

## ***Investment Committee Agenda***

### **REGULAR MEETING**

**TUESDAY, AUGUST 14, 2018**

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

### **MEETING LOCATION:**

LACERS Ken Spiker Boardroom  
202 West First Street, Suite 500  
Los Angeles, CA 90012-4401

Chair: Sung Won Sohn

Committee Members: Elizabeth Lee  
Nilza R. Serrano

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office  
Retirement Benefits Division

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, 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) 473-7169.

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR THE INVESTMENT COMMITTEE MEETING OF JULY 10, 2018 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [INVESTMENT MANAGER CONTRACT WITH LM CAPITAL GROUP, LLC REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- V. [RECEIVE AND FILE – ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM](#)
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, September 11, 2018, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

VIII. ADJOURNMENT



**Board of Administration Agenda**

**SPECIAL MEETING**

**TUESDAY, AUGUST 14, 2018**

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

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202 West First Street, Suite 500  
Los Angeles, CA 90012-4401

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President:	Cynthia M. Ruiz
Vice President:	Elizabeth L. Greenwood
Commissioners:	Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn Michael R. Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Retirement Benefits Division

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
- II. APPROVAL OF MINUTES FOR THE INVESTMENT COMMITTEE MEETING OF JULY 10, 2018 AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. INVESTMENT MANAGER CONTRACT WITH LM CAPITAL GROUP, LLC REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- V. RECEIVE AND FILE – ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM
- VI. OTHER BUSINESS
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VIII. ADJOURNMENT

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

LACERS Boardroom  
202 West First Street, Suite 500  
Los Angeles, California

July 10, 2018

2:48 p.m.

**Agenda of: August 14, 2018**

**Item No: II**

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PRESENT:	Chairperson:	Sung Won Sohn
	Committee Member:	Nilza Serrano
	Commissioner	Elizabeth L. Greenwood
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Erin Knight (Acting)
	Legal Counselor:	Joshua Geller Anya Freedman
ABSENT:	Committee Member:	Vacant

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

Commissioner Greenwood was present at the Investment Committee Meeting. Any votes will be taken by Committee Members only.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION – Chairperson Sohn asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response and no public comment cards received.

II

APPROVAL OF MINUTES FOR THE INVESTMENT COMMITTEE MEETINGS OF MAY 8, 2018 AND JUNE 26, 2018 AND POSSIBLE COMMITTEE ACTION – A Motion to approve the minutes of May 8, 2018 and June 26, 2018 was moved by Committee Member Serrano, seconded by Chair Sohn, and adopted by the following vote: Ayes, Committee Member Serrano, Chair Sohn –2; Nays, None.

*Item IV taken out of order.*

IV

COMMITMENT OF UP TO \$35 MILLION TO ALMANAC REALTY SECURITIES VIII, L.P. AND POSSIBLE COMMITTEE ACTION – Bryan Fujita, Chief Operating Officer and Eduardo Park, Investment Officer I, introduced the representatives from Almanac Realty Investors, Matthew Kaplan, Managing Partner and Josh Overbay, Managing Director. Mr. Kaplan and Mr. Overbay presented this item to the Committee. Robert Miranda, Vice President of Townsend Group also discussed this item with the Committee. The Committee requested to table this item to the next meeting.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, presented the Committee with the 12-month Investment Committee Calendar.

V

REAL ESTATE FISCAL YEAR 2018-19 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION – Robert Miranda, Vice President and Felix Fels, Associate with Townsend Group presented this item to the Committee. Committee Member Serrano moved approval, seconded by Chair Sohn, and adopted by the following vote: Ayes, Committee Member Serrano, Chair Sohn –2; Nays, None.

VI

INVESTMENT MANAGER CONTRACT WITH EAM INVESTORS, LLC, REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Bryan Fujita, Chief Operating Officer and Eduardo Park, Investment Officer I presented this item to the Committee. Committee Member Serrano moved approval of staff’s recommendation as amended with a two year renewal, and adopted by the following vote: Ayes, Committee Member Serrano, Chair Sohn -2; Nays, None.

VII

OTHER BUSINESS – There was no other business.

VIII

NEXT MEETING – The next Regular Meeting of the Investment Committee is scheduled for Tuesday, August 14, 2018, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

IX

ADJOURNMENT – There being no further business before the Committee, Chairperson Sohn adjourned the Meeting at 4:04 p.m.

