
FOLLOWING THE REGULAR
BOARD MEETING**

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Board and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public may listen to the live meeting via Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

Disclaimer to Participants

Please be advised that all LACERS Committee meetings are recorded.

LACERS Website Address/link:

www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Committee in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a non-exempt record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

President: Annie Chao
Vice President: Sung Won Sohn

Commissioners: Thuy T. Huynh
Elizabeth Lee
Gaylord "Rusty" Roten
Janna Sidley
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

Legal Counsel: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for Services

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 855-9348 and/or email at lacers.board@lacers.org.

[CLICK HERE TO ACCESS BOARD REPORTS](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

- II. APPROVAL OF MINUTES FOR THE MEETING OF JANUARY 9, 2024 AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. PRESENTATION BY AKSIA LLC OF THE PRIVATE CREDIT PROGRAM 2024 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION
- V. SEMI-FINALISTS OF THE MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING SEARCH AND POSSIBLE COMMITTEE ACTION
- VI. INVESTMENT MANAGEMENT CONTRACT WITH ROBERT W. BAIRD & CO. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- VII. INVESTMENT MANAGEMENT CONTRACT WITH J.P. MORGAN INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- VIII. OTHER BUSINESS
- IX. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, March 12, 2024, at 10:30 a.m., or immediately following the Board Meeting in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.
- X. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
INVESTMENT COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

January 9, 2024

12:25 p.m.

PRESENT:	Chair	Elizabeth Lee
	Committee Member:	Annie Chao Gaylord "Rusty" Roten
	Legal Counselor:	Anya Freedman
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

The Items in the Minutes are numbered to correspond with the Agenda.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Chair Lee asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there were no public comment cards submitted.

II

APPROVAL OF MINUTES FOR THE MEETING OF DECEMBER 12, 2023 AND POSSIBLE COMMITTEE ACTION – Committee Member Chao moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee-3; Nays, None.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, discussed the following item:

- IC forward calendar
- Custodian Search selection process

IV

INVESTMENT MANAGER CONTRACT WITH GARCIA HAMILTON & ASSOCIATES, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jeremiah Paras, Investment Officer I, presented this item to the Committee for 10 minutes. Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

V

INVESTMENT MANAGER CONTRACT WITH INCOME RESEARCH & MANAGEMENT REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jeremiah Paras, Investment Officer I, presented and discussed this item with the Committee. Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

VI

CONTINUED DISCUSSION OF INVESTMENT PROGRAM GOVERNANCE AND REVIEW PROCESSES AND POSSIBLE COMMITTEE ACTION – Rod June, Chief Investment Officer, presented and discussed this item with the Committee for 55 minutes. After discussion, the Committee provided staff with direction and tabled this item for a future meeting.

VII

OTHER BUSINESS – There was no other business.

VIII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, February 13, 2024, at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.

IX

ADJOURNMENT – There being no further business before the Committee, Chair Lee adjourned the meeting at 12:25 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO INVESTMENT COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: FEBRUARY 13, 2024
ITEM: IV

Neil M. Guglielmo

SUBJECT: PRESENTATION BY AKSIA LLC OF THE PRIVATE CREDIT PROGRAM 2024 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board the adoption of the Private Credit Program 2024 Strategic Plan.

Discussion

Aksia LLC (Aksia), LACERS' Private Credit Consultant, with input from staff, has developed the proposed Private Credit Program 2024 Strategic Plan, which considers strategic objectives and investment plan recommendations for calendar year 2024. Staff has reviewed the plan and recommends its adoption. Aksia will present the proposed plan.

Strategic Plan Impact Statement

The annual private credit strategic plan assists the Board in building a diversified private credit and total fund portfolio and aligns with the Strategic Plan Goals of optimizing long-term risk adjusted investment returns (Goal IV) and promoting good governance practices (Goal V).

Prepared by: Clark Hoover, Investment Officer I, Investment Division

NMG/RJ/WL/EC/CH:rm

Attachment: 1. LACERS Private Credit Program 2024 Strategic Plan – Aksia LLC

Aksia LLC

LACERS Private Credit Program
2024 Strategic Plan
February 2024



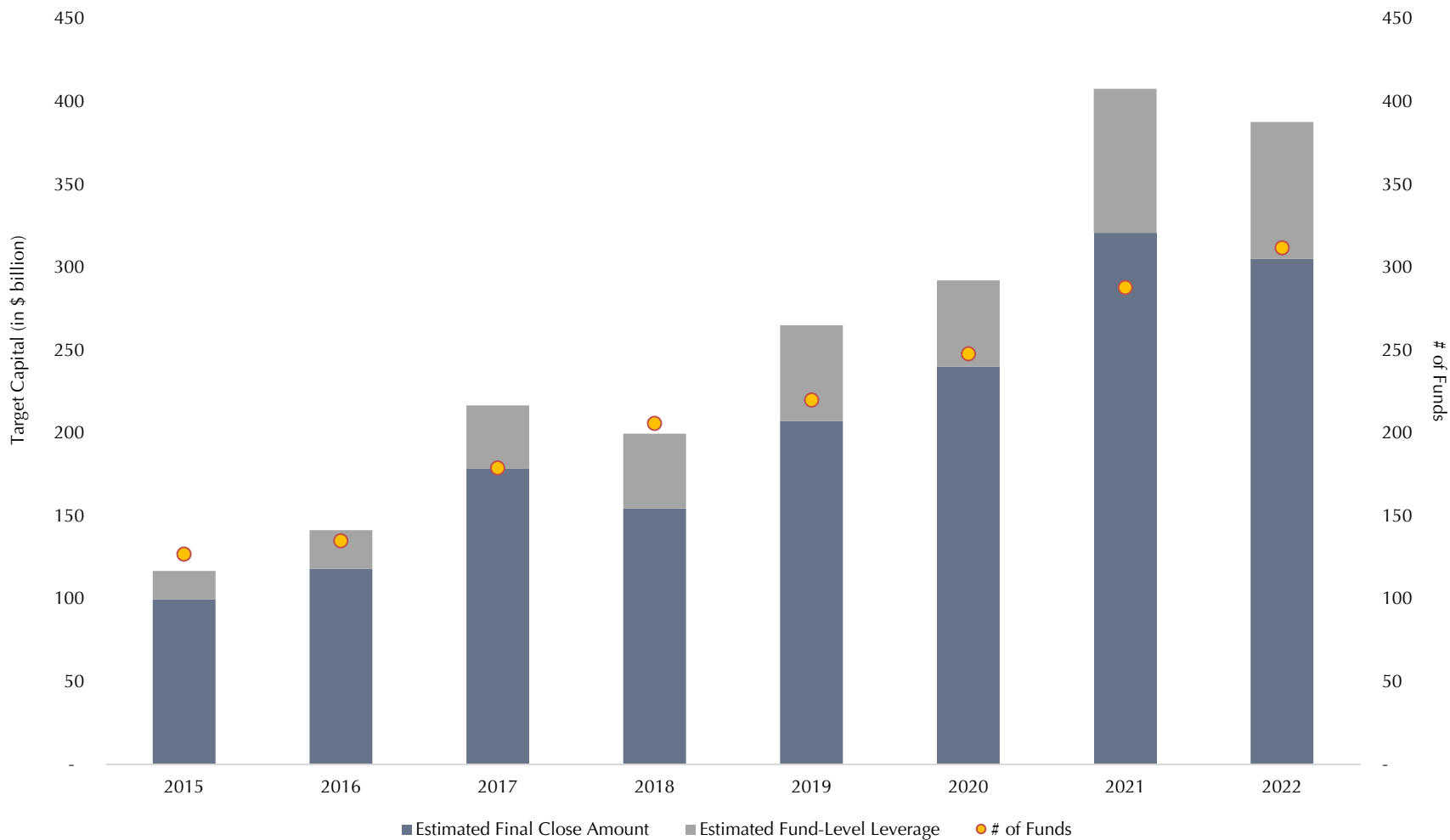
www.aksia.com

Table of Contents

- Private Credit Market Overview
- Portfolio Construction and Pacing
- 2024 Strategic Recommendations

