

Investment Committee Agenda

REGULAR MEETING

TUESDAY, AUGUST 13, 2019

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

MEETING LOCATION:

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

Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

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 Public Pensions General Counsel 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 REVISED [MINUTES FOR THE SPECIAL MEETING OF JUNE 11, 2019](#) AND APPROVAL OF [MINUTES FOR THE INVESTMENT COMMITTEE MEETING OF JULY 9, 2019](#) AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [INVESTMENT MANAGER CONTRACT WITH AQR CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- V. [INVESTMENT MANAGER CONTRACT WITH QUANTITATIVE MANAGEMENT ASSOCIATES, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- VI. SEMI-FINALISTS OF THE HIGH YIELD/BANK LOAN CREDIT INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION
- VII. [ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM](#)

VIII. OTHER BUSINESS

IX. NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, September 10, 2019, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

X. ADJOURNMENT

Board of Administration Agenda

SPECIAL MEETING

TUESDAY, AUGUST 13, 2019

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

MEETING LOCATION:

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President: Cynthia M. Ruiz
Vice President: Michael R. Wilkinson

Commissioners: Annie Chao
Elizabeth Lee
Sandra Lee
Nilza R. Serrano
Sung Won Sohn

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

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

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- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. INVESTMENT MANAGER CONTRACT WITH AQR CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- V. INVESTMENT MANAGER CONTRACT WITH QUANTITATIVE MANAGEMENT ASSOCIATES, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

- VI. SEMI-FINALISTS OF THE HIGH YIELD/BANK LOAN CREDIT INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION
- VII. ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM
- VIII. OTHER BUSINESS
- IX. NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, September 10, 2019, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.
- X. ADJOURNMENT

REVISED

MINUTES OF THE SPECIAL MEETING
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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

June 11, 2019

Agenda of: Aug. 13, 2019

Item No: II

9:48 a.m.

PRESENT:	Chair:	Sung Won Sohn
	Committee Members:	Elizabeth Lee Nilza R. Serrano
	Commissioners:	Elizabeth L. Greenwood Cynthia M. Ruiz Michael R. Wilkinson
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counselor:	(left at 4:35 p.m.) Anya Freedman (arrived at 4:35 p.m) James Napier

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

Commissioners Greenwood, Ruiz, and Wilkinson were present, this is considered a Special Meeting of the Board of Administration. Any votes will be taken by Investment Committee Members only.

Item II was taken out of order.

II

APPROVAL OF MINUTES FOR THE INVESTMENT COMMITTEE MEETING OF MAY 14, 2019 AND POSSIBLE COMMITTEE ACTION – A Motion to approve the minutes of May 14, 2019 was moved by Committee Member Serrano, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn –3; Nays, None.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION – Chair 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.

Item IV was taken out of order

IV

INVESTMENT MANAGER CONTRACT WITH AJO, LP REGARDING THE MANAGEMENT OF AN ACTIVE LARGE CAP VALUE PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Rod June, Chief Investment Officer and Barbara Sandoval, Investment Officer III presented this item to the Committee. Committee Member Serrano moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn –3; Nays, None.

Chair Sohn recessed the Special Meeting at 9:58 a.m and reconvened the Special Meeting at 12:27 p.m. Commissioner Wilkinson did not attend the reconvened Special Meeting.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – There was no report.

V

PRIVATE CREDIT INVESTMENT MANAGER SEARCH FINALIST PRESENTATIONS AND POSSIBLE COMMITTEE ACTION – Rod June, Chief Investment Officer and Wilkin Ly, Investment Officer III provided a brief overview of the Private Credit Investment Manager Search Finalists.

Scott Hamilton, Managing Director, Graeme Delaney-Smith, Co-Head of Direct Lending, Natalia Tsitoura, Managing Director, and Joanna Layton, Head of European Direct Lending Portfolio Monitoring with Alcentra presented to the Committee.

Committee Member Serrano left the Special Meeting at 12:57 p.m.

Chair Sohn recessed the Special Meeting at 1:36 p.m. for a break and reconvened at 1:43 p.m.

Mark Attanasio, Co-Founder & Managing Director, Christine Vanden Beukel, Managing Director European Credit, and Nicole Waibel, Managing Director European Credit with Crescent presented to the Committee.

Chair Sohn recessed the Special Meeting at 2:37 p.m. for a break and reconvened at 2:50 p.m.

Allison Davi, Managing Director and Blair Faulstich, Senior Portfolio Manager with Benefit Street Partners presented to the Committee.

Chair Sohn recessed the Special Meeting at 3:40 p.m. for a break and reconvened at 3:42 p.m.

R. Sean Duff, Partner, Managing Director and Theodore Koenig, President & CEO with Monroe Capital presented to the Committee.

Assistant City Attorney left the Special Meeting at 4:35 p.m. and Deputy City Attorney James Napier represented Legal Counsel for the remainder of the Special Meeting.

After discussion with the staff, the Committee decided to table this decision until the next Investment Committee Meeting.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING – The next Regular Meeting of the Investment Committee is scheduled for Tuesday, July 9, 2019, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

VIII

ADJOURNMENT – There being no further business before the Committee, Chair Sohn adjourned the Meeting at 4:58 p.m.

Sung Wahn Sohn
Chair

Neil M. Guglielmo
Manager-Secretary

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

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

July 9, 2019

12:30 p.m.

Agenda of: <u>Aug. 13, 2019</u>
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Item No: <u>II</u>

PRESENT:	Acting Chair:	Nilza R. Serrano
	Committee Members:	Elizabeth Lee
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counselor:	James Napier
ABSENT:	Chair:	Sung Won Sohn

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

Item II taken out of order.

II

APPROVAL OF MINUTES FOR THE INVESTMENT COMMITTEE MEETING OF JUNE 11, 2019 AND POSSIBLE COMMITTEE ACTION – A Motion to approve the minutes of June 11, 2019 was moved by Committee Member Elizabeth Lee, and adopted by the following vote: Ayes, Committee Member Elizabeth Lee and Acting Chair Serrano –2; Nays, None.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION – Acting Chair Serrano 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.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, presented the Committee with the 12-month forward calendar for Investment Committee Agenda items and reported on the following items:

- Searches: Private Credit Search, Emerging Market Small Cap, and Emerging Market Debt.
- Today's agenda includes: Four Investment Manager Contracts, continued discussion on the Private Credit Investment Manager Search Finalists, and the semi-finalists of the active U.S. Small Cap Equities Investment Manager Search.

- Future agenda items include: Several Investment Manager Contracts and semi-finalists for the high yield bank loan Investment Manager Search.

IV

CONTINUED DISCUSSION OF PRIVATE CREDIT INVESTMENT MANAGER SEARCH FINALISTS AND POSSIBLE COMMITTEE ACTION – Wilkin Ly, Investment Officer III and Jimmy Wang, Investment Officer I, with Investments Division, presented this item to the Committee. After discussion, Committee Member Elizabeth Lee moved approval and adopted by the following vote: Ayes, Committee Member Elizabeth Lee and Acting Chair Serrano –2; Nays, None.