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Sung Won Sohn

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Neil M. Guglielmo  
Manager-Secretary



**Report to Investment Committee**

Agenda of: **AUGUST 14, 2018**

*Neil M. Guglielmo*  
From: Neil M. Guglielmo, General Manager

ITEM: **IV**

**SUBJECT: INVESTMENT MANAGER CONTRACT WITH LM CAPITAL GROUP, LLC REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

Recommendation

That the Committee recommend to the Board a four-year contract renewal with LM Capital Group, LLC for management of an active domestic fixed income portfolio.

Discussion

*Background*

LM Capital Group, LLC (LM Capital) manages an active domestic (core) fixed income portfolio for LACERS benchmarked against the Bloomberg Barclays U.S. Aggregate Bond Index. LM Capital utilizes a fundamental, global macroeconomic approach to identify attractive fixed income securities and determine the portfolio positioning with respect to average maturity, duration, and sector allocation. The investment process is supplemented with global scenario planning, a qualitative risk management process that examines the impact of potential events on the portfolio. Luis Maizel, Co-Founder and Senior Managing Director, serves as the lead portfolio manager; John Chalker, Co-Founder and Senior Managing Director, serves as the co-portfolio manager. LACERS' portfolio was valued at approximately \$271.4 million as of June 30, 2018.

LM Capital was hired by the Board in 2005 following an RFP process. The most recent contract renewal was authorized by the Board on October 25, 2016, and is set to expire on February 28, 2019.

*Organization*

LM Capital was founded in 1989 and is 100% employee-owned. The firm is located in San Diego and has 21 employees. As of June 30, 2018, LM Capital managed \$4.3 billion in total assets, with \$2.4 billion in the core fixed income strategy.

*Due Diligence*

LM Capital's organizational structure, key personnel, investment philosophy, strategy, and process have not changed over the contract period.

*Performance*

As of June 30, 2018, LM Capital outperformed its benchmark, net-of-fees, over all time periods except for the three-month and one-year timeframes as presented in the table below. LM Capital is in compliance with the LACERS Manager Monitoring Policy.

Annualized Performance as of 6/30/18 (Net-of-Fees)									
	3-Month	1-Year	2-Year	3-Year	4-Year	5-Year	7-Year	10-Year	Since Inception <sup>^</sup>
LM Capital (%)	-0.43	-0.47	0.15	1.97	1.92	2.69	2.81	4.10	4.28
BC U.S. Aggregate* (%)	-0.16	-0.40	-0.36	1.72	1.75	2.27	2.62	3.55	3.84
<i>Excess Return (%)</i>	<i>-0.27</i>	<i>-0.07</i>	<i>0.51</i>	<i>0.25</i>	<i>0.17</i>	<i>0.42</i>	<i>0.19</i>	<i>0.55</i>	<i>0.44</i>

<sup>^</sup>Inception Date: March 31, 2005

\*Benchmark performance shown is a blend of the Barclays U.S. Aggregate Index and the Barclays U.S. Universal Index (Universal Index). From 9/30/2011 to 6/30/2013, LACERS benchmarked LM Capital to the Universal Index.

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

Calendar Year Performance as of 6/30/18 (Net-of-Fees)										
	1/1/18 to 6/30/18	2017	2016	2015	2014	2013	2012	2011	2010	2009
LM Capital (%)	-2.01	4.22	3.16	1.00	5.69	-1.70	6.94	5.84	7.30	13.13
BC U.S. Aggregate* (%)	-1.62	3.54	2.65	0.55	5.97	-1.87	5.53	6.43	5.89	5.24
<i>% of Excess Return</i>	<i>-0.39</i>	<i>0.68</i>	<i>0.51</i>	<i>0.45</i>	<i>-0.28</i>	<i>0.17</i>	<i>1.41</i>	<i>-0.59</i>	<i>1.41</i>	<i>7.89</i>

\*See note below Annualized Performance table.

#### Fees

LACERS pays LM Capital an effective fee of 11 basis points (0.11%). This includes a 15% fee discount based on a contract clause that provides for such a discount in instances where the Los Angeles Fire and Police Pensions (LAFPP) and/or the Los Angeles Water and Power Employees' Retirement Plan is/are invested in the same strategy with LM Capital. In this case, LAFPP is invested in the same strategy. LACERS' effective fee is approximately \$300,214 annually based on the value of LACERS' assets as of June 30, 2018. This fee ranks in the 3<sup>rd</sup> percentile of LM Capital's peers based on the eVestment U.S. Core Fixed Income universe (i.e., LM Capital's fee is lower than 97% of peers). The median fee of the universe for a similar sized portfolio is 22 basis points.