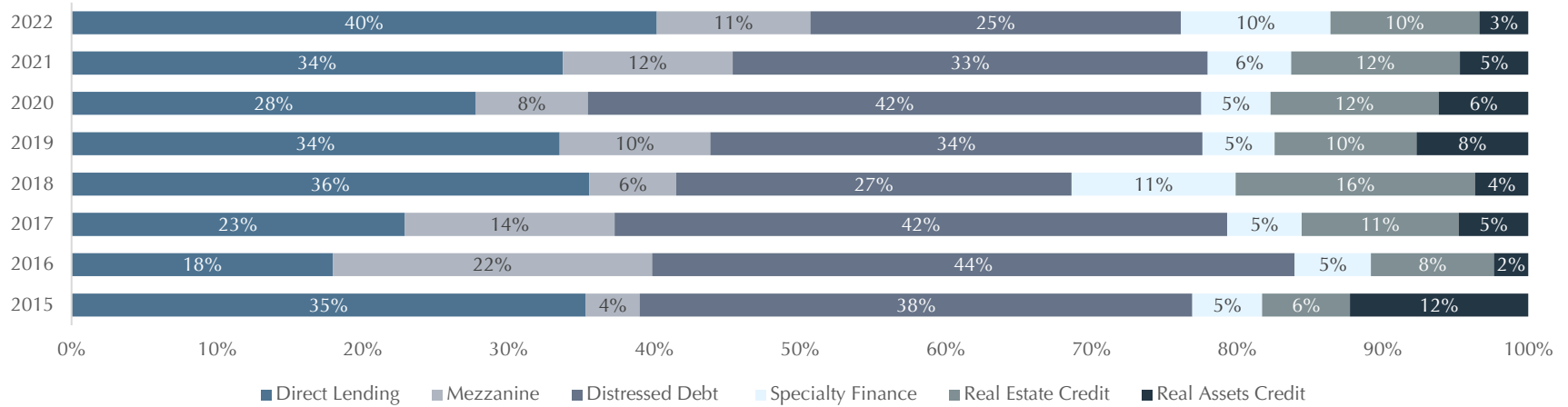
Private Credit Capital Raise Update

2015-2022 Private Credit Fundraise

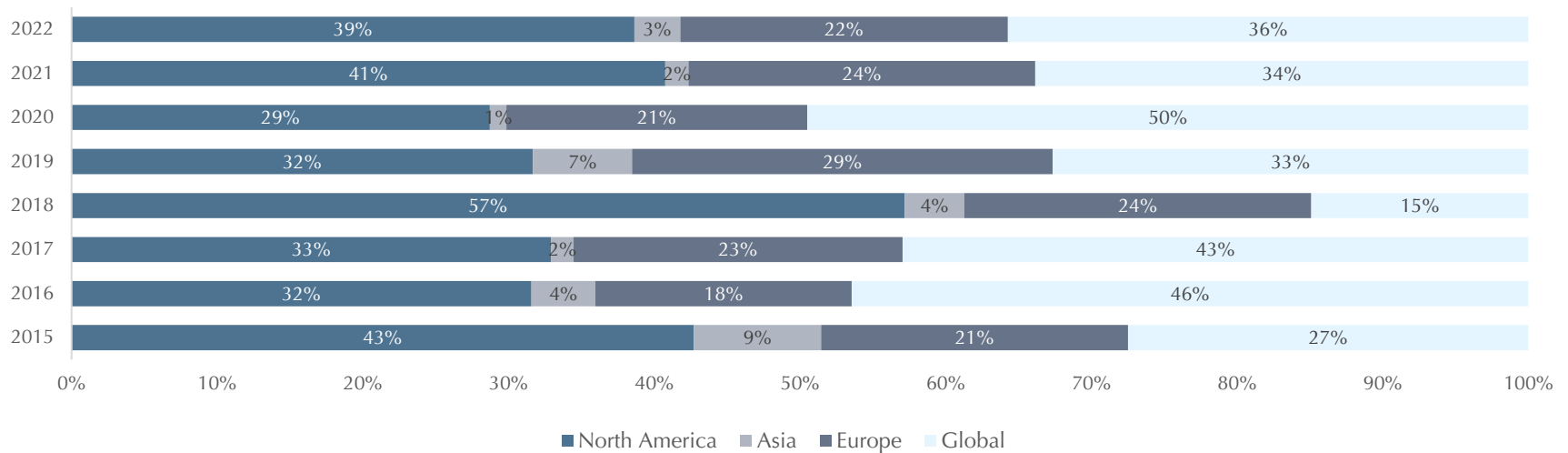


Private Credit Capital Raise Update

% by Sector

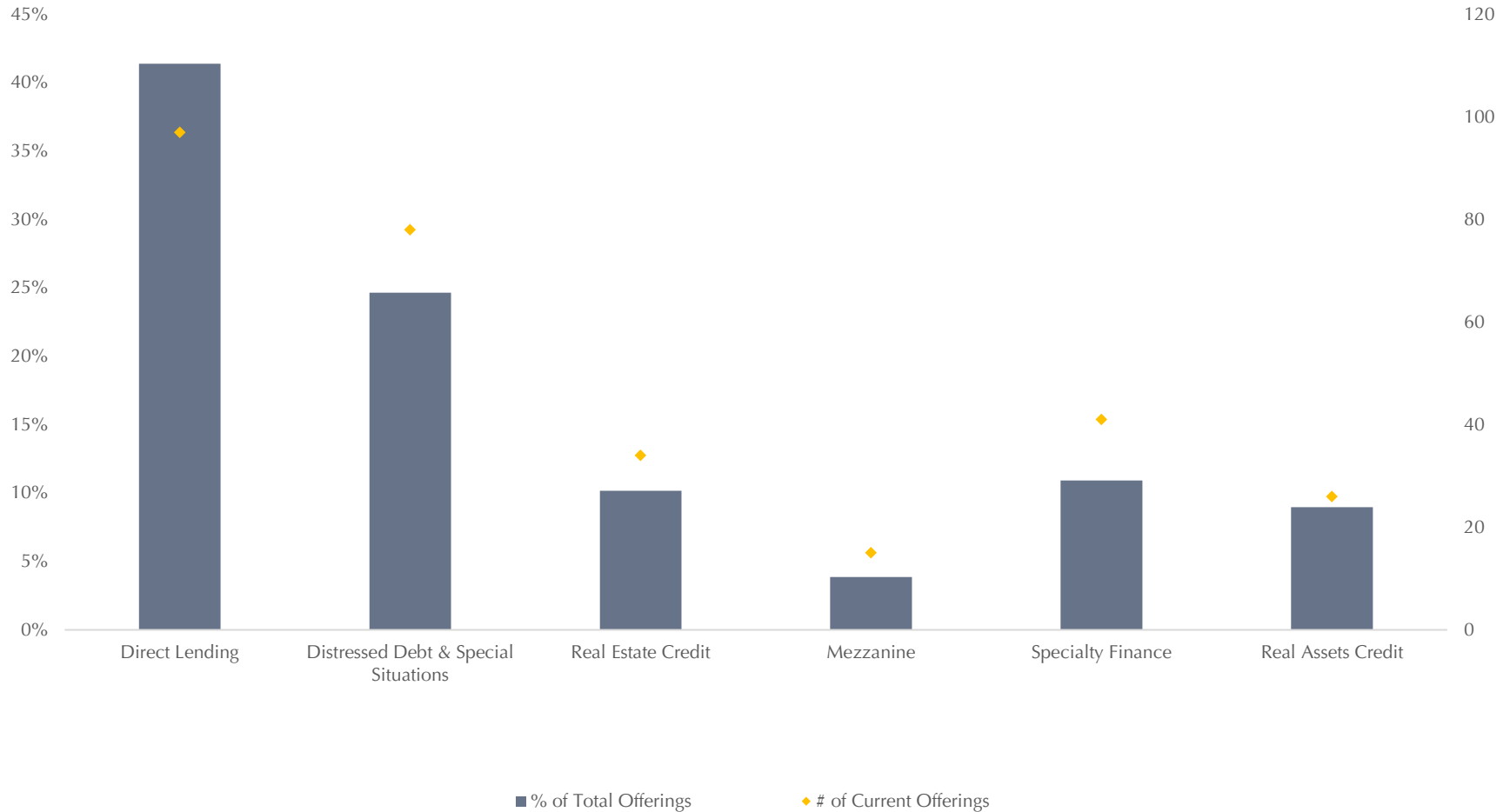


% by Region



Private Credit Capital Raise Update

Active Capital Raises by Sector
as of January 2023



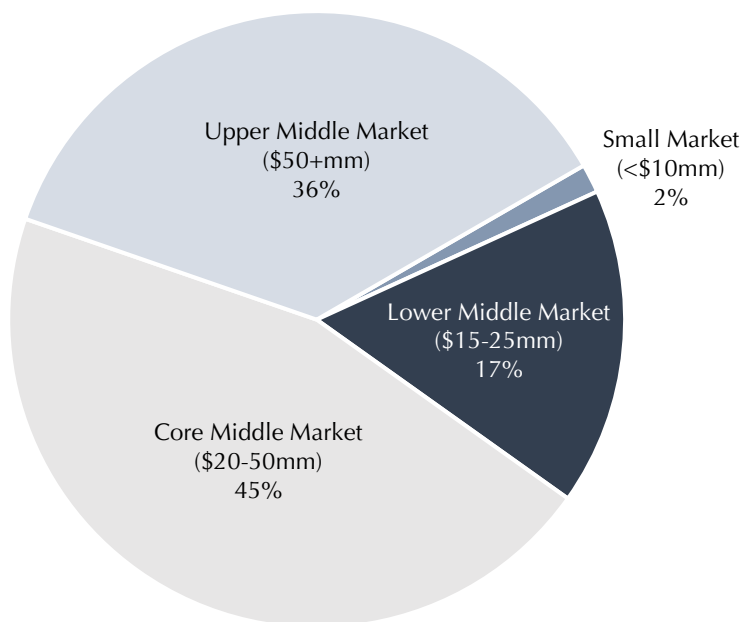
Private Credit Capital Raise Update

<i>2017-2020 Fundraise</i>		<i>2021 Fundraise</i>	
<i>Strategy</i>	<i>Average of Fundraise Period (in months)</i>	<i>Strategy</i>	<i>Average of Fundraise Period (in months)</i>
Direct Lending	13.9	Direct Lending	15.0
Distressed Debt & Special Situations	12.0	Distressed Debt & Special Situations	13.0
Mezzanine	14.3	Mezzanine	17.3
Real Assets Credit	14.2	Real Assets Credit	18.9
Real Estate Credit	15.6	Real Estate Credit	13.5
Specialty Finance	14.8	Specialty Finance	15.7
<i>Private Credit</i>	<i>13.7</i>	<i>Private Credit</i>	<i>14.8</i>

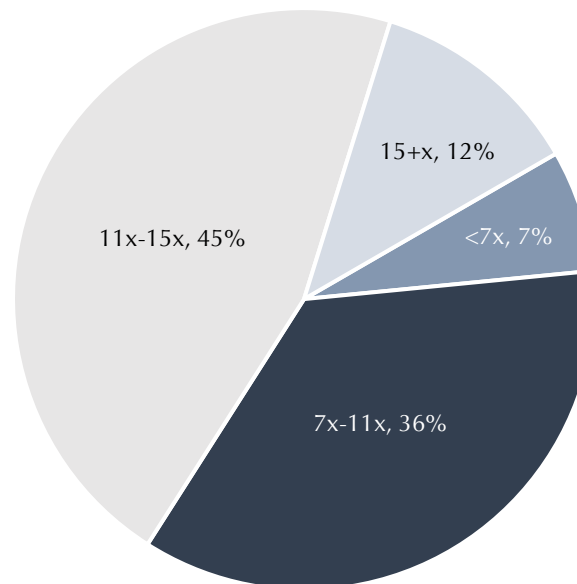
<i>2022 Fundraise</i>		<i>Difference 2021-2022</i>	
<i>Strategy</i>	<i>Average of Fundraise Period (in months)</i>	<i>Strategy</i>	<i>Average of Fundraise Period (in months)</i>
Direct Lending	16.5	Direct Lending	1.5
Distressed Debt & Special Situations	14.4	Distressed Debt & Special Situations	1.4
Mezzanine	15.2	Mezzanine	(2.1)
Real Assets Credit	15.4	Real Assets Credit	(3.6)
Real Estate Credit	15.3	Real Estate Credit	1.9
Specialty Finance	14.6	Specialty Finance	(1.0)
<i>Private Credit</i>	<i>15.3</i>	<i>Private Credit</i>	<i>0.5</i>

Investment Activity – 2022/2023 GP Detail

EBITDA Range Target (Avg.)



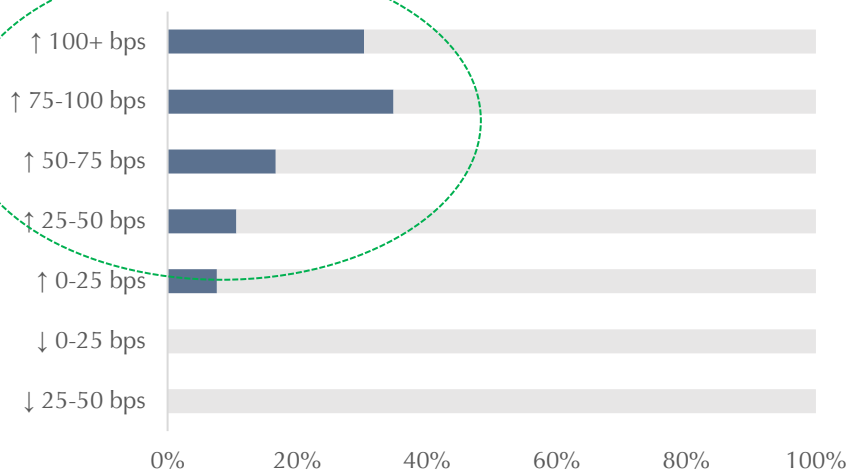
Valuation Range of Target Companies (Avg.)