V

CONTINUED DISCUSSION OF INVESTMENT MANAGER CONTRACT WITH BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. DEVELOPED MARKETS VALUE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Barbara Sandoval, Investment Manager II, with Investments Division, presented this item to the Committee. After discussion, Committee Member Elizabeth Lee moved approval and adopted by the following vote: Ayes, Committee Member Elizabeth Lee and Acting Chair Serrano –2; Nays, None.

VI

INVESTMENT MANAGER CONTRACT WITH AXIOM INTERNATIONAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Eduardo Park, Investment Manager I, with Investments Division, presented this item to the Committee. After discussion, Acting Chair Serrano moved approval and adopted by the following vote: Ayes, Committee Member Elizabeth Lee and Acting Chair Serrano –2; Nays, None.

VII

INVESTMENT MANAGER CONTRACT WITH OBERWEIS ASSET MANAGEMENT INC., REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jimmy Wang, Investment Officer I, with Investments Division, presented this item to the Committee. After discussion, Committee Member Elizabeth Lee moved approval and adopted by the following vote: Ayes, Committee Member Elizabeth Lee and Acting Chair Serrano –2; Nays, None.

VIII

INVESTMENT MANAGER CONTRACT WITH PANAGORA ASSET MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP VALUE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Barbara Sandoval, Investment Manager II, with Investments Division, and Carolyn Smith, Partner with NEPC, presented this item to the Committee. After discussion, Committee Member Elizabeth Lee moved approval and adopted by the following vote: Ayes, Committee Member Elizabeth Lee and Acting Chair Serrano –2; Nays, None.

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SEMI-FINALISTS OF THE ACTIVE U.S. SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION – Barbara Sandoval, Investment Manager II, with Investments Division, Carolyn Smith, Partner and Kevin Novak, Consultant with NEPC, presented this item to the Committee. After discussion, Committee Member Elizabeth Lee moved approval and adopted by the following vote: Ayes, Committee Member Elizabeth Lee and Acting Chair Serrano –2; Nays, None.

X

OTHER BUSINESS – There was no other business.

XI

NEXT MEETING – The next Regular Meeting of the Investment Committee is scheduled for Tuesday, August 13, 2019, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

VIII

ADJOURNMENT – There being no further business before the Committee, Acting Chair Serrano adjourned the Meeting at 1:25 p.m.

Nilza R. Serrano
Acting Chair

Neil M. Guglielmo
Manager-Secretary

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

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

July 9, 2019

12:30 p.m.

Agenda of: Aug. 13, 2019

Item No: II

PRESENT:	Acting Chair:	Nilza R. Serrano
	Committee Members:	Elizabeth Lee
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counselor:	James Napier
ABSENT:	Chair:	Sung Won Sohn

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OTHER BUSINESS – There was no other business.

XI

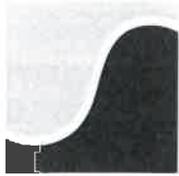
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Nilza R. Serrano
Acting Chair

Neil M. Guglielmo
Manager-Secretary



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

MEETING: AUGUST 13, 2019
ITEM: IV

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH AQR CAPITAL MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a one-year contract extension with AQR Capital Management, LLC for management of an active non-U.S. small cap equities portfolio.

Executive Summary

AQR Capital Management, LLC (AQR) has managed an active non-U.S. small cap equities portfolio for LACERS since February 2014. LACERS' portfolio is currently valued at \$341.2 million. AQR was placed "On Watch" for an initial one-year period effective May 13, 2019, due to performance. In light of AQR's "On Watch" status and consistent with the LACERS Manager Monitoring Policy, staff recommends a one-year contract extension and will monitor performance.

Discussion

Background

AQR has managed an active non-U.S. small cap equities portfolio for LACERS since February 2014, and is benchmarked against the MSCI EAFE Small Cap Index. AQR uses a quantitative investment strategy that is based on the philosophy that fundamentals drive stock returns. AQR attempts to identify companies with characteristics such as attractive valuations relative to industry peers, positive stock price momentum, sound accounting practices, healthy balance sheets, and strong management teams. The portfolio management team is led by John Liew, Founding Principal. He is supported by 22 portfolio management and research professionals, over half who hold PhD degrees. LACERS' portfolio was valued at \$341.2 million as of June 30, 2019.

AQR was hired through the 2013 Active Core Non-U.S. Small Cap Equities manager search process. The Board authorized a three-year contract on August 13, 2013 and awarded a contract renewal on September 27, 2016. The current contract expires on January 31, 2020.

Organization

AQR is majority-owned by its principals and minority-owned by Affiliated Managers Group, Inc. (NYSE ticker: AMG), a publicly held asset management holding company. AQR has approximately 1,000 employees (937 employees in the U.S.) across offices in Greenwich (headquarters), Boston, Chicago, Los Angeles, London, and Sydney. AQR has approximately \$193.9 billion in total assets under management, of which approximately \$4.3 billion are in small and mid-cap equities.

Due Diligence

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

Performance

As of June 30, 2019, AQR has underperformed its benchmark, net-of-fees, over all time periods as presented in the table below.

Annualized Performance, Unaudited as of 6/30/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception ¹
AQR	0.38	-10.07	0.07	6.46	3.62	3.67
MSCI EAFE Small Cap Index	1.71	-6.35	2.62	9.06	4.40	4.60
% of Excess Return	-1.33	-3.72	-2.55	-2.60	-0.78	-0.93

¹Inception Date: 2/24/2014

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

Calendar Year Performance, Unaudited as of 6/30/19 (Net-of-Fees)						
	1/1/19-6/30/19	2018	2017	2016	2015	3/31/14-12/31/14
AQR	9.21	-19.92	33.57	-1.21	13.18	-6.96
MSCI EAFE Small Cap Index	12.55	-17.89	33.01	2.18	9.59	-8.04
% of Excess Return	-3.34	-2.03	0.56	-3.39	3.59	1.08

Pursuant to LACERS Manager Monitoring Policy, AQR was placed "On Watch" for an initial one-year period effective May 13, 2019. The following Policy watch list criteria triggered the "On Watch" status based on the performance as of March 31, 2019:

1. Annualized net performance relative to its benchmark for trailing 3 years underperforms in 8 of 12 previous quarters.
2. Annualized net performance is below benchmark for trailing 5 years
3. Annualized net Information Ratio trailing 5 years relative to its benchmark is below 0.20

Fees

LACERS currently pays AQR an effective fee of 78 basis points (0.78%), which is approximately \$2.7 million annually based on the value of LACERS' assets as of June 30, 2019. This fee ranks in the 44th percentile among its peers in the eVestment EAFE Small Cap Universe (i.e., AQR's fee is lower than 66% of peers).

General Fund Consultant Opinion

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

Strategic Plan Impact Statement

A contract renewal with AQR Capital Management, LLC will allow the fund to maintain a diversified exposure to the non-U.S. developed market equities, which is expected to help optimize 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).

Prepared By: James Wang, Investment Officer I, Investment Division

RJ/BF/WL/JW:sg

Attachments: 1. Consultant Recommendation – NEPC, LLC
 2. Workforce Composition



To: Los Angeles City Employees' Retirement System Investment Committee
From: NEPC, LLC
Date: August 13, 2019
Subject: AQR Capital Management, LLC– Contract Extension

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) extend the contract that is currently in place with AQR Capital Management, LLC ('AQR') for a period of one year from the date of contract expiry.