#### General Fund Consultant Opinion

NEPC, LACERS' General Fund Consultant, concurs with this recommendation.

#### Strategic Plan Impact Statement

A contract renewal with LM Capital Group, LLC will allow the fund to maintain a diversified exposure to the core fixed income markets, which is expected to help achieve satisfactory long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

This report was prepared by Jimmy Wang, Investment Officer I, Investment Division.

RJ:BF:WL:JW:ag

Attachments: A) Consultant Recommendation – NEPC  
B) Workforce Composition





**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** August 14, 2018  
**Subject:** LM Capital Core Fixed Income – Contract Renewal

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### **Recommendation**

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract that is currently in place with LM Capital ('LM Capital') for a period of four years from the date of contract expiry.

### **Background**

LM Capital has had a relationship with LACERS since March 2005. The portfolio managed for LACERS falls within LM Capital's opportunistic core product which is benchmarked against the Bloomberg Barclays U.S. Aggregate Bond Index.

As of June 30, 2018, LM Capital managed \$271.4 million, or 1.6% of Plan assets in the Core Plus Fixed Income product with an asset-based fee of 0.11% annually. This fee ranks in the 3<sup>rd</sup> percentile of its peers in the eVestment U.S. Core Fixed Income Universe. In other words, 97% of the 226 core fixed income products included in the peer universe have a higher fee than the LACERS account. For further reference, the median fee in the universe for a similarly sized portfolio is 0.22%. The performance objective is to outperform the Bloomberg Barclay's U.S. Aggregate Bond Index by at least 0.20%, net of fees, annualized over a full market cycle (normally three-to-five years). Performance of the LM Capital Core Fixed Income account is currently compliant with LACERS' manager monitoring policy.

LM Capital was founded in 1989 by Luis Maizel and John Chalker and is a privately held 100% employee-owned fixed income boutique firm with approximately \$4.3 billion in assets under management ('AUM'), eight investment professionals and 21 employees in total. The firm is headquartered in San Diego. The firm is a Minority Business Enterprise, with their majority shareholders being of Hispanic descent. The firm has approximately \$2.4 billion in AUM in opportunistic core fixed income mandates.

The portfolio is managed by a team of three portfolio managers including Luis Maizel, John Chalker, Mario Modiano and trader, Rachel Wilson. They are supported by a dedicated research team of four individuals.



LM Capital takes a global approach to managing fixed income portfolios, based on top down analysis of global macroeconomic factors. They believe that global economic, political and social factors influence markets and ultimately influence the performance of each bond sector and region. Understanding these factors will allow them to take advantage of market anomalies and inefficiencies, thus producing attractive, risk-adjusted returns. The firm's value add comes primarily from security/sector allocation and duration management.

The team starts by constructing and analyzing a matrix of several economic indicators including inflation, trade balance, budget deficits, international factors, employment and other economic indicators. The macroeconomic factors are further scored by country to identify trends. From this analysis, duration, sector and country targets are set and attractive securities are selected. The team then applies several "what if" scenarios to markets and portfolios based on unexpected future events from a political, economic or social standpoint. They focus on events that could have a negative impact on portfolios and may adjust portfolios if they think the probability of a negative event happening is high.

### **Performance**

Referring to Exhibit 1, in the one-year period ended June 30, 2018, the portfolio slightly underperformed the index (-0.47% vs. -0.40%) but outperformed the index over the past five years by 0.41% (2.69% vs. 2.27%). Referring to Exhibit 2, the strategy has outperformed the Bloomberg Barclays U.S. Aggregate Bond Index by 0.43%, returning 2.47% net of fees, for the period ended March 31, 2018 since July 1, 2012 (when the portfolio mandate was constrained to a core portfolio). The portfolio ranked in the 31<sup>st</sup> percentile in its peer universe since July 1, 2012. The portfolio had an information ratio of 0.57 ranking 31<sup>st</sup> in its peer group and active risk, as measured by tracking error of 0.75%.

