



## ***Investment Committee Agenda***

### **REGULAR MEETING**

**TUESDAY, FEBRUARY 11, 2020**

**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).

#### **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](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

Chair: Sung Won Sohn

Committee Members: Elizabeth Lee  
Nilza R. Serrano

Manager-Secretary: Lita Payne

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 MINUTES FOR THE [SPECIAL MEETING OF JANUARY 14, 2020](#) AND [SPECIAL MEETING OF JANUARY 21, 2020](#) AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [INVESTMENT MANAGER CONTRACT WITH AEGON U.S.A. INVESTMENT MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- V. [SEMI-FINALISTS OF THE ACTIVE EMERGING MARKET DEBT INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION](#)
- VI. OTHER BUSINESS

VII. NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, March 10, 2020, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

VIII. ADJOURNMENT



**LACERS**  
LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM



## ***Board of Administration Agenda***

### **SPECIAL MEETING**

**TUESDAY, FEBRUARY 11, 2020**

**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).

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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: Lita Payne

Executive Assistant: Ani Ghokassian

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 AEGON U.S.A. INVESTMENT MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- V. SEMI-FINALISTS OF THE ACTIVE EMERGING MARKET DEBT INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION
- VI. OTHER BUSINESS

VII. NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, March 10, 2020, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

VIII. ADJOURNMENT

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

January 14, 2020

**Agenda of: Feb. 11, 2020**

**Item No: II**

1:21 p.m.

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|          |                      |                                   |
|----------|----------------------|-----------------------------------|
| PRESENT: | Chair:               | Sung Won Sohn                     |
|          | Committee Members:   | Elizabeth Lee<br>Nilza R. Serrano |
|          | Commissioner:        | Annie Chao                        |
|          | Manager-Secretary:   | Lita Payne                        |
|          | Executive Assistant: | Ani Ghoukassian                   |
|          | Legal Counselor:     | James Napier                      |

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

Commissioner Chao was present, this is considered a Special Meeting of the Board of Administration. Any votes will be taken by Investment Committee members only.

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.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF DECEMBER 10, 2019 AND POSSIBLE COMMITTEE ACTION – Committee Member Serrano moved approval of the minutes for the Regular Meeting of December 10, 2019, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano and Chair Sohn -3; Nays, None.

III

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

IV

CONTINUED DISCUSSION OF FINALIST FIRMS OF THE ACTIVE U.S. SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION – Barbara Sandoval, Investment Officer II, presented this item to the Committee for two minutes. Committee Member Serrano moved approval of staff's recommendation, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano and Chair Sohn -3; Nays, None.

V

SEMI-FINALISTS OF THE ACTIVE EMERGING MARKETS SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION – Eduardo Park, Investment Officer I and Carolyn Smith, Partner with NEPC, presented this item to the Committee for two minutes. Committee Member Serrano moved approval of staff's recommendation, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano and Chair Sohn -3; Nays, None.

VI

INVESTMENT MANAGER CONTRACT WITH PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE MID CAP CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Barbara Sandoval, Investment Officer II, Jeremiah Paras, Investment Officer I, and Carolyn Smith, Partner with NEPC, presented this item to the Committee for 10 minutes. Committee Member Elizabeth Lee moved approval of staff's recommendation, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano and Chair Sohn -3; Nays, None.

VII

INVESTMENT MANAGER CONTRACT WITH PGIM, INC. REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jimmy Wang, Investment Officer I and Jeremiah Paras, Investment Officer I, presented this item to the Committee for eight minutes. Committee Member Serrano moved approval of staff's recommendation, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano and Chair Sohn -3; Nays, None.

VIII

INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS VALUE PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Eduardo Park, Investment Officer I and Ellen Chang, Investment Officer I, presented this item to the Committee for 10 minutes. Commissioner Serrano moved approval of staff's recommendation with a report back in one year, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano and Chair Sohn -3; Nays, None.

IX

INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS) PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Barbara Sandoval, Investment Officer II, Ellen Chang, Investment Officer I, Rod June, Chief Investment Officer, and Carolyn Smith, Partner with NEPC, presented this item to the Committee for 17 minutes. The Committee took no action on this item and requested staff come back with options.

X

PRESENTATION ON CRYPTOCURRENCY – Jimmy Wang, Investment Officer I and Robert King, Investment Officer I, presented this item to the Committee for 43 minutes.

XI

OTHER BUSINESS – There was no other business.

XII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, February 11, 2020, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401

XIII

ADJOURNMENT – There being no further business before the Committee, Chair Sohn adjourned the Meeting at 3:00 p.m.

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Sung Won Sohn  
Chair

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Lita Payne  
Manager-Secretary

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

January 21, 2020

**Agenda of: Feb. 11, 2020**

**Item No: II**

9:06 a.m.