Background

AQR was funded on February 24, 2014 to provide the Plan with small capitalization public equity exposure across non-U.S. developed markets. As of June 30, 2019, AQR managed \$341.2 million, or 1.9% of Plan assets. The performance objective is to outperform the MSCI EAFE Small Cap Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently on Watch due to performance based on LACERS' Manager Monitoring Policy.

AQR was founded in 1998 by Clifford Asness, Ph.D., David Kabiller, CFA, Robert Krail, Ph.D., and John Liew, Ph.D. Messrs. Asness, Krail and Liew first met as students in the graduate Ph.D. finance program at the University of Chicago. AQR is a Delaware Limited Liability Company. AQR Capital Management Holdings, LLC is a 100% owner of AQR Capital Management, LLC, whose principals hold majority interest in the firm (greater than 70%). Affiliated Managers Group ('AMG'), a publicly traded company, holds a minority interest (less than 30%) in AQR Capital Management Holdings, LLC.

The firm manages approximately \$193.9 billion and has 4,340 accounts; \$183.5 billion of which are tax-exempt assets. The firm employs approximately 1,000 people, 236 are investment professional in portfolio management, research and trading while the rest work in client service, risk monitoring and compliance rolls. The firm is headquartered in Greenwich, Connecticut and have marketing/ client service offices in Chicago, Illinois, London, England, Sydney, Australia, Los Angeles, California and Boston, Massachusetts.

The AQR strategy is rooted in a systematic implementation of fundamental investing concepts (e.g., P/B ratio), known as signals or factors, and evaluates them across all the stocks in an investment universe. AQR combines many similar or correlated signals into themes (e.g., Valuation, Momentum, Earnings Quality, Stability, Investor Sentiment, Management Signaling) and combines themes to create an overall model. On any given day, the signals in AQR's model create a list of aggregate relative rankings or preferences for security over-weights and under-weights known as a model view. AQR aligns client



portfolios to this model view through a process called rebalancing (optimization), where the firm is conscious of trading costs, risks and other constraints.

Philosophically, AQR asks itself not only why a testable theory should exist in the first place, but also why it should continue to exist. This economic grounding helps AQR avoid random, unintuitive results, and also creates testable implications that can help ratify or disprove hypotheses. The team managing the product sits within the International Equity strategy team management process which combines the Global Stock Selection (GSS) team and the Global Asset Allocation (GAA) team. Cliff Asness, founding and Managing Principal of the firm has ultimate responsibility for the investment process. The GSS team, led by Jacques Friedman, Lars Nielsen and Ronen Israel, is responsible for the bottom-up stock selection research, modeling, and portfolio management across global regions and cap ranges. The GAA team, led by John Liew, Oktay Kurbanov, Lasse Pederson and Yao Hua Ooi, is responsible for the top-down country and currency selection process.

Portfolio weighting relies on a mixture of judgment and systematic components. The judgment portion of this step relies on the research philosophy. Signals with stronger economic grounding, longer research track records, confirming research across regions and asset classes, and better diversification opportunities will generally receive higher risk allocations within the model. Systematically, the firm allocates its signals in a construct of risk rather than return or weighting of capital in the model. All signals are scaled to a constant level of risk rather than letting them vary through different market environments.

Typical maximum exposures at rebalancing for AQR's International Small Cap Equity EAFE Strategy are generally in the range of a maximum of +/- 2.5% in individual names and a maximum of +/- 7% in individual sectors.

Performance

Referring to Exhibit 1, since March 1, 2014 (the first full month of performance after the account inception date of February 24, 2014), the AQR portfolio has underperformed the MSCI EAFE Small Cap Index by 0.92%, returning 3.50%, net of fees, through June 30, 2019. In the five-year period ended June 30, 2019, the portfolio underperformed the index by 0.78% (3.62% vs. 4.40%). In the one-year period ended June 30, 2019, the portfolio underperformed the benchmark by 3.72% returning -10.07%. The portfolio has an information ratio of -0.38 and active risk as measured by tracking error was 2.42% since inception ending June 30, 2019. The portfolio's Sharpe Ratio since inception was 0.22 versus the index of 0.29 indicating that the portfolio has produced less return per unit of risk taken.

Referring to Exhibit 2, on a cumulative basis, the portfolio has been eroding its cumulative gains from past periods since the fourth quarter of 2017 with underperformance in the past 10 of 12 quarters; note, underperformance in eight of the last 12 quarters is one rule in the LACERS Manager Monitoring Policy. Investment gains from periods of outperformance have been eroded and are negative since inception ending June 30, 2019. Stock selection and the value theme have been the largest detractors from returns versus the benchmark.



Fees

The AQR portfolio has an asset-based fee of 0.78% annually. The fee ranks in the 44th percentile among its peers in the eVestment EAFE Small Cap Equity Universe. In other words, 66% of the 81 products included in the peer universe have a higher fee than the LACERS account.

Conclusion

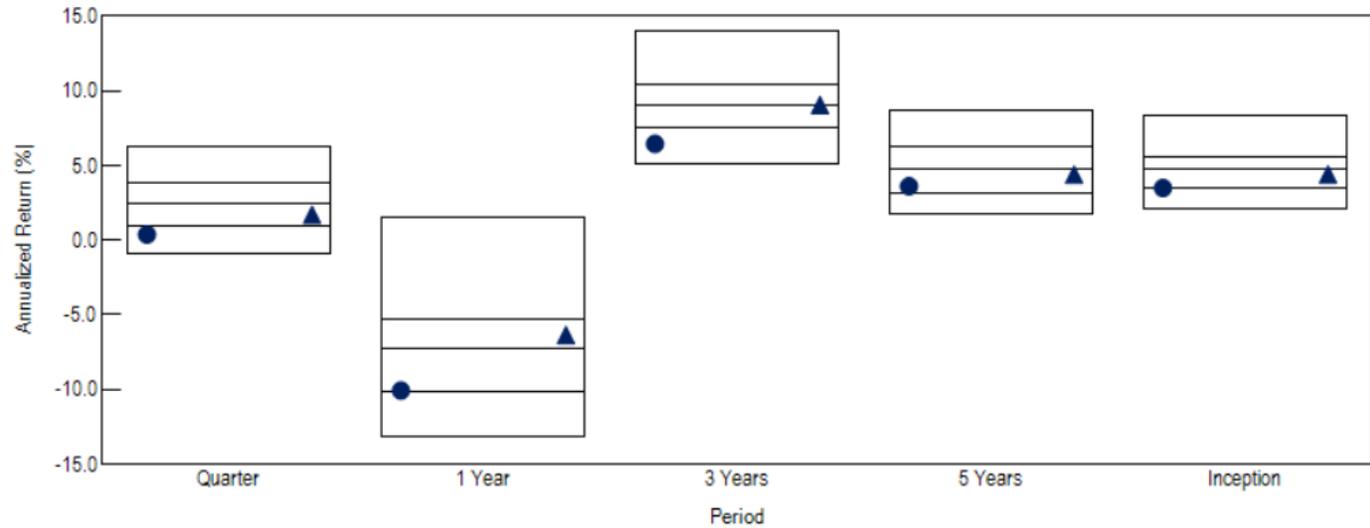
AQR has struggled to outperform the index in all time periods ended June 30, 2019. The team has been relatively stable in the past three-to-five years. The firm's understandable systematic approach to quantitative investing may lead to favorable outcomes in the long-run. NEPC research rates this strategy as 'Neutral' or a 3 out of 5. A neutral rating is defined as 'A satisfactory investment product. The strategy lacks a compelling investment thesis, however there are no significant concerns around the manager's viability'. NEPC recommends a one-year contract extension.