### **Conclusion**

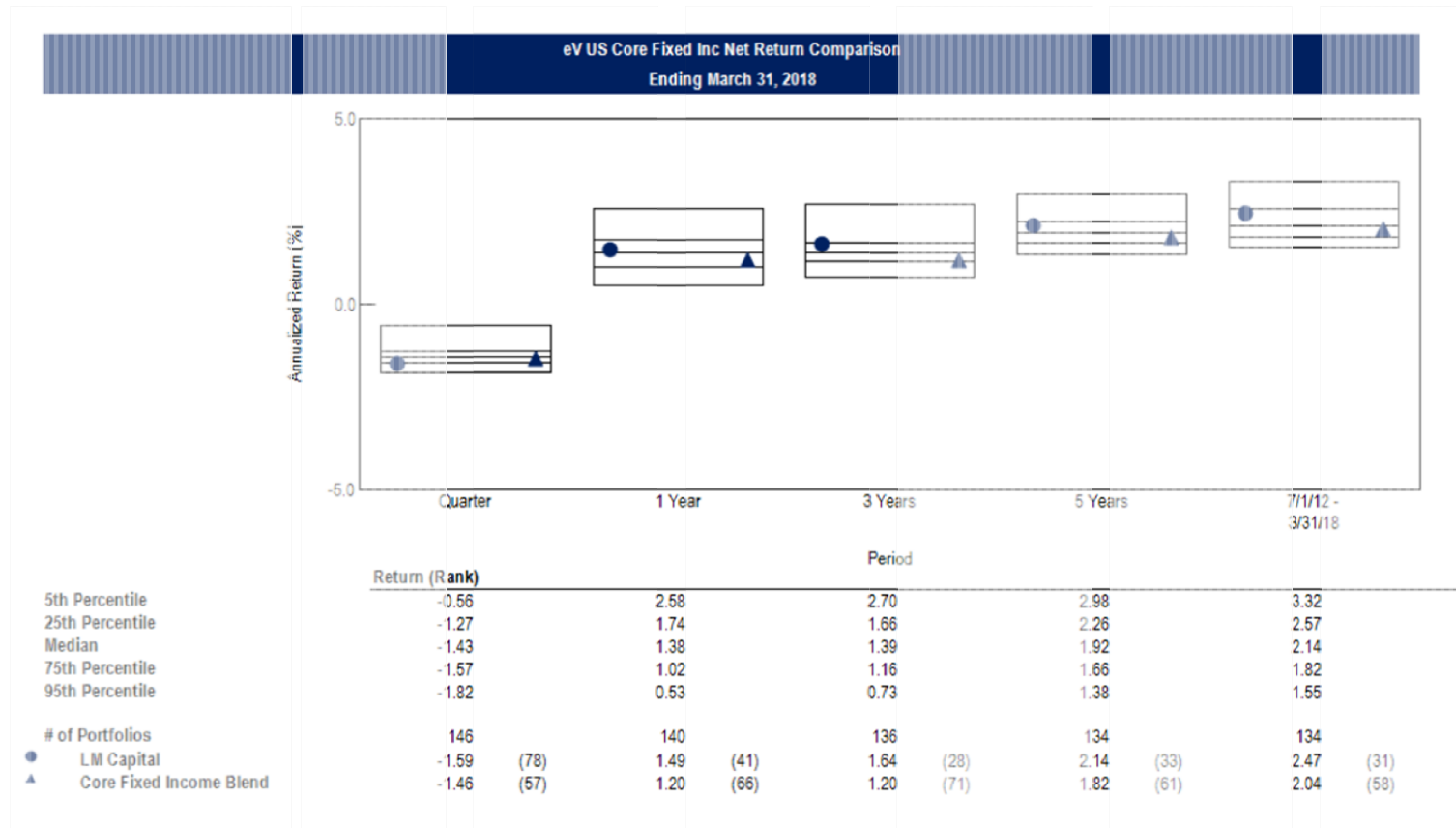
LM Capital has outperformed the index since March 2005, exhibited stability in their investment process, strategy and philosophy which suggests that their approach to asset management does have merit. The firm has been stable from a personnel and strategic perspective further adding to our conviction in the strategy. NEPC recommends a contract renewal for a period of four years from the period of contract expiry.