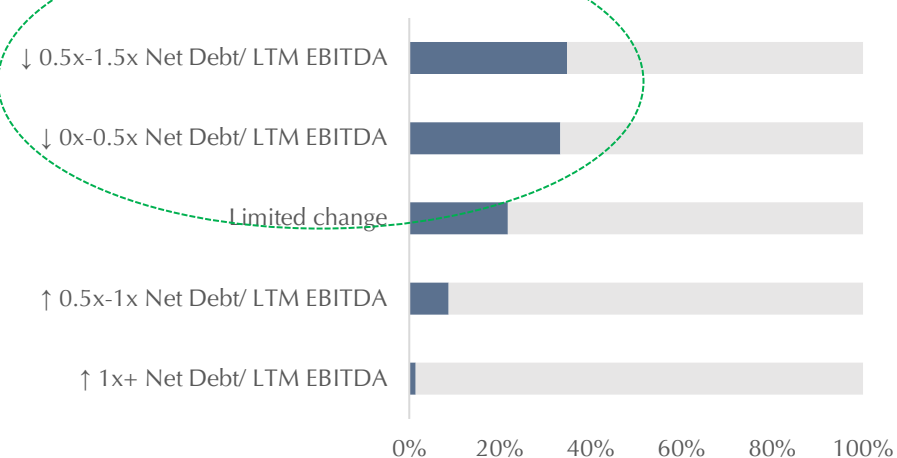
- 65 direct lending participants responded to our questionnaire this year across the U.S., Europe and Asia. Collectively, we believe that this group represents a large percentage of industry activity

2022 Lending Environment

Average Spread Change vs. End of 2021



Average Total Net Leverage Change vs End of 2021



- Terms are largely moving in favor of lenders, although the extent of pricing and structural shifts have been inconsistent across the space
- Upper middle market transactions have seen the most significant repricing as borrowers have been unable to access the broadly syndicated loan market
- These spread and leverage improvements come at a time when base rates have increased dramatically, making all-in returns for senior direct lending deals often 10%+ on an unlevered basis

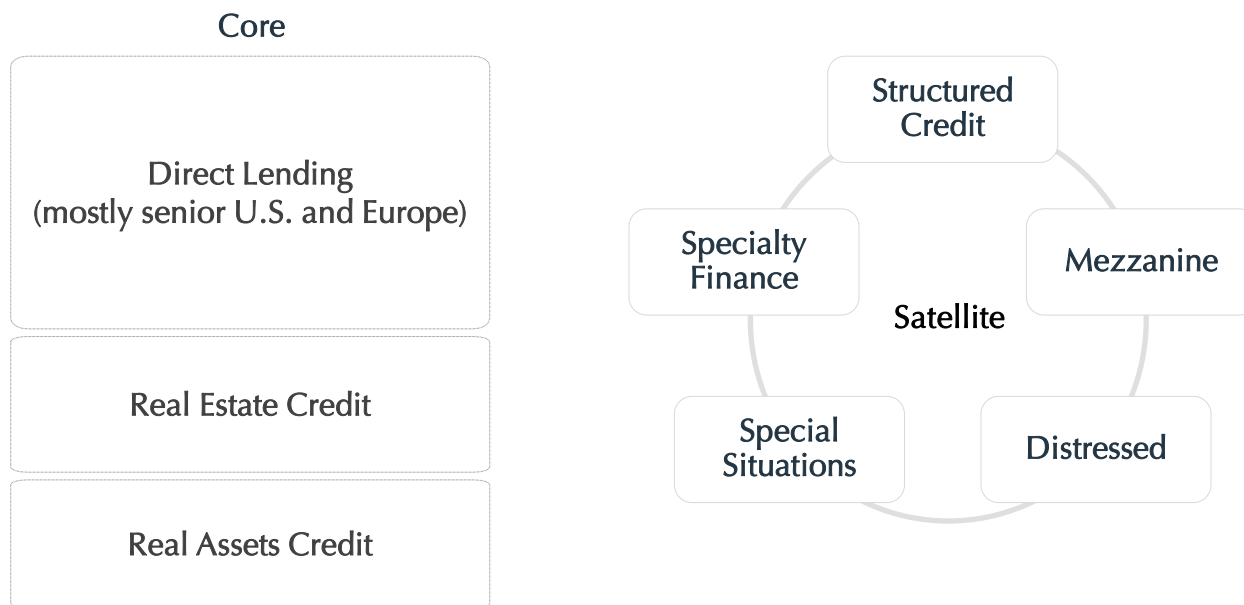
Portfolio Objectives and Guidelines

Asset/Strategy Mix	Diversified exposure to Private Credit strategies including: <ul style="list-style-type: none"> • Corporate Lending (Senior Focus) • Real Estate & Real Assets Lending • Distressed & Special Situations • Specialty Finance
Target Portfolio Size	Approximately 5.75% of LACERS' plan assets
Target Commitment Size	\$50mm - \$150mm allocation sizes to 5-6 active GPs
Fund Structures	Commingled and Evergreen structures
Net Return Target	8-10%
Benchmark	Credit Suisse Leveraged Loan Index + 200bps
Geographic Diversity	Primarily U.S./North America, some Europe
Other Considerations	<ul style="list-style-type: none"> • Complement existing private credit exposure • Take advantage of first close discounts and aggregation discounts • Source and evaluate emerging managers (target at least 10% of portfolio over time)

DIRECT LENDING	DISTRESSED DEBT & SPECIAL SITUATIONS	SPECIALTY FINANCE	REAL ESTATE CREDIT	REAL ASSETS CREDIT	MEZZANINE
U.S. Direct Lending Senior Opportunistic LMM (sponsored) LMM (non-sponsored) Private BDCs Industry Focused Revolvers	Corporate Distressed Stress / Distressed Trading Influence / Control Diversified Distressed	Consumer & SME Lending Marketplace Finance Lender/Platform Finance	U.S. CRE Core Lending	Infrastructure Lending Senior Focus Sub-IG Focus Mezz Focus	U.S. Mezzanine Upper Middle Market Middle Market Lower Middle Market
European Direct Lending Senior Opportunistic LMM Country-Specific Funds	Opportunistic Structured Credit 3 rd Party CLO Equity Captive CLO Equity CLO Debt CLO Multi Consumer ABS CMBS/CRE Esoteric ABS European Structured Credit RMBS Structured Credit Multi-Sector	Rediscount Lending	U.S. CRE Transitional Lending Large Loan Middle Market Small Balance Opportunistic	Energy Credit Energy Lending Energy Mezzanine Lending Opportunistic	European Mezzanine
Emerging Markets Lending Asian African CEE/Middle East Latin American Pan-EM	Real Estate Distressed	Factoring & Receivables	U.S. CRE Bridge Lending Large Loan Middle Market Small Balance	Trade Finance	Structured Equity
Global Direct Lending	NPLs	Regulatory Capital Relief	European CRE Lending Bridge Transitional Core	Metals & Mining Finance	
	Capital Solutions	Music/Film/Media Royalties	Emerging Markets CRE Lending	Agricultural Credit	
	PC Special Situations	Oil & Gas Minerals Royalties	CRE Structured Credit Agency CRE B-Piece Non-Agency CRE B-Piece	Transportation Aviation Lending Maritime Lending Road & Rail Lending Transportation Lending (Multi)	
	PC Secondaries	Metals Royalties	Residential Mortgages Residential NPLs Single Family Rental Mortgage Servicing Rights Residential Origination		
		Healthcare Lending & Royalties Healthcare Lending Healthcare Royalties			
		Venture Lending			
		Technology Lending			
		Financial Services Credit			
		Insurance Linked Credit Diversified Life Insurance Non-Life			
		Litigation Finance Litigation Finance Merger Appraisal Rights			
		PE Portfolio Finance			
		Stretch ABL			
		Diversified Specialty Finance			

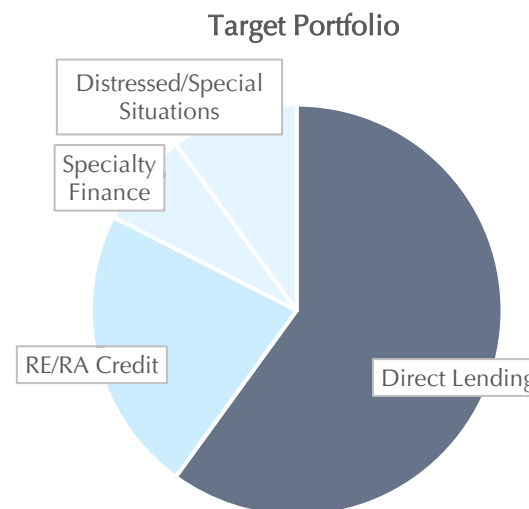
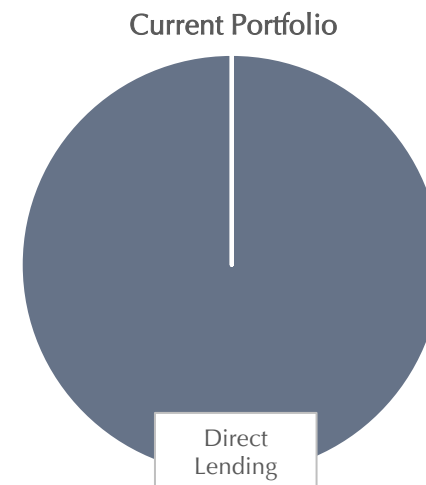
Portfolio Construction Overview

Core + Satellite: *Concentrated positions in direct lending and/or cross asset complemented with smaller holdings in specialized strategies*



Current and Target Portfolio Construction

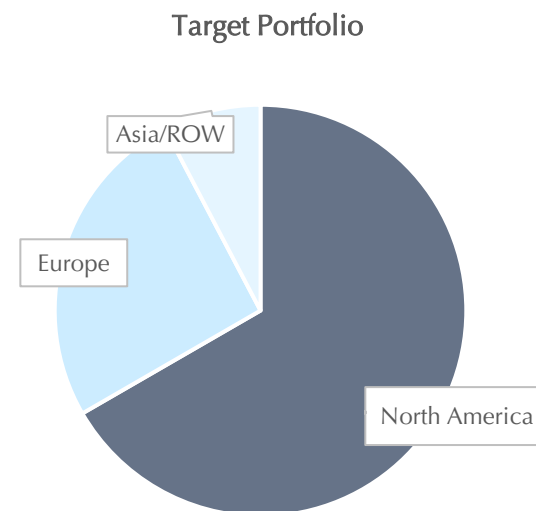
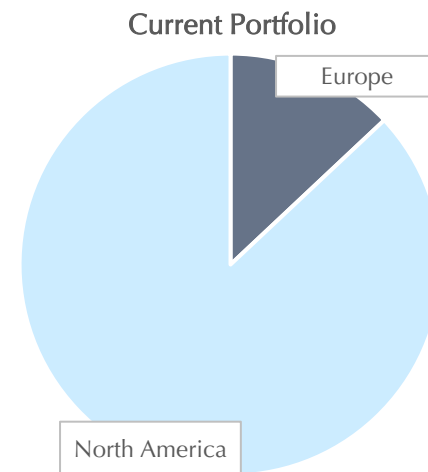
		Strategy	Allocation %
Current Portfolio	Core	Direct Lending <i>U.S. Direct Lending (Monroe Capital, Benefit Street) European Direct Lending (Crescent Capital)</i>	100%
Target Portfolio	Core	Direct Lending <i>U.S. Direct Lending European Direct Lending</i>	40-70%
		RE/RA Credit <i>U.S. CRE Core Lending U.S. CRE Transitional Lending</i>	20-40%
	Satellite	Specialty Finance <i>(e.g., Consumer & SME Lending, Venture Lending, Litigation Finance)</i>	0-25%
		Distressed/Special Situations <i>Corporate Distressed Capital Solutions</i>	0-30%