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|          |                      |                                   |
|----------|----------------------|-----------------------------------|
| PRESENT: | Chair:               | Sung Won Sohn                     |
|          | Committee Members:   | Elizabeth Lee<br>Nilza R. Serrano |
|          | Commissioner:        | Annie Chao                        |
|          | Manager-Secretary:   | Lita Payne                        |
|          | Executive Assistant: | Ani Ghoukassian                   |
|          | Legal Counselor:     | Joshua Geller                     |

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

Commissioner Chao was present, this is considered a Special Meeting of the Board of Administration. Any votes will be taken by Investment Committee members only.

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.

II

FINALIST FIRMS OF THE HIGH YIELD FIXED INCOME AND HYBRID HIGH YIELD FIXED INCOME/BANK LOAN INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION – Bryan Fujita, Chief Operating Officer, Robert King, Investment Officer I, and Carolyn Smith, Partner with NEPC presented this item to the Committee and introduced the first presenter.

Aegon USA Investment Management, LLC: Jim Schaeffer, Deputy Chief Investment Officer, Kevin Bakker, Co-Head of High Yield, and T.F. Meagher, Managing Director, presented to the Committee for 33 minutes.

Loomis, Sayles & Company, LP: Todd Vandam, Vice President, Portfolio Manager and Chad Gross, Vice President, Institutional Services, presented to the Committee for 36 minutes.



Morgan Stanley Investment Management: Richard Lindquist, Managing Director, Jack Cimarosa, Executive Director, Portfolio Manager, Rodrigo Soto, Executive Director, Institutional Sales, and Kathyne Downs, Vice President, Portfolio Specialist, presented to the Committee for 35 minutes.

DDJ Capital Management LLC: David Breazzano, President, Benjamin Santonelli, Portfolio Manager, and Jack O'Connor, Head of Business Development & Client Services, presented to the Committee for 48 minutes.

KKR Credit: Chris Sheldon, Partner, Jenn Lee, Director, and Andrew Clerico, Director, presented to the Committee for 43 minutes.

Chair Sohn recessed the Special Meeting at 12:44 p.m. for a break and reconvened the Special Meeting at 1:02 p.m.

Rod June, Chief Investment Officer, Bryan Fujita, Chief Operating Officer, and Robert King, Investment Officer I, discussed the presentations with the Committee.

Chair Sohn left the Special Meeting at 1:26 p.m.

Co-Chair Serrano moved approval of Loomis, Sayles & Company in the High Yield Fixed Income Investment Manager search and DDJ Capital Management LLC in the Hybrid High Yield Fixed Income/Bank Loan Investment Manager search, and adopted by the following vote: Ayes, Committee Member Elizabeth Lee and Co-Chair Serrano -2; Nays, None.

### III

OTHER BUSINESS – There was no other business

### IV

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, February 11, 2020, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401

### V

ADJOURNMENT – There being no further business before the Committee, Co-Chair Serrano adjourned the Meeting at 1:27 p.m.

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Nilza Serrano  
Co-Chair

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Lita Payne  
Manager-Secretary

**REPORT TO INVESTMENT COMMITTEE****From: Lita Payne, Executive Officer***Lita Payne***MEETING: FEBRUARY 11, 2020****ITEM: IV**

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**SUBJECT: INVESTMENT MANAGER CONTRACT WITH AEGON USA INVESTMENT MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION****ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐**

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**Recommendation**

That the Committee recommend to the Board a one-year contract extension with Aegon USA Investment Management, LLC for the management of an active U.S. high yield fixed income portfolio.

**Executive Summary**

Aegon USA Investment Management, LLC (AUIM) has managed an active U.S. high yield fixed income portfolio for LACERS since June 2013. LACERS' portfolio was valued at \$392 million as of January 31, 2020. AUIM rebid for its mandate in the 2019-2020 active U.S. high yield fixed income investment manager search that is currently in progress. The firm was selected as one of three finalists and interviewed by the Committee, but was not advanced for Board consideration. Therefore, staff recommends a one-year contract extension with AUIM to maintain exposure to the U.S. high yield fixed income market until contract(s) with the firm(s) hired through the current search is executed.

**Discussion*****Background***

The Board hired AUIM in June 2013 to manage an active U.S. high yield fixed income portfolio benchmarked against the Bloomberg Barclays U.S. Corporate High Yield 2% Capped Index. AUIM employs a fundamental research-based investing strategy that is guided by the macroeconomic environment. The investment process consists of three steps: 1) analysis of global macroeconomics, interest rates, and asset allocation; 2) credit research and security selection; and 3) portfolio construction. Investment risks are monitored and reviewed throughout the process. The strategy is managed by a team of four portfolio managers led by Jim Schaeffer, Deputy CIO and Co-Head of Fixed Income. LACERS' portfolio was valued at \$392 million as of January 31, 2020. The current contract expires on March 31, 2020.

On October 23, 2018, the Board approved a high yield fixed income and hybrid high yield/bank loan investment manager search to evaluate the current marketplace for these types of strategies. AUIM rebid for the high yield portion of this search and was selected as one of three finalist candidates. On January 21, 2020, the Committee interviewed the finalist firms and determined not to advance AUIM for Board consideration and contract award. A one-year extension to AUIM's current contract will allow the LACERS investment portfolio to maintain U.S. high yield fixed income exposure until the new contract(s) with the firm(s) selected by Board is executed.