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



Exhibit 1

eV EAFE Small Cap Equity Net Return Comparison
Ending June 30, 2019



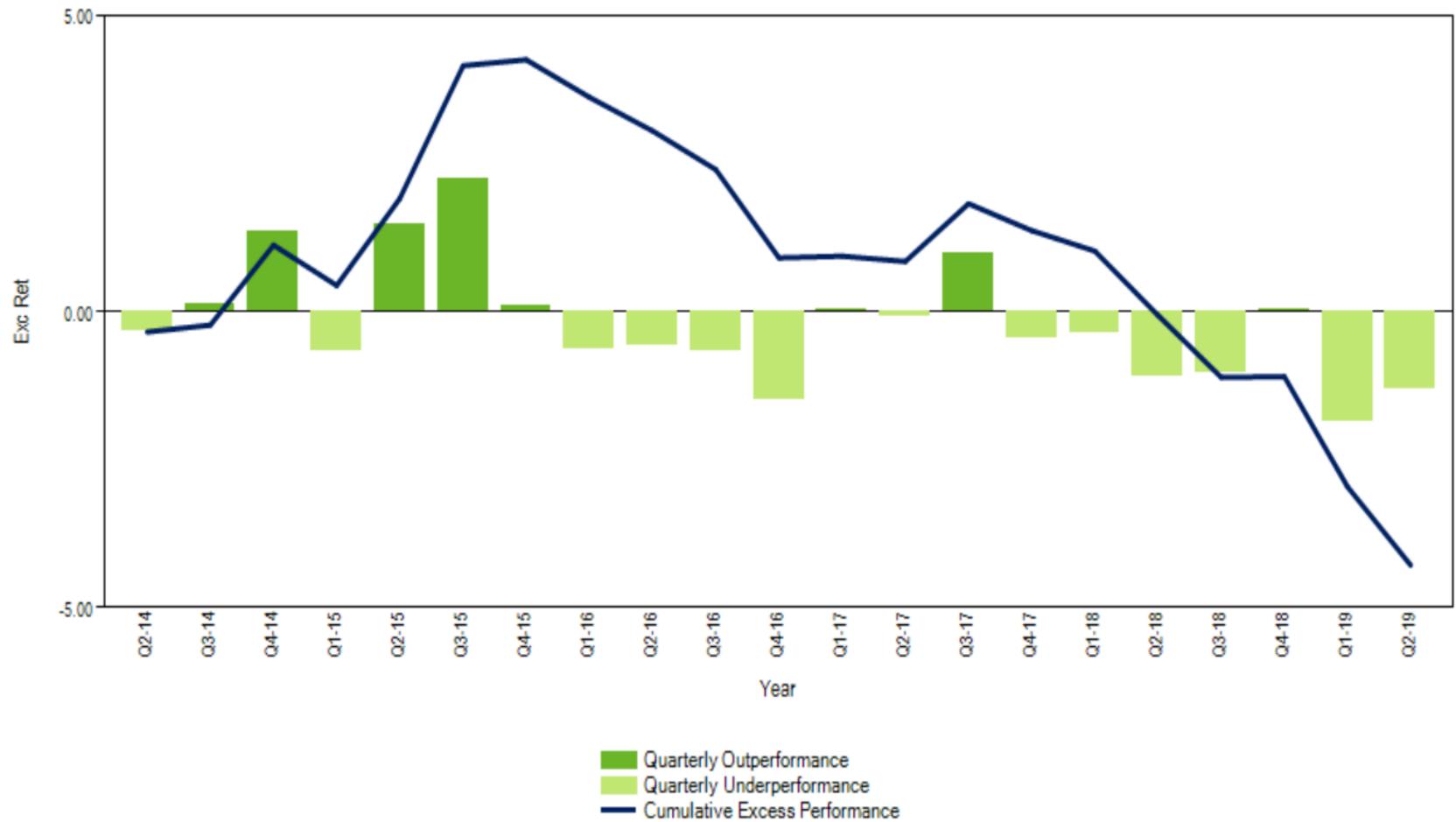
	Return (Rank)									
	Quarter		1 Year		3 Years		5 Years		Inception	
5th Percentile	6.28		1.57		14.02		8.73		8.37	
25th Percentile	3.83		-5.28		10.39		6.31		5.59	
Median	2.46		-7.24		9.07		4.75		4.80	
75th Percentile	0.92		-10.13		7.55		3.15		3.44	
95th Percentile	-0.89		-13.19		5.14		1.76		2.09	
# of Portfolios	58		58		56		45		45	
● AQR Capital	0.38	(86)	-10.07	(75)	6.46	(87)	3.62	(61)	3.50	(73)
▲ MSCI EAFE Small Cap	1.71	(63)	-6.35	(32)	9.06	(51)	4.40	(53)	4.42	(55)

NEPC performance record starts from the first full month of performance.



Exhibit 2

Quarterly and Cumulative Excess Performance



Date Completed: As of 12/31/2018

Vendor: AQR Capital Management LLC
Address: Two Greenwich Plaza, Greenwich CT

Strategy: International Small Cap
Category/Asset Class: Equities

TOTAL COMPOSITION OF WORK FORCE

Occupation	African American	Hispanic	Asian or Pacific	American Indian/	Two or More	Caucasian	Total	Percent (%)	Gender	
	Full Time	Full Time	Islander	Alaskan Native	Races	(Non Hispanic)	Employees	Minority	Male	Female
	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time	Full Time
Officials & Managers	0	8	55	0	2	204	269	23.42%	216	53
Professionals	11	33	228	0	7	358	637	42.70%	480	157
Technicians	0	0	0	0	0	0	0	N/A	0	0
Sales Workers	0	0	0	0	0	0	0	N/A	0	0
Office/Clerical	4	1	3	0	2	21	31	25.81%	4	27
Semi-Skilled	0	0	0	0	0	0	0	N/A	0	0
Unskilled	0	0	0	0	0	0	0	N/A	0	0
Service Workers	0	0	0	0	0	0	0	N/A	0	0
Other	0	0	0	0	0	0	0	N/A	0	0
Total	15	42	286	0	11	583	937	36.61%	700	237

Source: AQR. As of 12/31/2018 and reflects US-only employees and includes partners. This excludes CNH.



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

MEETING: AUGUST 13, 2019
ITEM: V

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH QUANTITATIVE MANAGEMENT ASSOCIATES, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a one-year contract extension with Quantitative Management Associates, LLC for management of an active emerging markets core equities portfolio.