1 Indicative target ranges would be driven by opportunity set and skill sets of available managers and respective investment terms. Graphs are for illustrative purposes only.
2 Data as of September 30, 2023

Current and Target Portfolio Construction

		Strategy	Allocation %
Current Portfolio	Core	North America <i>(Monroe Capital, Benefit Street)</i>	87%
		Europe <i>(Crescent Capital)</i>	13%
Target Portfolio	Core	North America	40-70%
		Europe	20-40%
	Satellite	Asia/Rest-of-World	0-25%

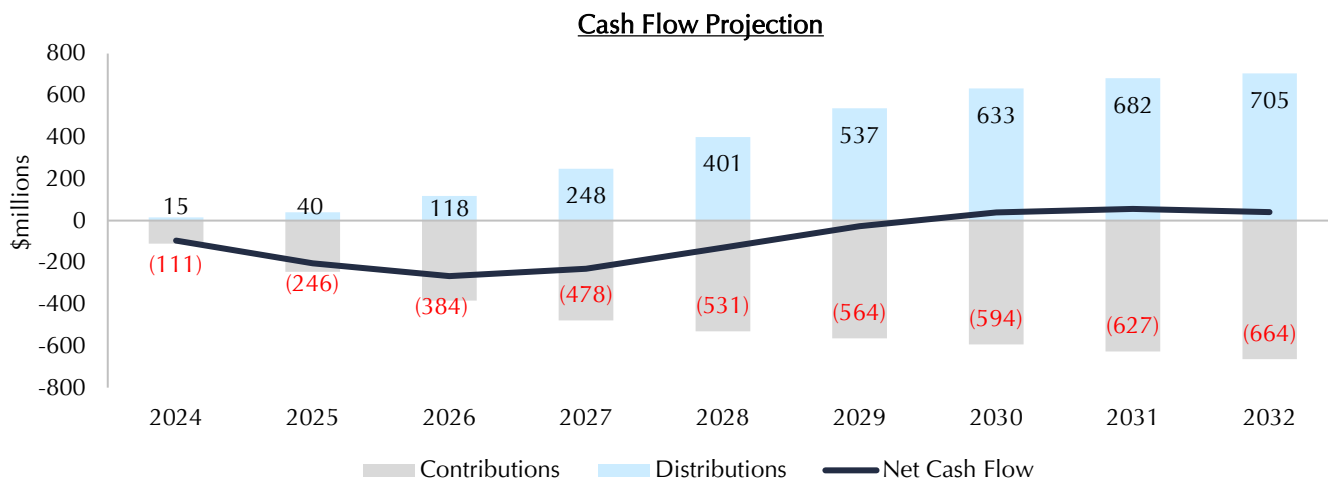
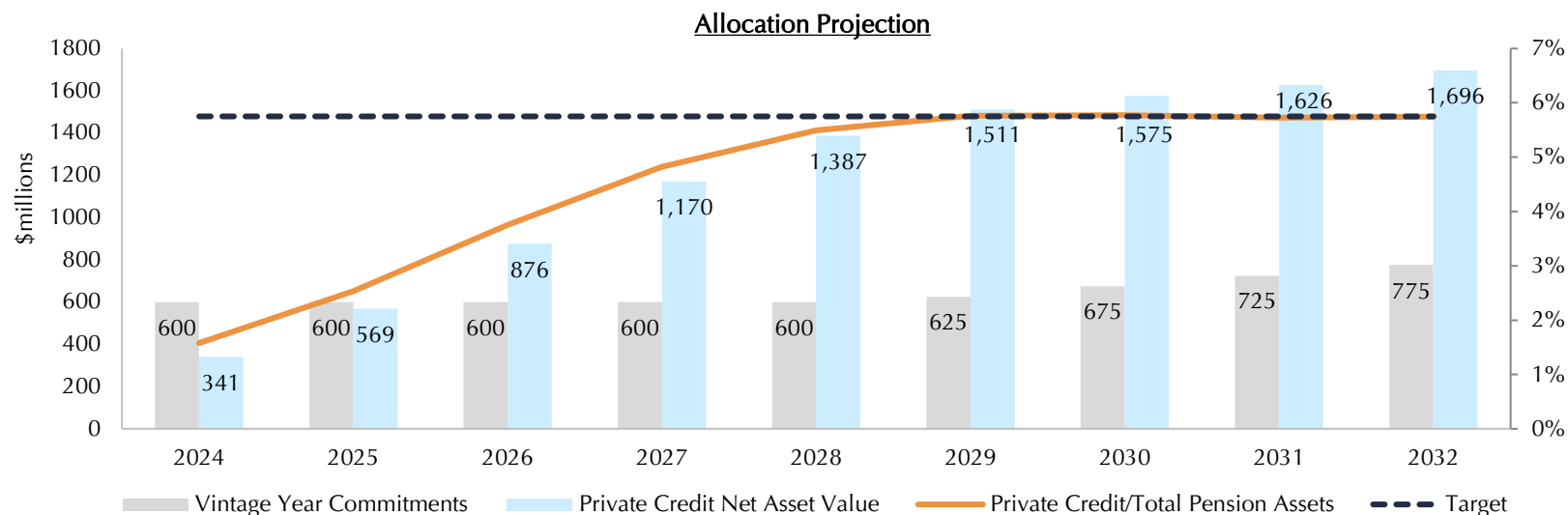


1 Indicative target ranges would be driven by opportunity set and skill sets of available managers and respective investment terms. Graphs are for illustrative purposes only.
2 Data as of September 30, 2023

Pacing Analysis Summary

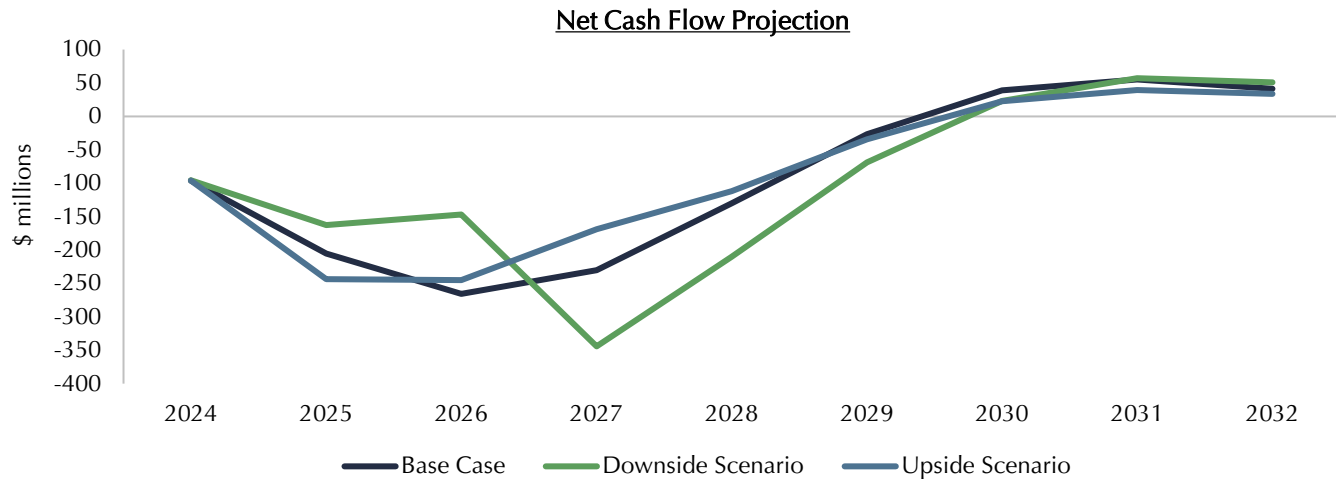
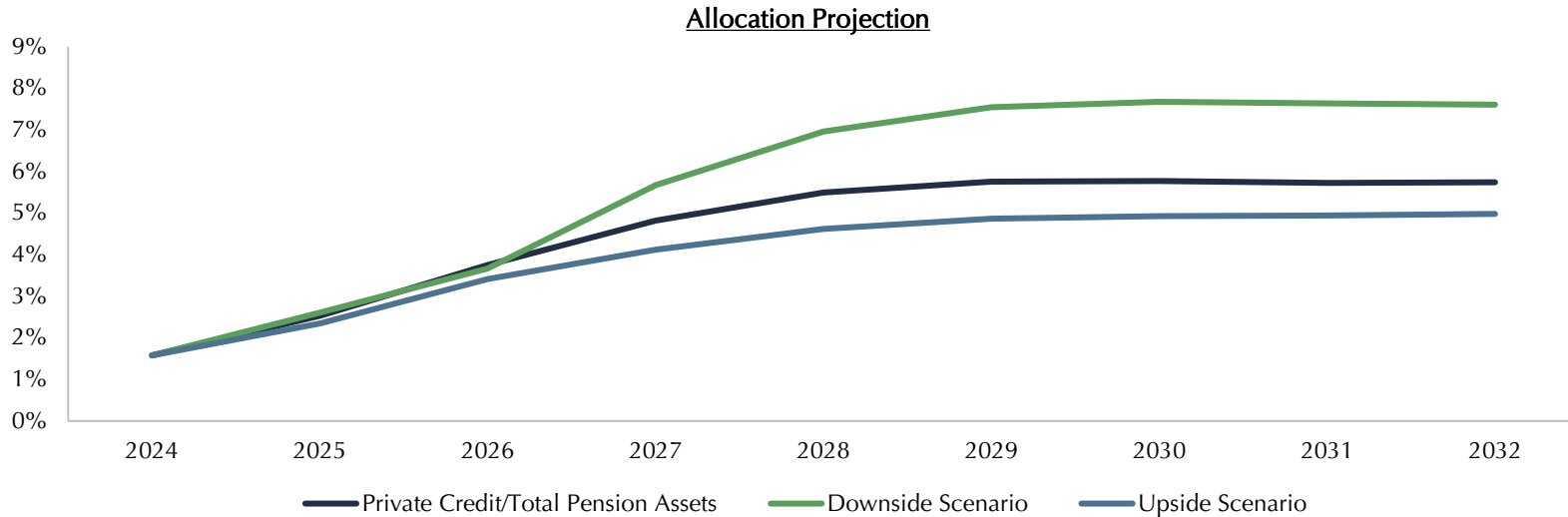
- Aksia recommends LACERS commit approximately \$500 million to \$700 million for 2024, with an expected target of \$600 million
- Aksia believes it is reasonable to consider a five-year aggregate total commitment target of \$3.0 billion as a base case scenario to achieve and maintain the target allocation of 5.75%
- We assume a LACERS plan value of \$21.6bn as of September 30, 2023
- This pacing plan uses LACERS' fund-level holdings information and Aksia's proprietary, private credit scenario assumptions
- Pursuant to the Private Credit Investment Policy, Aksia will revisit assumptions and allocation guidelines in the annual Private Credit Strategic Plan

Pacing Analysis Detail – Base Case



NOTE: The assumptions shown as well as the pacing results they inform are based on Aksia’s experience with and expectations for the specified asset class, typical fund structures, and historical performance and cash flow profile. We believe these assumptions are reasonable and note that the results are intended to provide insights, not conclusions. In addition, Aksia does rely on client input to inform these assumptions and produce the pacing results. As such, the output shown can be changed to reflect additional assumptions that the client believes could be relevant to its portfolio considerations and appropriate to its risk tolerance.