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

#### Exhibit 1

	Market Value (\$)	3Mo(%)	YTD(%)	Fiscal YTD(%)	1Yr(%)	3Yr(%)	5Yr(%)
LM Capital	271,386,198	-0.43	-2.01	-0.47	-0.47	1.97	2.69
Core Fixed Income Blend		-0.16	-1.62	-0.40	-0.40	1.72	2.27
Over/Under		-0.27	-0.39	-0.07	-0.07	0.25	0.41

Exhibit 2



Vendor **LM Capital Group**  
 Address **750 B Street, Suite 3010**  
**San Diego, CA 92101**

Date Completed: **7/30/2018**

Category **Opportunistic Core - Fixed Income**

TOTAL COMPOSITION OF WORK FORCE									
<u>Occupation</u>	<u>African</u>	<u>Hispanic</u>	<u>Asian or</u>	<u>American Indian</u>	<u>Caucasian</u>	<u>Total</u>	<u>Percent (%)</u>	<u>Gender</u>	
	<u>Full Time</u>	<u>Full Time</u>	<u>Pacific Islander</u>	<u>Alaskan Native</u>	<u>(Non Hispanic)</u>	<u>Employees</u>	<u>Minority</u>	<u>Male</u>	<u>Female</u>
	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>
Officials & Managers	0	4	0	0	0	4	100.00%	4	0
Professionals	0	1	0	0	5	6	16.67%	4	2
Technicians	0	1	0	0	0	1	100.00%	1	0
Sales Workers	1	2	0	0	3	6	50.00%	1	5
Office/Clerical	1	2	1	0	0	4	100.00%	2	2
Semi-Skilled	0	0	0	0	0	0	0.00%	0	0
Unskilled	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	0	0	0	0	0	0.00%	0	0
Other	0	0	0	0	0	0	0.00%	0	0
<b>Total</b>	<b>2</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>8</b>	<b>21</b>	<b>61.90%</b>	<b>12</b>	<b>9</b>



# LACERS

LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM



## Report to Investment Committee

Agenda of: **AUGUST 14, 2018**

*Neil M. Guglielmo*  
From: Neil M. Guglielmo, General Manager

ITEM: **V**

**SUBJECT: ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM**

### Recommendation

That the Investment Committee receive and file this report.

### Discussion

#### *Background*

LACERS' Emerging Investment Manager Policy (Policy), adopted on February 14, 2012, and revised on September 24, 2013, identifies guidelines and goals in hiring and retaining Emerging Investment Managers in order to add value to the LACERS investment portfolio. The Policy includes Emerging Investment Manager goal metrics and criteria for investment firms that wish to qualify as an Emerging Investment Manager under the Policy definition. This annual report includes information pursuant to the Policy for the year ending December 31, 2017.

The Policy reporting requirements are as follows:

1. Names of Emerging Investment Manager firms hired.
2. Dollar amounts awarded to Emerging Investment Managers.
3. Report of Emerging Investment Manager Goals Metrics.
4. List of all investment manager searches.
5. Staff and consultant efforts to increase the visibility of LACERS investment manager searches and representation of Emerging Investment Managers in the LACERS investment portfolio.
6. Performance data for Emerging Investment Managers.

### Reporting Requirements 1 & 2: Names and Dollar Amounts Awarded to Emerging Investment Managers

Manager	Style	Asset Class	Investment/ Commitment
Defy Partners I, L.P.	VC - Early	Private Equity	\$10 million
NMS Fund III, L.P.	Buyout	Private Equity	\$10 million

### Reporting Requirement 3: Emerging Investment Manager Goal Metrics

Policy metrics are reported along broad asset classes including those that are within the domain of public markets, or those that are within the private markets including private equity and real estate. The policy metric goal for each of the broad asset classes is 10% on an aspirational basis.

For each public market asset class, there are two metrics for measuring Emerging Investment Manager exposure: 1) Asset Class Metric: the total market value of Emerging Investment Managers within a respective asset class divided by the total market value of the respective asset class; and 2) Manager Search Metric: total of all dollars awarded to Emerging Investment Managers in a particular public asset class manager search divided by the total dollars awarded for the respective manager search.

For each private market asset class, there are two metrics for measuring Emerging Investment Manager exposure: 1) Asset Class Metric: the total committed dollars of Emerging Investment Managers within a respective asset class divided by all the dollars within that respective asset class on a market value basis; and 2) Manager Search Metric: the total of all committed capital awarded to Emerging Investment Managers of completed searches within a respective private market asset class divided by all committed capital awarded within the respective private market asset class over a 36-month rolling period ending December 31, 2017.