Executive Summary

Quantitative Management Associates, LLC (QMA) has managed an active emerging markets core equities portfolio for LACERS since April 2014. LACERS' portfolio is currently valued at \$444.6 million. QMA was placed "On Watch" for an initial one-year period effective July 29, 2019, due to performance. In light of QMA's "On Watch" status and consistent with the LACERS Manager Monitoring Policy, staff recommends a one-year contract extension and will monitor performance.

Discussion

Background

Quantitative Management Associates, LLC (QMA) has managed an active emerging markets core equities portfolio for LACERS since April 2014, and is benchmarked against the MSCI Emerging Markets Index. QMA's quantitative investment strategy is rooted in the belief that investor behavior creates disconnections between stock prices and company fundamentals. QMA's model evaluates fundamental metrics, such as valuation, growth, and quality, and seeks to add value by actively adapting to changing growth and market expectations. The investment team is comprised of 11 professionals and is led by Roy Henriksson, Ph.D., Chief Investment Officer. Collectively, the team averages over 15 years of investment experience. LACERS' portfolio was valued at \$444.6 million as of June 30, 2019.

QMA was hired through the 2013 Active Non-U.S. Equities Emerging Markets Core manager search process. The Board authorized a three-year contract on July 23, 2013 and awarded a contract renewal on September 27, 2016. The current contract expires on December 31, 2019.

Organization

QMA is wholly owned by Prudential Financial, Inc., a public company (NYSE ticker symbol: PRU), but operates independently. QMA is headquartered in Newark, New Jersey, and has 218 employees. As of June 30, 2019, the firm managed over \$121.8 billion in total assets with \$2.7 billion in the emerging markets core equity strategy.

Due Diligence

In July 2018, Jacob Pozhamy, who oversaw the non-U.S. product line, left the firm. George Patterson was hired to replace Mr. Pozhamy well in advance of his departure. Mr. Patterson earned a Bachelor of Science in physics from the Massachusetts Institute of Technology as well as a PhD in physics from the Boston University. Prior to joining QMA, Mr. Patterson held senior investment professional roles such a Managing Director and Chief Investment Officer with firms including Barclays Global Investors, Axioma, Inc., and Bank of Montreal Global Asset Management. Staff and NEPC, LLC, LACERS' General Fund Consultant, do not anticipate Mr. Pozhamy's departure impacting the firm or strategy adversely and have full confidence in his replacement. Other than Mr. Pozhamy's departure, QMA's organizational structure, key personnel, investment philosophy, strategy, and process have not changed over the contract period.

Performance

As of June 30, 2019, QMA has outperformed its benchmark, net-of-fees, over the 3-month, 3-year, and since inception time periods and has underperformed for the remaining time periods as presented in the table below.

Annualized Performance, Unaudited as of 6/30/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception [^]
QMA	1.83	-0.30	4.13	10.93	2.46	3.48
MSCI Emerging Markets Index	0.61	1.21	4.65	10.66	2.49	3.43
% of Excess Return	1.22	-1.51	-0.52	0.27	-0.03	0.05

[^]Inception Date: 4/24/14

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

Calendar Year Performance, Unaudited as of 6/30/19 (Net-of-Fees)						
	1/1/19-6/30/19	2018	2017	2016	2015	4/24/14-12/31/14
QMA	11.13	-15.47	37.72	10.62	-16.30	-0.32
MSCI Emerging Markets Index	10.58	-14.57	37.28	11.19	-14.92	-2.92
% of Excess Return	0.55	-0.90	0.44	-0.57	-1.38	2.60

Pursuant to the LACERS Manager Monitoring Policy (Policy), QMA was placed on “On Watch” status for an initial one-year period effective July 29, 2019. The following Policy watch list criteria triggered the “On Watch” status based on the performance as of June 30, 2019:

1. Annualized net underperformance relative to its benchmark for trailing 5 years.
2. Annualized net Information Ratio trailing 5 years relative to its benchmark is below .20.

Fees

LACERS pays QMA an effective fee of 38 basis points (0.38%), which is approximately \$1.7 million annually based on the value of LACERS’ assets as of June 30, 2019. This fee ranks in the 4th percentile among its peers in the eVestment Emerging Markets All Cap Core Equity Universe (i.e. QMA’s fee is lower than 96% of peers).

General Fund Consultant Opinion

NEPC, LLC, LACERS’ General Fund Consultant, concurs with this recommendation.

Strategic Plan Impact Statement

A contract extension with Quantitative Management Associates, LLC will allow the fund to maintain a diversified exposure to the non-U.S. equities emerging markets, which is expected to help optimize 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).

Prepared by: Eduardo Park, Investment Officer I, Investment Division.

RJ/BF/EP:sg

Attachments: 1. Consultant Recommendation – NEPC, LLC
 2. Workforce Composition



To: Los Angeles City Employees' Retirement System Investment Committee
From: NEPC, LLC
Date: August 13, 2019
Subject: Quantitative Management Associates, LLC– Contract Extension

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) extend the contract that is currently in place with Quantitative Management Associates, LLC ('QMA') for a period of one year from the date of contract expiry.

Background

QMA was funded on April 24, 2014 to provide the Plan with emerging markets public equity exposure within the non-U.S. equity asset class. As of June 30, 2019, QMA managed \$444.6 million, or 2.5% of Plan assets. The performance objective is to outperform the MSCI Emerging Markets Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently on Watch due to performance based on LACERS' Manager Monitoring Policy.

QMA was founded in 1975 as the quantitative equity and global multi-asset businesses of PGIM, Inc. (formerly Prudential Investment Management and asset management arm of life insurance company Prudential Financial). In 2004, QMA became a wholly-owned subsidiary of PGIM, Inc.

The firm manages approximately \$123.2 billion and has 293 accounts; \$113.7 billion of which are tax-exempt assets. The firm employs approximately 239 people and is headquartered in Newark, New Jersey and has offices in San Francisco, California and London, United Kingdom. The Emerging Markets Core Equity platform has \$2.2 billion in assets under management and is run by a 22 person Quantitative Equity team led by George Patterson, who was hired in 2017 to consolidate QMA's multiple quantitative silos (US Core, US Value and non-US). Jacob Pozhamy, who oversaw the non-US product line, left the firm in July 2018. The team is otherwise stable and has grown over the past two years. The Emerging Markets Core Equity line of business has experienced outflows totaling nearly three billion dollars in the past two years.

QMA believes that applying a systematic approach to fundamental metrics in emerging markets securities can add alpha in the long run. They believe that indicators of a security's future performance differ in effectiveness depending on the relative growth rate of companies within each sector. Their research team believes that valuation measures matter more for slow growing companies and indicators relating to future growth prospects matter more for fast growing companies.