Pacing Analysis Detail – Base Case



NOTE: The assumptions shown as well as the pacing results they inform are based on Aksia’s experience with and expectations for the specified asset class, typical fund structures, and historical performance and cash flow profile. We believe these assumptions are reasonable and note that the results are intended to provide insights, not conclusions. In addition, Aksia does rely on client input to inform these assumptions and produce the pacing results. As such, the output shown can be changed to reflect additional assumptions that the client believes could be relevant to its portfolio considerations and appropriate to its risk tolerance.

2024 Commitment Recommendations | \$ in Millions

Strategy	Current Exposure ¹	Target	Annual Allocation	Commitment Range ²
Core	0%	70%-100%	\$350-\$700	\$50-\$150
Direct Lending	100%	40%-70%		
Real Estate/Real Asset Credit	0%	20%-40%		
Satellite	0%	0%-30%	\$0-\$210	\$30-\$100
Specialty Finance	0%	0%-25%		
Distressed/Special Situations	0%	0%-30%		
Geography	Current Exposure ¹	Target	Annual Allocation	Commitment Range
Core	100%	75%-100%	\$350-\$700	\$50-\$150
North America	87%	40%-70%		
Europe	13%	20%-40%		
Satellite	0%	0%-25%	\$0-\$175	\$30-\$75
Asia	0%	0%-25%		
Rest-of-World	0%	0%-25%		
Emerging Managers	Current Exposure ¹	Target	Annual Allocation	Commitment Range
Emerging Managers	0%	10%+	\$50-\$70	\$20-\$30
Total			\$500-\$700	

- Proposed investment of \$500 million to \$700 million for 2024, with expected target of \$600 million
- Aksia believes it is reasonable to consider a five-year aggregate total commitment target of \$3.0 billion as a base case scenario

¹ Data as of September 30, 2023

² Emerging Manager commitment sizes will likely be smaller

2024 Recommendations & Considerations

- Focus on direct lending to take advantage of higher base rates
- Increase upper middle market exposure to take advantage of enhanced risk adjusted returns
- Evaluate distressed and opportunistic credit in dislocated markets
- Deploy at least 10% of commitments to emerging managers and niche strategies
- Diversify portfolio overall by size, strategy, geography in line with target exposures
- Target \$600m in commitments for 2024 with an approximate commitment range of \$500m to \$700m

Appendix

SWOT Analysis

Strengths

- Legacy portfolio is comprised of quality managers
- Small number of relationships in legacy portfolio allows for high degree of selectivity in onboarding new manager relationships

Weaknesses

- Private credit program is nascent and will require increased expertise in the asset class to further develop the program
- Lack of deep relationships in private credit space relative to other asset classes such as private equity

Opportunities

- Slowdown in debt capital markets and bank financing is leading more corporate and non-traditional borrowers to private credit to raise capital
- Denominator effect has dampened private credit fundraising resulting in a positive supply/demand dynamic
- Higher base rates have improved risk-adjusted returns across the risk spectrum in private credit
- Attractive entry point for dislocated market segments including real estate and certain corporate sectors

Threats

- Potential for spread widening and higher default risk as companies battle higher financing costs and pressure on margins and top-line revenue
- Risk of increased prepayment rates eroding returns in an expected falling interest rate environment

Disclaimers

PRIVATE AND CONFIDENTIAL: These materials are strictly confidential. These materials are intended only for the use of the individual or entity to which Aksia LLC and/or its affiliates, as applicable (collectively, "Aksia") has sent these materials ("Intended Recipient") and may not be reproduced or distributed, posted electronically or incorporated into other documents in whole or in part except for the personal reference of the Intended Recipient. If you are not the Intended Recipient you are hereby requested to notify Aksia and either destroy or return these documents to Aksia. The Intended Recipient shall not use Aksia's name or logo or explicitly reference Aksia's research and/or advisory services in any of the Intended Recipient's materials.

NO OFFERING: These materials do not in any way constitute an offer or a solicitation of an offer to buy or sell funds, private investments or other securities mentioned herein. These materials are provided only in contemplation of Aksia's research and/or advisory services. These materials shall not constitute advice or an obligation to provide such services.

RELIANCE ON TOOLS AND THIRD PARTY DATA: Certain materials utilized within this presentation reflect and rely upon information provided by fund managers and other third parties which Aksia reasonably believes to be accurate and reliable. Such information may be used by Aksia without independent verification of accuracy or completeness, and Aksia makes no representations as to its accuracy and completeness. Any use of the tools included herein for analyzing funds is at your sole risk. In addition, there is no assurance that any fund identified or analyzed using these tools will perform in a manner consistent with its historical characteristics, or that forecasts, expected volatility or market impact projections will be accurate.

NOT TAX, LEGAL OR REGULATORY ADVICE: The Intended Recipient is responsible for performing his, her or its own reviews of any private investment fund it may invest in including, but not limited to, a thorough review and understanding of each fund's offering materials. The Intended Recipient is advised to consult his, her or its tax, legal and compliance professionals to assist in such reviews. Aksia does not provide tax advice or advice concerning the tax treatments of a private investment fund's holdings of assets or an investor's allocations to such private investment fund. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

PRIVATE INVESTMENT FUND DISCLOSURE: Investments in private investment funds involve a high degree of risk and investors could lose all or substantially all of their investment. Any person or institution investing in private investment funds must fully understand and be willing to assume the risks involved. Some private investment funds may not be suitable for all investors. Private investment funds may use leverage, hold illiquid positions, suspend redemptions indefinitely, modify investment strategy and documentation without notice, short sell securities, incur high fees and contain conflicts of interests. Private investment funds may also have limited operating history, lack transparency, manage concentrated portfolios, exhibit high volatility, depend on a concentrated group or individual for investment management or portfolio management and lack any regulatory oversight. Past performance is not indicative of future results.

RECOMMENDATIONS: Any Aksia recommendation or opinion contained in these materials is a statement of opinion provided in good faith by Aksia and based upon information which Aksia reasonably believes to be true. Recommendations or opinions expressed in these materials reflect Aksia's judgment as of the date shown, and are subject to change without notice. Except as otherwise agreed between Aksia and the Intended Recipient, Aksia is under no future obligation to review, revise or update its recommendations or opinions.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO INVESTMENT COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: FEBRUARY 13, 2024
ITEM: V

Neil M. Guglielmo

SUBJECT: SEMI-FINALISTS OF THE MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING SEARCH AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee concur with staff's recommendation to advance The Northern Trust Company and State Street Corporation as semi-finalists for the Master Trust/Custodial Services and Securities Lending Request for Proposal search process.

Executive Summary

The Board-approved request for proposal (RFP) for the Master Trust/Custodial Services and Securities Lending search opened on September 11, 2023, and closed on November 28, 2023. Proposals were received from two firms, The Northern Trust Company (Northern Trust) and State Street Corporation (State Street). After evaluation by staff, both firms met the minimum qualifications and are recommended to advance as semi-finalists.

Discussion

Background

The custodian bank provides comprehensive services including, but not limited to, securities safekeeping, settlement, valuation, and lending; performance measurement; foreign exchange; collection of income; the processing of benefit payments; administration of a limited term retirement plan; and providing a management/accounting and information retrieval system.

Northern Trust has provided LACERS custodial and securities lending services since 1991. Northern Trust has maintained its mandates through competitive bidding processes in 1997, 2006 and most recently in 2014. The Board's current contracts with Northern Trust expire on July 31, 2024.

Consistent with LACERS' contracting practices, staff requested that the Board initiate a competitive bidding process to reassess the marketplace for custodial and securities lending services. The Board approved the request on August 22, 2023, and the resulting search opened on September 11, 2023, and closed on November 28, 2023. The RFP was published on LACERS' website and was advertised in both print and online editions of Pensions & Investments. The search was also advertised online through the following organizations: Association of Asian American Investment Managers, National Association of Securities

Professionals-Southern California, and New America Alliance. Further, the RFP was emailed to all contacts in the LACERS Investment RFP/RFI Subscription Service database.

Search Results

LACERS received two proposals; both offered custodial and securities lending services. The two proposals received were from Northern Trust (incumbent manager) and State Street. Both proposals were determined to have met the minimum qualifications set forth in the RFP documents.

Evaluation and Recommendation

The Fiscal, Investment, and Systems divisions of LACERS collaborated in the evaluation process. Staff assessed the candidates based on LACERS’ organizational needs. The factors considered as well as the corresponding score weightings are as follows:

Factors Considered	Weighting
Organization	20%
Accounting and Reporting/Performance and Measurement	10%
Monitoring/Securities Custody and Processing	15%
Securities Lending/Cash Management	15%
Controls	10%
Technology	10%
Payments/Disbursements	5%
Fees	15%
Total	100%

Both proposals demonstrated the respective firms’ organizational stability and breadth of services provided. Staff aims to conduct further assessment and determine how each proposal can facilitate and provide solutions to LACERS’ custodial and securities lending needs. Accordingly, staff recommend that both Northern Trust and State Street advance as semi-finalists in the search.

Upon Investment Committee concurrence of the proposed semi-finalist firms, staff will conduct additional due diligence, which will include on-site meetings and reference checks. Following completion of this assessment, staff will recommend finalists for interview and consideration for the Committee, consistent with the process approved by the Board on August 22, 2023.

Strategic Plan Impact Statement

The RFP for master trust/custodial services and securities lending program management assists the fund with optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP is in line with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Semi-finalist Overview Matrix



**SEMI-FINALISTS OF THE MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING SEARCH
SEMI-FINALIST OVERVIEW MATRIX**

Firm Name	The Northern Trust Company	State Street Corporation
Assets Under Custody and/or Administration (\$bn)	~\$10,100 (as of 3/31/2023)	~\$39,600 (as of 3/31/2023)
Ownership Structure	Publicly Traded	Publicly Traded
Headquarters	Chicago, IL	Boston, MA
Year Founded	1889	1792
Number of Firm Employees	~24,000	~43,000
Number of Clients Globally	2,777 (as of 3/31/2023)	1,749 (as of 6/30/2023)



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO INVESTMENT COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: FEBRUARY 13, 2024
ITEM: VI

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGEMENT CONTRACT WITH ROBERT W. BAIRD & CO., INC. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Robert W. Baird & Co., Inc. for management of an active core fixed income portfolio.

Executive Summary

Robert W. Baird & Co., Inc. (Baird) has managed an active core fixed income portfolio for LACERS since March 2005. LACERS' portfolio was valued at approximately \$642 million as of December 31, 2023. Baird's current contract expires on May 31, 2024. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with Baird.