The following tables provide an overview of Emerging Investment Manager exposure within public markets and private markets, based on the Policy metrics:

#### *Public Markets*

Asset Class Metric	
Asset Class	Emerging Investment Manager Exposure
U.S. Equity	2.4%
Non-U.S. Equity	3.2%

Note: There are no emerging investment managers under contract within Fixed Income, Credit Opportunities, or Public Real Assets.

#### Manager Search Metric

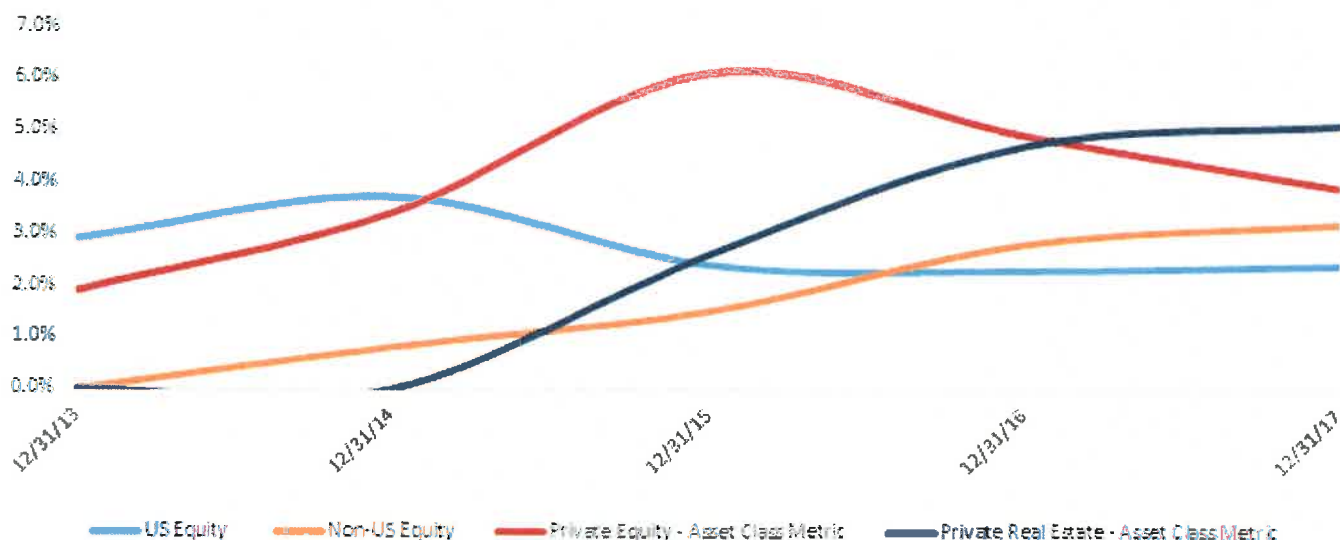
- No public market searches were conducted during calendar year 2017.

#### *Private Markets*

Asset Class	Asset Class Metric	Manager Search Metric
Private Equity	3.9%	7.3%
Private Real Estate	5.1%	19.1%

On a fund-number basis for the 36-month period ending December 31, 2017, LACERS authorized commitments to a total of seven private equity Emerging Investment Managers out of 49 private equity funds (14%) and two real estate Emerging Investment Managers out of nine real estate funds (22%).

### Emerging Manager Exposure by Asset Class



	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
U.S. Equity	2.9%	3.7%	2.4%	2.3%	2.4%
Non-U.S. Equity	0.0%	0.8%	1.5%	2.8%	3.2%
Private Equity – Asset Class Metric	1.9%	3.4%	6.1%	4.9%	3.9%
Private Real Estate – Asset Class Metric	0.0%	0.0%	2.6%	4.7%	5.1%

#### Reporting Requirement 4: Searches Conducted in 2017

No public market searches were conducted during the calendar year.