The QMA team employs an active bottom-up, systematic stock selection strategy that is based on fundamentals. These metrics are: Valuation, News, Financial Momentum and Quality, which are evaluated systematically across 4,000 public companies in the MSCI Emerging Markets universe. A forecast of relative price appreciation for each company is produced in three main steps. First, classifying stocks within a sector by long-run growth rate. Second, calculation of expected excess returns and alpha. Step two incorporates an evaluation of: Valuation, defined as forward and historical earnings yield, book yield, sales yield, cash flow yield and dividend yield; News, defined as earnings estimate, cash flow estimate, and sales estimate revisions made by security analysts following a stock; Financial Momentum, defined as changes in dividends, earnings, sales, and gross cash flow; Quality, defined as a proprietary measurement of accruals to gauge the efficacy of the Income Statement, while Accounting Bloat is utilized to measure the stability of the Balance Sheet. Step three is construction of the portfolio using an internally developed algorithm with constraints limiting portfolio deviations from the benchmark with respect to sector, country, region, size, growth and individual concentration in names. The result is typically a portfolio that is tilted toward value while maintaining a similar beta and market capitalization profile versus the benchmark.

Performance

Referring to Exhibit 1, since May 1, 2014 (the first full month of performance after the account inception date of April 24, 2014), the QMA portfolio has outperformed the MSCI Emerging Markets Index by 0.08%, returning 3.69%, net of fees, through June 30, 2019. In the five-year period ended June 30, 2019, the portfolio underperformed the index by 0.03% (2.46% vs. 2.49%). In the one-year period ended June 30, 2019, the portfolio underperformed the benchmark by 1.51% returning -0.30%. The portfolio has an information ratio of 0.04 and active risk as measured by tracking error was 1.75% since inception ending June 30, 2019. The portfolio's Sharpe Ratio since inception was 0.18 versus the index of 0.18, indicating that the portfolio has produced the same return per unit of risk taken versus its benchmark.

Referring to Exhibit 2, on a cumulative basis, the portfolio has been eroding its prior cumulative gains since the second quarter of 2018, resulting in near benchmark results since inception ending June 30, 2019. Portfolios built using fundamental factors like value and quality have been hard pressed to outperform their market capitalization-based benchmarks given the elevated risk appetite of investors seeking returns in an environment of very low and negative global interest rates. The QMA portfolio may typically underperform in periods when the riskiest value stocks and the lowest quality stocks outperform, as they have in past years.

Fees

The QMA portfolio has an asset-based fee of 0.38% annually. The fee ranks in the 4th percentile among its peers in the eVestment Emerging Markets All Cap Core Equity Universe. In other words, 96% of the 115 products included in the peer universe have a higher fee than the LACERS account.

Conclusion

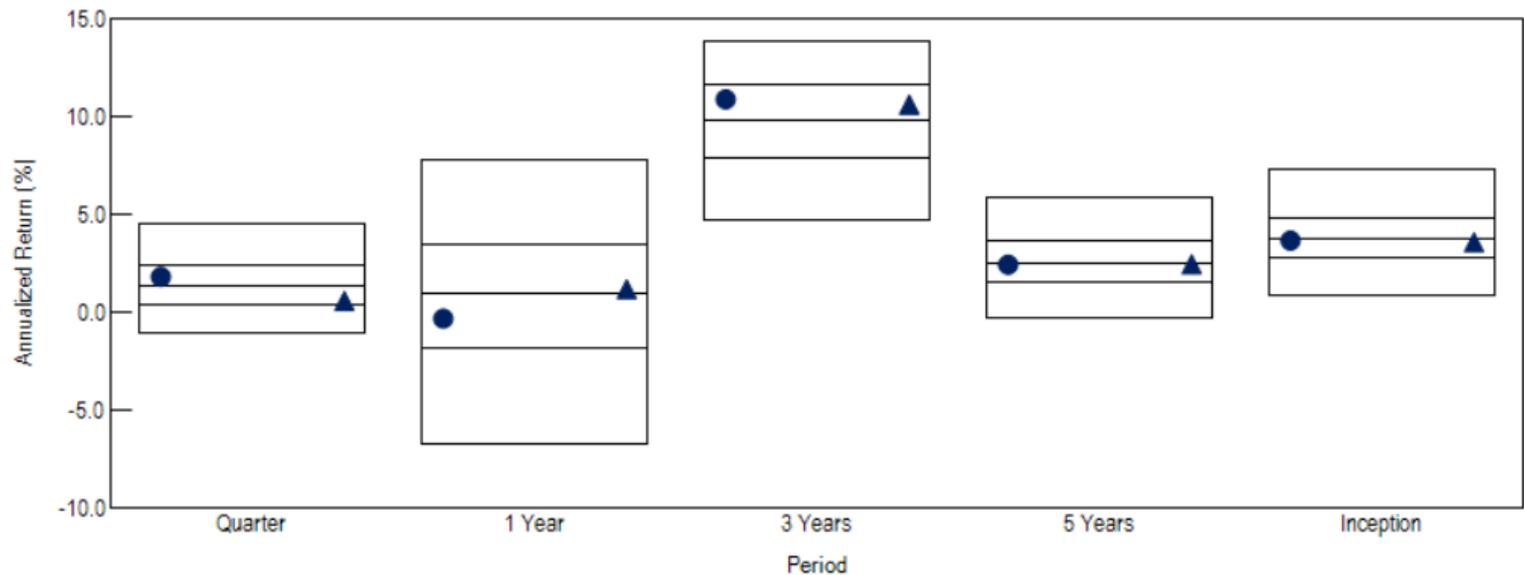


QMA has outperformed the index since inception ended June 30, 2019 and has performed within expectations given their investment process and strategy. The team has been relatively stable in the past three-to-five years and the strategy of fundamental-based investing is well reasoned. NEPC research rates this strategy as 'Neutral', or a 3 out of 5. A neutral rating is defined as 'A satisfactory investment product. The strategy lacks a compelling investment thesis, however, there are no significant concerns around the manager's viability'. NEPC recommends a one-year contract extension.