Discussion

Background

Baird manages an active core fixed income portfolio for LACERS benchmarked against the Bloomberg U.S. Aggregate Bond Index. The investment process begins with an evaluation of the return potential of each sector. Baird then determines which issuers offer the best relative value within each sector. Available issues are then screened based on credit quality, attributes, structure, and liquidity. Credit research plays a fundamental role in the investment process and is a critical aspect of security selection. Yield curve positioning has also been a driver of the portfolio's performance over time. Co-CIOs Mary Ellen Stanek (44 years industry experience, 23 with Baird) and Warren Pierson (37 years industry experience, 23 with Baird), Senior Portfolio Manager Charles Groeschell (43 years industry experience, 23 with Baird) and Director of Research Jay Schwister (38 years industry experience, 18 with Baird) lead the firm's formulation of investment outlook and portfolio strategy. LACERS' portfolio was valued at \$642 million as of December 31, 2023.

Baird previously managed an active domestic core fixed income portfolio for LACERS between March 2005 and June 2021. This portfolio outperformed its benchmark, the Bloomberg U.S. Intermediate Government/Credit Bond Index, by an annualized 53 basis points net-of-fees. For its current mandate,

the Board hired Baird through the 2019-2021 Active Core Fixed Income search process and authorized a three-year contract on January 26, 2021; the contract became effective on June 1, 2021. The current contract expires on May 31, 2024.

Organization

Baird has been privately held and employee-owned since 2004. Baird Advisors, the asset management unit of Baird, currently has 76 employees and is headquartered in Milwaukee, Wisconsin. As of December 31, 2023, Baird Advisors managed approximately \$131.5 billion of total assets, with \$57.6 billion of assets in the Core Bond Strategy.

Due Diligence

Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an extensive onsite meeting at Baird’s headquarters on October 5, 2023, that included interviews with key personnel across the organization. Staff determined that Baird’s investment philosophy, strategy, and process have not changed materially since inception of the current contract. In October 2021, Warren Pierson was named Co-Chief Investment Officer of Baird Advisors. The announcement did not impact the day-to-day management of the strategy. Baird is in compliance with the LACERS Manager Monitoring Policy.

Performance

As of December 31, 2023, Baird outperformed its benchmark over the 3-Month, 1-Year, 2-Year and Since Inception time periods as presented in the table below.

Annualized Performance as of 12/31/2023 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception ¹
Baird	7.10	6.52	-3.89	-2.76
Bloomberg U.S. Aggregate Bond Index	6.82	5.53	-4.19	-3.17
<i>% of Excess Return</i>	<i>0.28</i>	<i>0.99</i>	<i>0.30</i>	<i>0.41</i>

¹Inception date 6/17/2021

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance as of 12/31/2023 (Net-of-Fees)			
	2023	2022	6/17/2021 - 12/31/2021
Baird	6.52	-13.29	0.83
Bloomberg U.S. Aggregate Bond Index	5.53	-13.01	0.38
<i>% of Excess Return</i>	<i>0.99</i>	<i>-0.28</i>	<i>0.45</i>

Fees

LACERS pays Baird an effective fee of 11 basis points (0.11%), which is approximately \$703,000 annually based on the value of LACERS' assets as of December 31, 2023. The fee ranks in the 2nd percentile of fees charged by similar core fixed income managers in the eVestment database (i.e., 98% of like-managers have higher fees). Since inception of its current mandate, LACERS has paid Baird a total of \$1.46 million in investment management fees.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Baird will allow the fund to maintain a diversified exposure to the active core fixed income market, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: February 13, 2024

Subject: Baird Advisors

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the contract with Baird Advisors ('Baird') for a period of three years from the date of contract expiry.

Background

Baird has been an investment manager for LACERS since March 2005 having managed an intermediate duration investment grade corporate and government bond portfolio until June 2021. The current core fixed income portfolio was funded on June 17, 2021. As of November 30, 2023, Baird managed \$619.1 million, or 2.8% of Plan assets. The portfolio is benchmarked against the Bloomberg U.S. Aggregate Bond Index and has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing according to LACERS' manager monitoring policy.

Baird Advisors was formed as an investment group within the larger Baird organization in the year 2000 by the former portfolio management team at Firststar Investment Research and Management Company. Baird traces its origins back to 1919 when the firm was the investment arm of First Wisconsin National Bank. In 1982, Northwestern Mutual purchased 80% of Baird and in 2004, Baird became employee-owned after completing its purchase from Northwestern Mutual. Today, Baird is a privately held full service financial services firm headquartered in Milwaukee, Wisconsin. The firm is 95% employee owned and Northwestern Mutual owns the remaining equity interest. More than 80% of Baird's 5,100 employees own firm stock and no single associate owns more than 5%. All eligible members of the Baird Advisors Portfolio Management Team have equity interest in Baird in the form of purchased shares. Assets under management at Baird Advisors is \$121.1 billion as of September 30, 2023.

The senior investment management team has a long tenure, led by co-CIO's Mary Ellen Stanek and CIO Warren Pierson, and includes senior members from credit research and portfolio construction. The team is charged with forming the investment outlook and overall portfolio strategy. All members of the team have 30+ years of experience. The senior leadership has been with the firm since the core bond product's inception.

Baird's investment philosophy is focused on discipline and risk control and the benchmark is a starting point. The portfolio invests in only USD cash bonds with a bottom-up focused approach. Duration is kept neutral. The goal is to be tortoise-like, grinding away in a structured fashion and slowly and consistently add value. The view is to avoid negative surprises while earning modest incremental return. Baird also views the portfolio as expected and necessary liquidity providers for their clients and constructs portfolios with this in mind. Baird provides a moderate risk, liquid, stable core fixed income offering to clients. By all accounts and expectations, the firm and team are stable

and staid, providing the traditional stability and liquidity of a high quality, spread-oriented, mid-tracking error core fixed income offering. The investment edge for Baird is caution and a focus on liquidity and stability through downside aversion. Portfolio management is conducted on a team basis. Portfolio shifts generally occur gradually as the team moves towards sectors where they see relative value, while also focusing on yield curve roll down. Generally, the edge is winning by grinding out excess income over time without undue idiosyncratic risk.

The Baird process relies on a constant focus and evaluation of the benchmark. The mindset is to maintain moderate active risk and not allow the portfolios to unintentionally drift from the benchmark, while maintaining a benchmark neutral duration posture. There are four areas of focus: yield curve positioning to maximize carry and roll down, relative value-based sector allocation, issue selection, and execution/t-cost minimization. The portfolio evolves gradually across these four components, primarily using cash flow to slowly reposition, minimizing trading costs. The portfolio is very liquid by nature. Risk management is more integrally process driven, than independent oversight oriented.

The portfolio tends to be well diversified with a focus on more stable and predictable cash flows. Corporate exposure is highly diversified, with position size decreasing with ratings. Corporate exposure also leans shorter than the benchmark. In securitized, the focus is on stability of cash flow. Structure and collateral analysis favor seasoned issues, lower loan-to-value and high-quality originators and servicers. Investments are solely in the most senior part of the respective cap structure. The securitized portion of the portfolio is always viewed as the second line of liquidity behind governments furthering the focus on quality and seniority. The portfolio does not use derivatives or leverage.

Performance

Referring to Exhibit 1, as of November 30, 2023, since the portfolio's inception date of July 1, 2021¹, the portfolio has outperformed its benchmark by 0.2%. Over the last one-year, the portfolio has outperformed the benchmark by 0.9% and year-to-date ended November 30, 2023 has outperformed by 0.8%. Referring to Exhibit 2, as of September 30, 2023, since inception the portfolio outperformed the benchmark by 0.2% and ranked in the 35th percentile in its peer group. Over the last one-year, the portfolio outperformed by 0.9% and ranked in the 20th percentile in its peer group.

Referring to Exhibit 3, as of December 31, 2023, over longer periods of time citing the Baird Core Bond investment product composite, since inception the portfolio has outperformed its benchmark's return by 0.5%. The portfolio has also outperformed its benchmark by 0.5% in the last ten-year and five-year periods.

Referring to Exhibit 4, in a challenging 2022, the portfolio generated both negative absolute and relative returns. Credit positioning was the biggest detractor to returns and underperformance was driven by a relative overweight to financials. Over the course of 2023 portfolio outperformance was driven by Baird's consistent positioning with an overweight to investment grade credit in the financials sector and an overweight to BBB rated credits. Yield curve positioning also contributed to outperformance against the benchmark.

1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.

Fees

The portfolio has an asset-based fee of 0.11% annually. This fee ranks in the 2nd percentile among peers in the eVestment Core Fixed Income universe. In other words, 98% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

Baird has outperformed its benchmark and has executed on its mandate in providing core bond asset management services. The firm, portfolio management team and strategy have been stable. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1: Performance Comparison Net of Fees as of November 30, 2023

	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Inception	Inception Date
Baird Advisors Core Fixed Income	4.6	2.4	2.1	--	--	--	-4.7	Jul-21
Blmbg. U.S. Aggregate Index	4.5	1.6	1.2	--	--	--	-4.9	
<i>Over/Under</i>	<i>0.1</i>	<i>0.8</i>	<i>0.9</i>	--	--	--	<i>0.2</i>	

1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.