#### Reporting Requirement 5: Efforts to Increase Visibility and Representation of Emerging Investment Managers

##### *Staff*

LACERS actively engages the emerging manager community to help achieve the policy objectives established by the Emerging Investment Manager Policy. During the 2017 calendar year, staff participated in the following emerging manager events:

2017 Emerging Manager Events	
January	Texas Teachers Retirement System Conference
May	CalPERS and CalSTRS Diversity Forum
June	National Association of Securities Professionals (NASP) RG Associates Consortium EAST
September	Association of Asian American Investment Managers (AAAIM) New American Alliance (NAA)
October	National Association of Investment Companies Conference (NAIC) LA Clean-Tech Incubator
November	GCM Grosvenor Emerging Manager Conference

In addition, staff regularly meets with emerging managers. During the 2017 calendar year, staff held a total of 57 emerging manager meetings, which included discussions among the following investment asset classes: Public Markets - 32%; Private Equity - 49%; Real Estate - 19%.

**Consultants**

LACERS retains three investment consultants. The consultant's respective emerging manager activities for the one-year period ending December 31, 2017, are summarized below.

Consultant	Meetings or Calls	Emerging Manager Conferences	Awarded to Emerging Managers
NEPC, LLC (General)	166	5	\$995.5 million/ 22 managers
Portfolio Advisors, LLC (Private Equity)	200	7	\$171.5 million/ 13 managers
The Townsend Group (Real Estate)	53	5	\$586.0 million/ 7 managers

Note: The definition of "Emerging Manager" for this matrix is based on the emerging investment manager criteria unique to each consultant.

**Reporting Requirement 6: Performance Data of LACERS Emerging Investment Managers (as of 12/31/2017)**

**Public Markets (Net-of-Fees)**

	One Year	Two Years	Three Years	Five Years	Since Inception
Oberweis Asset Management, Inc. <sup>1</sup>	41.49	15.96	15.88	-	11.29
MSCI EAFE Small Cap Index	33.01	16.58	14.20	-	9.72
<i>Excess Return</i>	<i>8.48</i>	<i>-0.62</i>	<i>1.68</i>	<i>-</i>	<i>1.57</i>
EAM Investors LLC <sup>2</sup>	22.68	13.30	-	-	12.55
Russell 2000 Growth Index	22.17	16.62	-	-	16.82
<i>Excess Return</i>	<i>0.51</i>	<i>-3.32</i>	<i>-</i>	<i>-</i>	<i>-4.27</i>

<sup>1</sup> Account funded on January 15, 2014. Manager no longer meets the LACERS definition of an emerging manager as of the fourth quarter of 2015; firm assets under management exceed \$2 billion.

<sup>2</sup> Account funded on October 1, 2015. Manager no longer meets the LACERS definition of an emerging manager as of the third quarter of 2017; firm assets under management exceed \$2 billion.



*Private Markets*

<b>Emerging Fund Managers</b>	<b>Vintage Year</b>	<b>Net IRR<sup>3</sup></b>	<b>Return Multiple</b>
<i>Private Equity</i>			
High Road Capital Partners Fund II, LP	2013	17.96%	1.63x
Blue Sea Capital Fund I, LP	2014	3.10%	1.05x
Oak HC/FT L.P.	2014	20.59%	1.41x
1315 Capital, L.P.	2015	10.87%	1.13x
New Water Capital Partners, L.P.	2015	-10.29%	0.90x
Angeles Equity Partners I, L.P.	2015	-19.70%	0.62x
CenterGate Capital Partners I, L.P.	2015	-16.95%	0.61x
Sunstone Partners I, L.P.	2016	-11.29%	0.92x
Defy Partners I, L.P.	2016 <sup>4</sup>	-56.67%	0.85x
NMS Fund III, L.P.	2017	0.00%	0.94x

<b>Emerging Fund Managers</b>	<b>Vintage Year</b>	<b>Net IRR</b>	<b>Return Multiple</b>
<i>Private Real Estate</i>			
Gerrity Retail Fund 2, L.P.	2015	8.90%	1.10x
Asana Partners Fund I	2017 <sup>5</sup>	19.3%	1.10x

***Strategic Plan Impact Statement***

The objective to hire and retain Emerging Investment Managers in order to add value to the LACERS investment portfolio is consistent with Goal IV (achieve satisfactory long-term risk adjusted investment returns). The presentation and discussion of the policy goals, metrics, manager outreach, and manager performance information is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

This report was prepared by Ronald Aubert II, Investment Officer I, Investment Division.

RJ:BF:RA:ag

<sup>3</sup> A private market fund typically yields a low or negative IRR during its early life "J Curve" period.

<sup>4</sup> LACERS committed to fund in calendar year 2017.

<sup>5</sup> LACERS committed to fund in calendar year 2016.