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

Exhibit 1

eV Emg Mkts Equity Net Return Comparison
Ending June 30, 2019



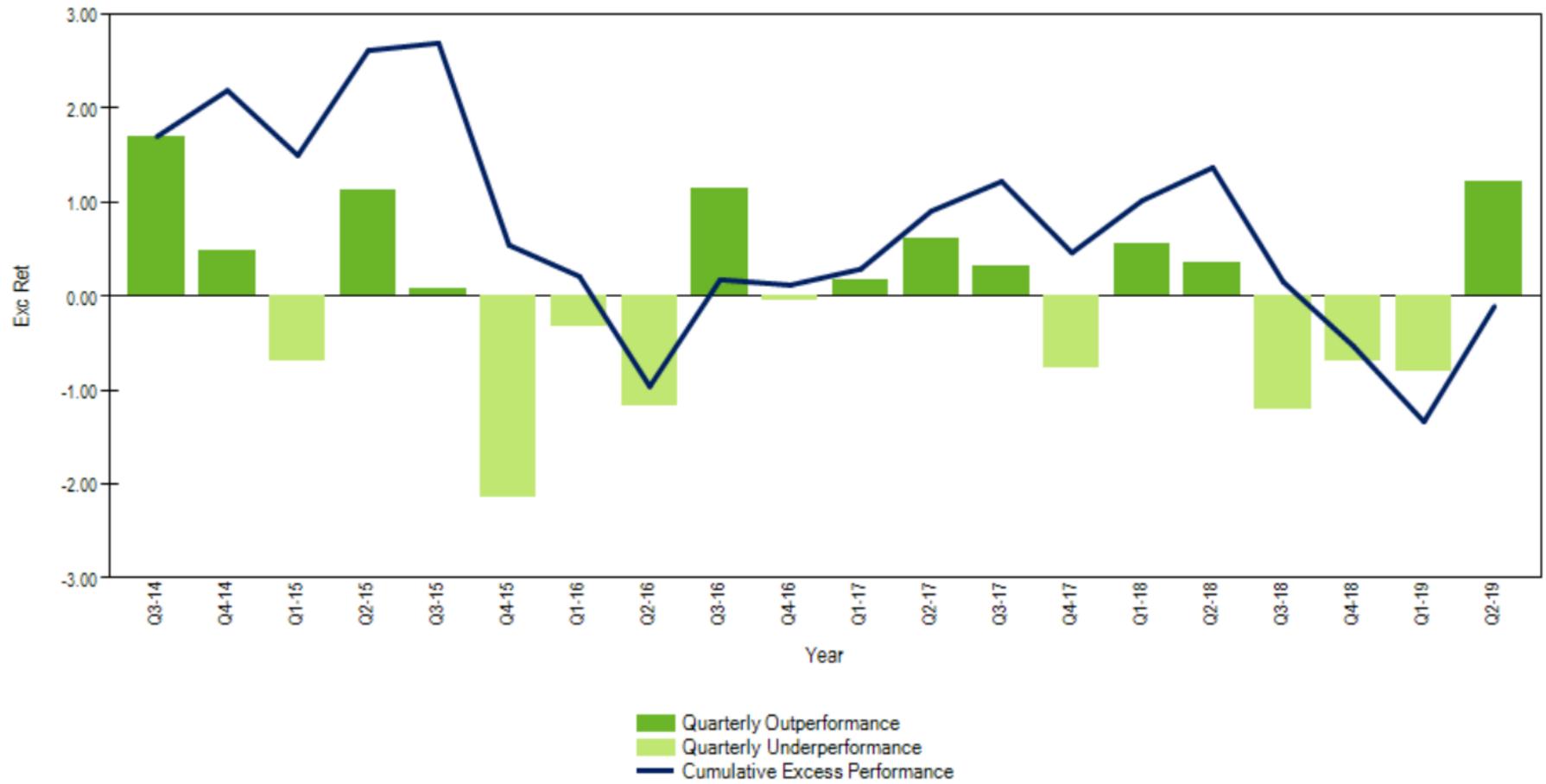
	Quarter		1 Year		3 Years		5 Years		Inception	
Return (Rank)	<hr/>									
5th Percentile	4.58		7.78		13.92		5.86		7.34	
25th Percentile	2.45		3.48		11.69		3.67		4.85	
Median	1.33		0.99		9.86		2.49		3.78	
75th Percentile	0.43		-1.85		7.91		1.54		2.78	
95th Percentile	-1.07		-6.73		4.74		-0.24		0.87	
# of Portfolios	210		201		187		161		158	
● QMA Emerging Markets	1.83	(38)	-0.30	(62)	10.93	(35)	2.46	(54)	3.69	(53)
▲ MSCI Emerging Markets	0.61	(71)	1.21	(47)	10.66	(37)	2.49	(51)	3.61	(55)

Note: NEPC performance record starts from the first full month of performance.



Exhibit 2

Quarterly and Cumulative Excess Performance



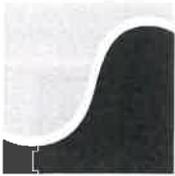
Vendor **QMA**
 Address **100 Mulberry Street, Two Gat
 Newark, NJ 07102**

Date Completed: **June 30, 2019**

Category **Asset Class**

TOTAL COMPOSITION OF WORK FORCE										
Occupation	African American Full Time	Hispanic Full Time	Asian or Pacific Islander Full Time	American Indian/Alaskan Native Full Time	Two or More Races Full Time	Caucasian (Non Hispanic) Full Time	Total Employees Full Time	Percent (%) Minority Full Time	Gender Full Time	
									Male	Female
Officials & Managers	8	11	38	0	3	106	166	36.14%	113	53
Professionals	7	1	4	0	1	16	29	44.83%	16	13
Technicians	0	0	0	0	0	0	0	0.00%	0	0
Sales Workers	0	0	0	0	0	0	0	0.00%	0	0
Office/Clerical	7	2	2	0	0	12	23	47.83%	7	16
Semi-Skilled	0	0	0	0	0	0	0	0.00%	0	0
Unskilled	0	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	0	0	0	0	0	0	0.00%	0	0
Other	0	0	0	0	0	0	0	0.00%	0	0
Total	22	14	44	0	4	134	218	38.53%	136	82

The information that we are providing is confidential and proprietary. We are submitting it for the limited purposes of this RFP and request that the information be safeguarded confidentially.



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

MEETING: AUGUST 13, 2019
ITEM: VII

Neil M. Guglielmo

SUBJECT: ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Investment Committee receive and file this report.

Executive Summary

LACERS' Emerging Investment Manager Program aims to hire and retain Emerging Managers in order to add value to the LACERS investment portfolio. This report highlights the Emerging Manager firms hired, dollar amounts rewarded, and staff and consultant efforts to increase Emerging Manager representation in the LACERS investment portfolio in calendar year 2018.

Discussion

Background

LACERS' Emerging Investment Manager Policy (Policy) was adopted on February 14, 2012 and most recently revised on February 12, 2019. The policy identifies guidelines and sets goals to hire and retain Emerging Managers that would otherwise not be identified in the standard LACERS investment manager search process in order to add value to the LACERS investment portfolio. Smaller investment management investment firms may generate superior performance returns due to increased market flexibility associated with smaller asset bases. The Policy sets an aspirational policy goal at no less than 10% and provides minimum criteria for firms to qualify as an Emerging Investment Manager.

This annual report provides the status of the Emerging Investment Manager Policy for the year ending December 31, 2018, including the following information:

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

1. Names and Dollar Amounts Awarded to Emerging Investment Managers in 2018

Manager	Style	Asset Class	Investment/ Commitment
Mill Point Capital Partners, L.P.	Buyout - Small	Private Equity	\$10 Million
1315 Capital Fund II, L.P.	VC – Late Stage	Private Equity	\$10 Million
Astra Partners I, L.P.	Buyout - Small	Private Equity	\$10 Million

2. Emerging Investment Manager Goal Metrics

The Policy sets an aspirational goal for public and private market asset classes at no less than 10%.

Public Markets

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 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.

In calendar year 2018, no public market searches were conducted and there were no emerging investment managers under contract within Fixed Income, Credit Opportunities or Public Real Assets.