Exhibit 2: Universe Performance Comparison Net of Fees Ending September 30, 2023

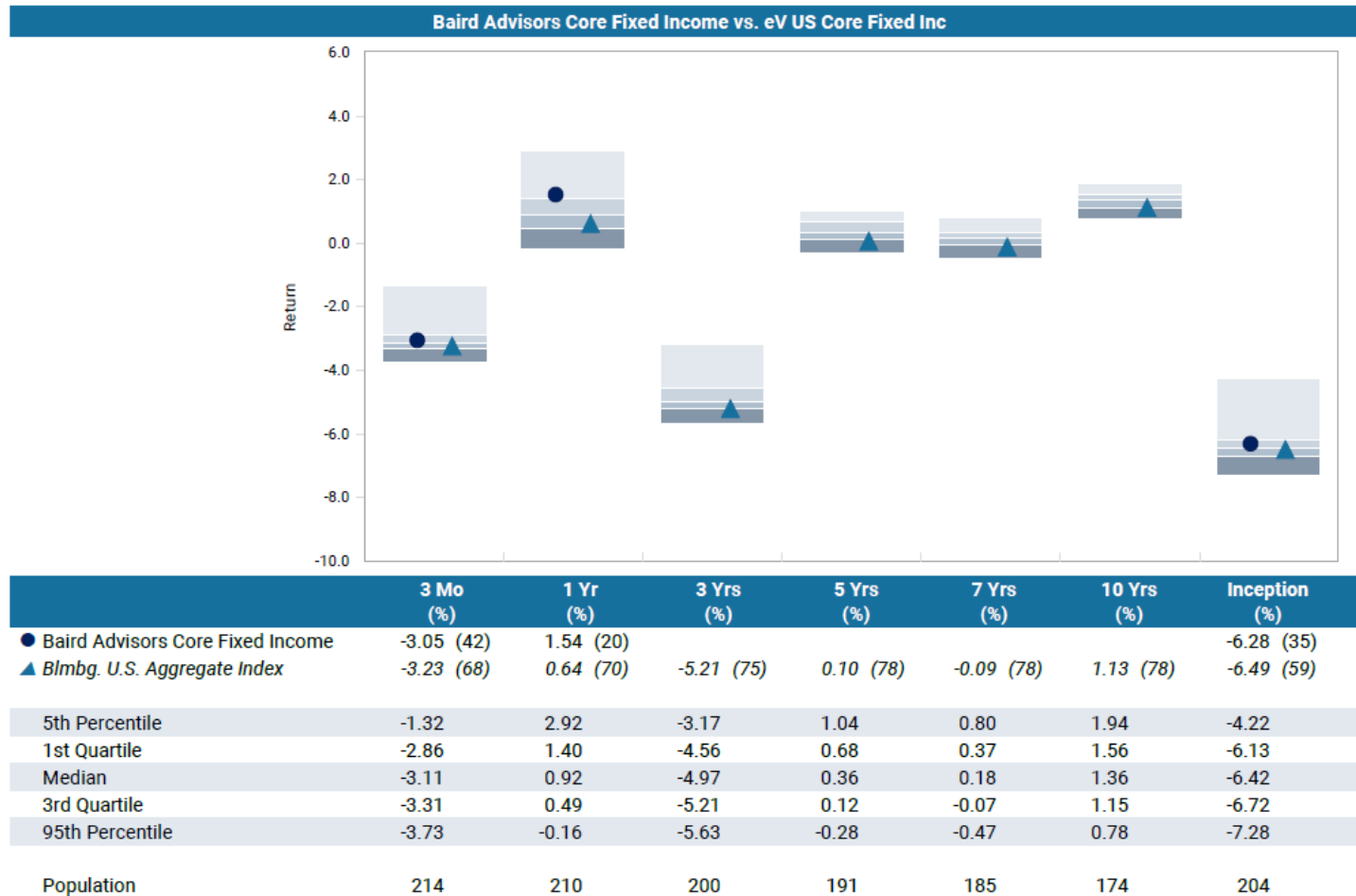
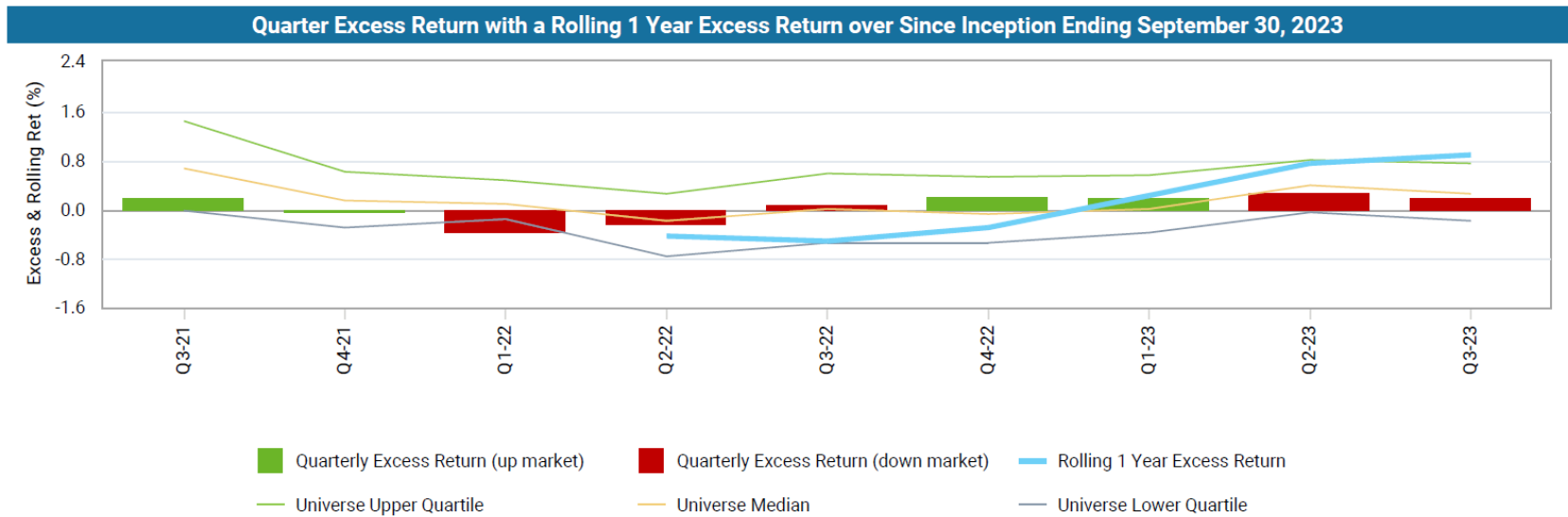


Exhibit 3: eVestment Composite Performance Net of Fees Ending December 31, 2023

Firm Name	Product Name	Returns - MRQ (12/2023)	Returns - YTD (12/2023)	Returns - 1 Year (12/2023)	Returns - 3 Years (12/2023)	Returns - 5 Years (12/2023)	Returns - 10 Years (12/2023)	Returns - Since Inception 21 Years 01/2003 - 12/2023
Baird Advisors	Core Bond	7.21	6.45	6.45	-3.13	1.58	2.26	3.75
Bloomberg Fixed Income Index	Bloomberg US Aggregate	6.82	5.53	5.53	-3.31	1.10	1.81	3.21
<i>Over/Under</i>		<i>0.39</i>	<i>0.92</i>	<i>0.92</i>	<i>0.18</i>	<i>0.47</i>	<i>0.45</i>	<i>0.54</i>

Exhibit 4: Cumulative Excess Performance Net of Fees Ending September 30, 2023



1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO INVESTMENT COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: FEBRUARY 13, 2024
ITEM: VII

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGEMENT CONTRACT WITH J.P. MORGAN INVESTMENT MANAGEMENT INC. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a three-year contract renewal with J.P. Morgan Investment Management Inc. for management of an active core fixed income portfolio.

Executive Summary

J.P. Morgan Investment Management Inc. (J.P. Morgan) has managed an active core fixed income portfolio for LACERS since June 2021. LACERS' portfolio was valued at approximately \$439 million as of December 31, 2023. J.P. Morgan's current contract expires on May 31, 2024. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with J.P. Morgan.

Discussion

Background

J.P. Morgan Investment Management Inc., marketed under the name J.P. Morgan Asset Management, manages an active core fixed income portfolio for LACERS benchmarked against the Bloomberg U.S. Aggregate Bond Index. The strategy uses a bottom-up approach that is based on finding undervalued securities and sectors to provide incremental yield and total return versus the benchmark. The security selection process emphasizes the securitized sectors based upon the belief that the market is less efficient at pricing these securities. Duration management is the firm's primary risk control measure. While Richard Figuly (30 years industry experience, 29 years with the firm) serves as the lead portfolio manager for the J.P. Morgan Core Bond Strategy, the strategy is managed on a team basis to incorporate a range of opinions into the investment process. Team members include portfolio managers, traders, research analysts, and risk management professionals. LACERS' portfolio was valued at \$439 million as of December 31, 2023.

The Board hired J.P. Morgan through the 2019-2021 Active Core Fixed Income search process and authorized a three-year contract on January 26, 2021; the contract became effective on June 1, 2021. The current contract expires on May 31, 2024.

Organization

J.P. Morgan is a wholly-owned subsidiary of JP Morgan Chase & Co., a publicly-traded company (NYSE ticker symbol JPM). The firm has approximately 8,300 employees, over 1,300 of whom are investment professionals. As of December 31, 2023, J.P. Morgan managed approximately \$2.9 trillion of total assets, with \$85.8 billion of assets in the Core Bond strategy.

Due Diligence

Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an extensive onsite meeting at J.P. Morgan's offices on October 18, 2023, that included interviews with key personnel across the organization. Staff determined that J.P. Morgan's investment philosophy, strategy, and process have not changed materially since contract inception. Effective October 2023, Kay Herr succeeded Steven Lear as the U.S. CIO of Global Fixed Income, Currency and Commodities. This transition was among a number of personnel changes within executive leadership over the course of the contract period, none of which were deemed to have created any adverse impact on the management of the strategy. J.P. Morgan is in compliance with the LACERS Manager Monitoring Policy.

Performance

As of December 31, 2023, J.P. Morgan outperformed its benchmark over the 1-Year, 2-Year and Since Inception time periods, but underperformed its benchmark over the 3-Month period, as presented in the table below.

Annualized Performance as of 12/31/2023 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception ¹
J.P. Morgan	6.63	5.81	-3.59	-2.24
Bloomberg U.S. Aggregate Bond Index	6.82	5.53	-4.19	-3.25
<i>% of Excess Return</i>	<i>-0.19</i>	<i>0.28</i>	<i>0.60</i>	<i>0.99</i>

¹Inception date 6/22/2021

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance as of 12/31/2023 (Net-of-Fees)			
	2023	2022	6/22/2021 - 12/31/2021
J.P. Morgan	5.81	-12.16	1.61
Bloomberg U.S. Aggregate Bond Index	5.53	-13.01	0.22
<i>% of Excess Return</i>	<i>0.28</i>	<i>0.85</i>	<i>1.39</i>

Fees

LACERS pays J.P. Morgan an effective fee of 14 basis points (0.14%), which is approximately \$612,000 annually based on the value of LACERS' assets as of December 31, 2023. The fee ranks in the 7th percentile of fees charged by similar core fixed income managers in the eVestment database (i.e., 93% of like-managers have higher fees). Since inception, LACERS has paid J.P. Morgan a total of \$1.13 million in investment management fees.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with J.P. Morgan will allow the fund to maintain a diversified exposure to the active core fixed income market and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: February 13, 2024

Subject: JP Morgan

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the contract with JP Morgan ('JPM') for a period of three years from the date of contract expiry.

Background

The JPM Core Bond portfolio was funded on June 22, 2021 to provide asset management services within LACERS' core fixed income allocation. As of November 30, 2023, JPM managed \$424.0 million, or 1.9% of Plan assets. The portfolio is benchmarked against the Bloomberg U.S. Aggregate Bond Index and has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing according to LACERS' manager monitoring policy.

JP Morgan Asset Management ('JPMAM') manages assets for individuals, advisors and institutions with history dating back to 1863. JPMAM began its most recent period of development in the year 2000 with the establishment of their parent group, JP Morgan Chase or JPMC, following the merger of J.P. Morgan & Co. Incorporated and The Chase Manhattan Corporation. JPMC merged with Bank One Corporation in 2004. On May 1, 2023, JPMC acquired the substantial majority of assets and assumed the deposits and certain other liabilities of First Republic Bank from the Federal Deposit Insurance Corporation (FDIC). JPMAM is the brand name of the group of companies that constitute the investment management business of JPMC and its affiliates worldwide and has its headquarters in New York. JP Morgan Investment Management Inc., is an SEC-registered investment advisor and an indirect wholly owned subsidiary of JPMC, a publicly traded corporation that is listed on the New York Stock Exchange (Ticker: JPM). JPM has \$2.755 trillion in AUM as of September 30, 2023.

The JPM Core Bond portfolio is managed on a team basis to incorporate a range of opinions into the investment process. Team members include 10 portfolio managers, traders, research analysts and risk management professionals. All members of the team contribute new ideas. JPM believes that this open communication allows individuals on the team to expand their horizons and reach for creative new ideas that are then put through our disciplined process to determine if the idea adds value. Each portfolio manager takes the recommendations of the team and selects or sells the appropriate securities in their portfolios. Richard Figuly is the lead portfolio manager and has ultimate decision-making authority.

JPM believes inefficiencies in the fixed income market are pervasive and will continue. However, the identification of individual undervalued securities is difficult and requires advanced analytical skills and extensive experience to capitalize successfully on inefficiencies. JPM identifies inefficiencies through a combination of active investment management and disciplined risk control. The portfolio incorporates a bottom-up, value-oriented approach to fixed income investment

management and central to this approach is: Identifying securities that are priced inefficiently; Making sector allocation decisions based on a broad sector outlook, utilizing expected return and valuation analysis; Managing yield curve, with an emphasis on evaluating relative risk/reward relationships along the yield curve and; Managing portfolio duration used primarily as a risk control measure.

The investment process for the Strategy combines the consistent application of a value-oriented framework and the ongoing review, monitoring and control of key portfolio characteristics. Areas of emphasis in managing the strategy include security selection, sector allocation and yield curve and duration management in concert with the overall maintenance of a high-quality portfolio. Security selection the hallmark of the strategy whereby JPM identifies high-quality individual issues with an emphasis on identifying undervalued securities. Security selection includes all sectors of the Bloomberg U.S. Aggregate Index including: corporate bonds, mortgage-backed securities, asset-backed securities, treasury securities and agency bonds. Although the fixed income investment process is driven largely by a bottom-up approach emphasizing security selection, close attention is paid to sector and sub-sector valuations and weightings. Sectors are analyzed and their relative attractiveness is based on an assessment of economic and industry factors as well as supply and demand conditions.

Performance

Referring to Exhibit 1, as of November 30, 2023, since the portfolio's inception date of July 1, 2021¹, the portfolio has outperformed its benchmark by 0.4%. Over the last one-year, the portfolio has outperformed the benchmark by 0.5% and year-to-date ended November 30, 2023 has outperformed by 0.3%. Referring to Exhibit 2, as of September 30, 2023, since inception the portfolio outperformed the benchmark by 0.6% and ranked in the 19th percentile in its peer group. Over one-year, the portfolio outperformed by 0.4% and ranked in the 43rd percentile in its peer group.

Referring to Exhibit 3, as of December 31, 2023, over longer periods of time citing the JPM Core Bond investment product composite, since inception the portfolio has outperformed its benchmark's return by 0.4%. The portfolio has also outperformed its benchmark by 0.3% in the last ten-years and 0.5% in the last five-year period.

Referring to Exhibit 4, in a challenging 2022, the portfolio generated outperformance in a down market. Credit positioning and sector positioning in securitized assets contributed to outperformance. Over the course of 2023 portfolio outperformance was driven by credit and sector allocation.

Fees

The portfolio has an asset-based fee of 0.14% annually. This fee ranks in the 7th percentile among peers in the eVestment Core Fixed Income universe. In other words, 93% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

JPM has outperformed its benchmark and has executed on its mandate in providing core bond asset management services. The firm, portfolio management team and strategy have been stable. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.

Exhibit 1: Performance Comparison Net of Fees as of November 30, 2023

	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Inception	Inception Date
JP Morgan Investment Management	4.3	1.9	1.7	--	--	--	-4.5	Jul-21
Blmbg. U.S. Aggregate Index	4.5	1.6	1.2	--	--	--	-4.9	
<i>Over/Under</i>	-0.2	0.3	0.5	--	--	--	0.4	

1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.



Exhibit 2: Universe Performance Comparison Net of Fees Ending September 30, 2023

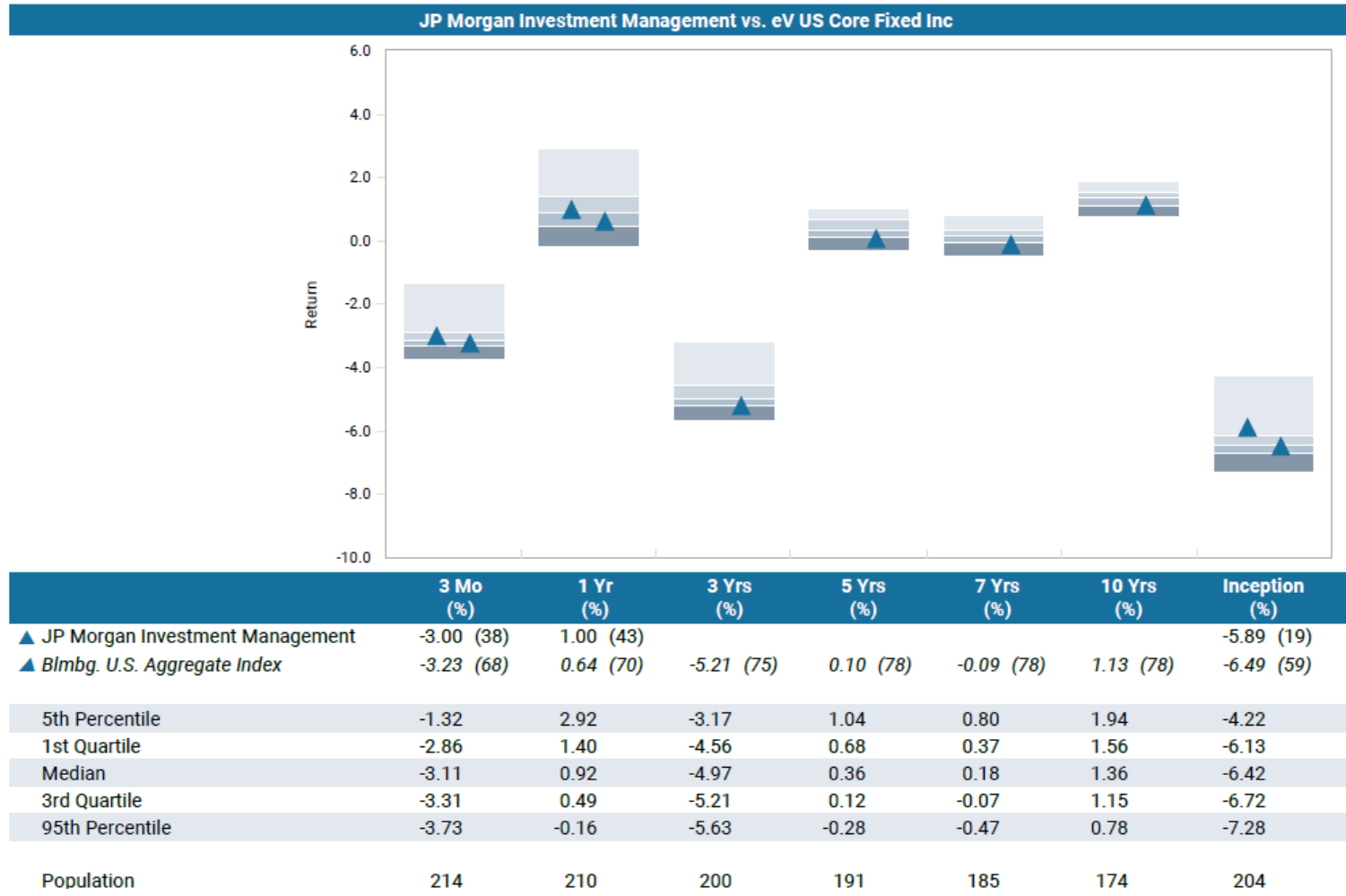
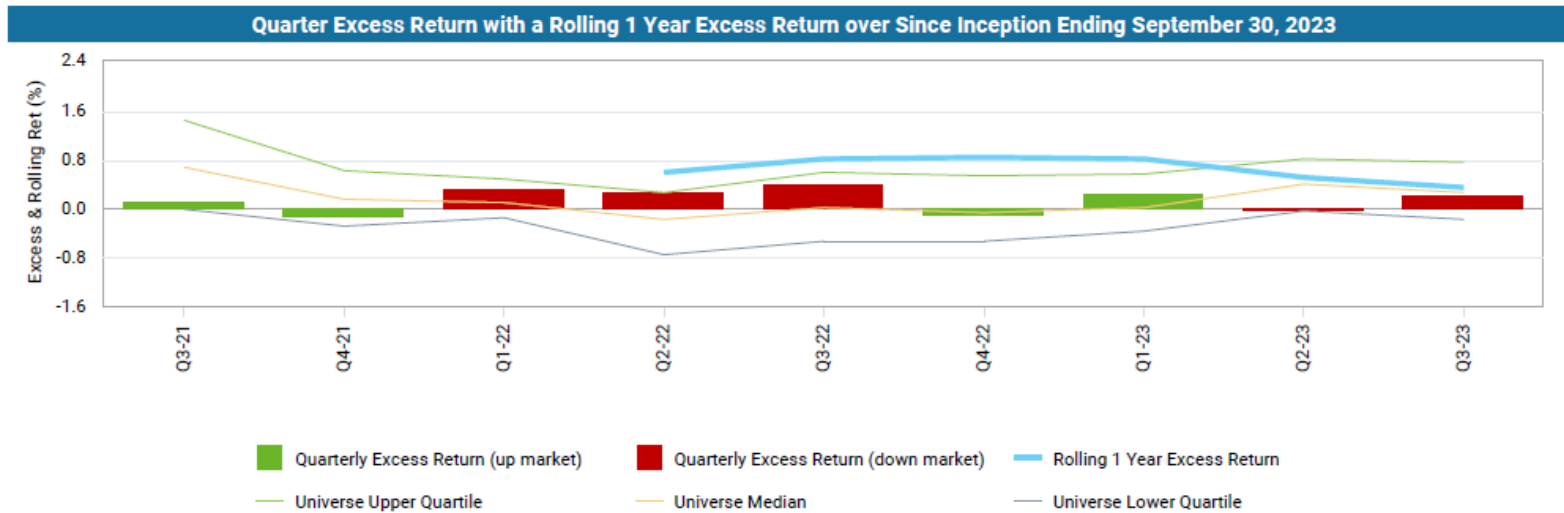


Exhibit 3: eVestment Composite Performance Net of Fees Ending December 31, 2023

Firm Name	Product Name	Returns - MRQ (12/2023)	Returns - YTD (12/2023)	Returns - 1 Year (12/2023)	Returns - 3 Years (12/2023)	Returns - 5 Years (12/2023)	Returns - 10 Years (12/2023)	Returns - Since Inception 38 Years 01/1986 - 12/2023
J.P. Morgan Investment Management Inc.	JPM Core Bond	6.42	6.02	6.02	-2.69	1.62	2.15	6.06
Bloomberg Fixed Income Index	Bloomberg US Aggregate	6.82	5.53	5.53	-3.31	1.10	1.81	5.61
<i>Over/Under</i>		-0.40	0.49	0.49	0.62	0.52	0.34	0.44

Exhibit 4: Cumulative Excess Performance Net of Fees Ending September 30, 2023



1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.