Asset Class	Emerging Manager Exposure	Public Markets Manager Searches
U.S. Equity	2.7%	N/A
Non-U.S. Equity	2.9%	N/A

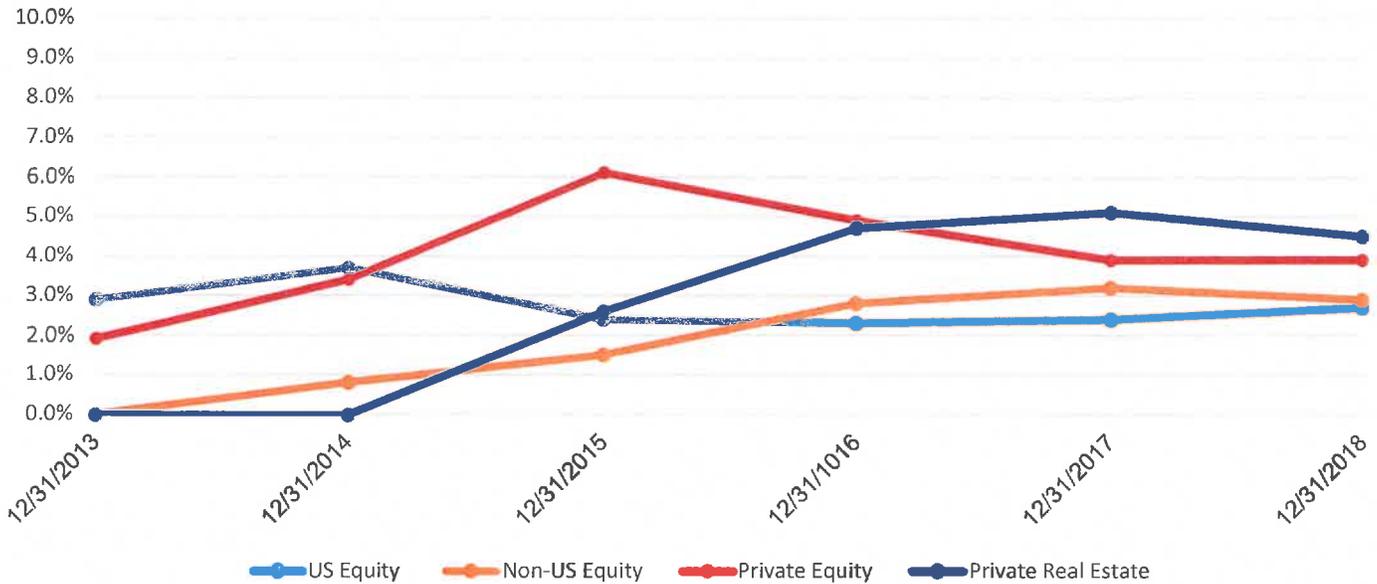
Private Markets

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, 2018.

Asset Class	Asset Class Metric	Manager Search Metric
Private Equity	3.9%	6.5%
Private Real Estate	4.5%	17.4%

On a fund-number basis for the 36-month period ending December 31, 2018, LACERS authorized commitments to a total of seven private equity Emerging Investment Managers out of 50 private equity funds (14%) and one real estate Emerging Investment Managers out of four real estate funds (25%).

Emerging Manager Exposure by Asset Class



Asset Class	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
U.S. Equity	2.9%	3.7%	2.4%	2.3%	2.4%	2.7%
Non-U.S. Equity	0.0%	0.8%	1.5%	2.8%	3.2%	2.9%
Private Equity	1.9%	3.4%	6.1%	4.9%	3.9%	3.9%
Private Real Estate	0.0%	0.0%	2.6%	4.7%	5.1%	4.5%

3. Searches Conducted in 2018.

No public market searches were conducted during the 2018 calendar year.

4. 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 2018 calendar year, staff participated in the following emerging manager events:

2018 Emerging Manager Events	
February	Texas Teachers and TERS Emerging Manager Conference
February	SEO Alternatives Investment Conference
March	NASP Regional Conference
June	NASP National Conference
June	GCM Grosvenor Emerging Manager Consortium
September	Association of Asian American Investment Managers Conference
October	Grosvenor Small + Emerging Managers Conference

October	New American Alliance Tour
October	National Association of Investment Companies

In addition, staff regularly meets with emerging managers. During the 2018 calendar year, staff held a total of 20 emerging manager meetings, which included discussions among the following investment asset classes: Public Markets - 25%; Mutual Funds – 15%; Private Equity - 50%; Real Estate - 10%.

Consultants

LACERS retains three investment consultants. The consultant's respective emerging manager activities for the one-year period ending December 31, 2018, are summarized below.

Consultant	Meetings or Calls	Emerging Manager Conferences	Awarded to Emerging Managers
NEPC, LLC (General)	71	11	\$905 million / 7 managers
Torrey Cove (Private Equity)	186	16	\$3.4 billion / 15 managers
The Townsend Group (Real Estate)	57	6	\$720 million / 9 managers

Note: The definition of "Emerging Manager" for this matrix is based on the emerging investment manager criteria unique to each consultant. TorreyCove was hired by LACERS on July 25, 2018.

5. Performance Data of LACERS Emerging Investment Managers (as of 12/31/2018)

Public Markets (Net-of-Fees)	One Year	Two Years	Three Years	Five Years	Since Inception
Oberweis Asset Management, Inc. ¹	-23.77	3.86	0.83	-	2.02
MSCI EAFE Small Cap Index	-17.89	4.51	3.73	-	2.78
<i>Excess Return</i>	-5.88	-0.65	-2.90	-	-0.76
EAM Investors LLC ²	-1.41	9.98	8.17	-	8.06
Russell 2000 Growth Index	-9.31	5.26	7.24	-	8.06
<i>Excess Return</i>	7.9	4.72	0.93	-	0

Private Real Estate Emerging Fund Managers	Vintage Year	Net IRR	Return Multiple
Gerrity Retail Fund 2, L.P.	2015	9.5%	1.20x
Asana Partners Fund I	2017 ³	19.0%	1.20x

Private Equity Emerging Fund Managers	Vintage Year	Net IRR ⁴	Return Multiple
High Road Capital Partners Fund II, LP	2013	19.9%	0.20x

¹ 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.

² 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.

³ LACERS committed to fund in calendar year 2016.

⁴ A private market fund typically yields a low or negative IRR during its early life "J Curve" period.

Blue Sea Capital Fund I, LP	2014	8.1%	0.08x
Oak HC/FT Partners, L.P.	2014	22.6%	0.23x
1315 Capital, L.P.	2015	8.1%	0.08x
New Water Capital Partners, L.P.	2015	0.4%	0.0x
Angeles Equity Partners I, L.P.	2015	-19.0%	-0.19x
CenterGate Capital Partners I, L.P.	2015	-15.4%	-0.15x
Sunstone Partners I, L.P.	2016	25.1%	0.25x
Defy Partners I, L.P.	2016 ⁵	0.0%	-
NMS Fund III, L.P.	2017	0.0%	-
Oak HC/FT Partners II, L.P.	2017	0.0%	-
Astra Partners I, L.P.	2017 ⁶	0.0%	-
Mill Point Capital Partners, L.P.	2018	0.0%	-
1315 Capital Fund II, L.P.	2018	0.0%	-

Strategic Plan Impact Statement

The Emerging Manager Policy aims to add value to the LACERS investment portfolio by hiring Emerging Investment Managers is consistent with Goal IV to optimize long-term risk adjusted investment returns. The presentation and discussion of the Policy's goals, metrics, manager outreach and manager performance is consistent with Goal V to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Saira Gandhi, Management Analyst, Investment Division

RJ/BF/SG

⁵ LACERS committed to fund in calendar year 2017.

⁶ LACERS committed to fund in calendar year 2018.