### *Organization*

AUIM has 321 employees and is headquartered in Cedar Rapids, Iowa. The firm is a wholly-owned subsidiary of Aegon N.V., a multinational insurance and financial services company. As of September 30, 2019, AUIM had \$101.5 billion of total assets under management, with \$7.7 billion of assets under management in the U.S. high yield fixed income strategy.

### *Due Diligence*

AUIM's investment philosophy, strategy, and process have not changed since the inception of the contract in 2013. Due to a regulatory agency investigation, AUIM was placed on "On Watch" status on October 5, 2017, for an initial one-year period pursuant to the LACERS Manager Monitoring Policy. The regulatory investigation was settled satisfactorily in August 2018. To mitigate organizational risks, Gary Black, former CEO of AUIM, committed to enhancing transparency and critical functional areas such as compliance. Upon expiration of the initial one-year watch period, staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, retained AUIM on "On Watch" status for an additional one-year period to evaluate improvements in the business culture.

In July 2019, Mr. Black left the firm and Christopher Thompson was named interim CEO. Staff and NEPC conducted further due diligence and determined to retain AUIM on "On Watch" status to evaluate ongoing organizational risks. Mr. Thompson was named permanent CEO in December 2019. The strategy's portfolio management team and performance have not been adversely impacted by these issues.

### *Performance*

As of January 31, 2020, AUIM has outperformed its benchmark, for most time periods with the exception of the 5-year period, as presented in the table below.

| <b>Annualized Performance, Unaudited as of 1/31/20 (Net-of-Fees)</b> |         |        |        |        |        |                              |
|--|---------|--------|--------|--------|--------|------------------------------|
|  | 3-Month | 1-Year | 2-Year | 3-Year | 5-Year | Since Inception <sup>1</sup> |
| AUIM   | 2.54    | 9.67   | 5.51   | 6.00   | 5.91   | 6.01                         |
| Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index  | 2.36    | 9.40   | 5.50   | 5.86   | 6.01   | 5.94                         |
| % of Excess Return   | 0.18    | 0.27   | 0.01   | 0.14   | -0.10  | 0.07                         |

<sup>1</sup>Inception Date: 6/30/2013

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

| <b>Calendar Year Performance, Unaudited as of 1/31/20 (Net-of-Fees)</b>   |                    |       |       |      |       |       |
|---|--------------------|-------|-------|------|-------|-------|
|   | 1/1/20-<br>1/31/20 | 2019  | 2018  | 2017 | 2016  | 2015  |
| AUIM  | -0.03              | 14.75 | -2.21 | 7.85 | 15.41 | -3.94 |
| Bloomberg Barclays U.S.<br>Corporate High Yield 2%<br>Issuer Capped Index | 0.03               | 14.32 | -2.08 | 7.50 | 17.13 | -4.43 |
| % of Excess Return  | -0.06              | 0.43  | -0.13 | 0.35 | -1.72 | 0.49  |

#### *Fees*

LACERS pays AUIM an effective fee of 37.8 basis points (0.38%), which is approximately \$1.5 million annually based on the value of LACERS' assets as of January 31, 2020. The fee ranks in the 21<sup>st</sup> percentile of fees charged by similar managers in the eVestment U.S. High Yield Fixed Income Universe (i.e., 79% of like-managers have higher fees).

#### *General Fund Consultant Opinion*

NEPC concurs with this recommendation.

#### **Strategic Plan Impact Statement**

A contract extension with Aegon USA Investment Management, LLC will allow the fund to maintain a diversified exposure to the U.S. high yield fixed income market, which is expected to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

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

RJ/BF/JW/JP

Attachment: 1. Consultant Recommendation – NEPC

**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** February 11, 2020  
**Subject:** Aegon USA Investment Management, LLC – Contract Extension

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**Recommendation**

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

**Background**

Aegon was hired into the Credit Opportunities asset class on June 20, 2013 to provide the Plan with U.S. corporate non-investment grade fixed income (high yield) exposure. The portfolio's strategy is benchmarked against the Barclays Capital U.S. High Yield 2% Issuer Cap Index. As of December 31, 2019, Aegon managed \$394.2 million, or 2.3% of Plan assets in a High Yield Fixed Income separately managed account. The performance objective is to outperform the Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index, net of fees, annualized over a full market cycle (normally three-to-five years).

Aegon was not selected by the Investment Committee for Board consideration and contract award in the recent competitive bid process for a high yield investment manager. The Aegon account is currently under 'Watch' status according to LACERS' manager monitoring policy due to organizational reasons.

Aegon Asset Management US is a wholly owned subsidiary of Aegon N.V. which is a public company listed on the Euronext Amsterdam (stock exchange) and New York Stock Exchange. Aegon N.V. is an international life insurance, pension and asset management group headquartered in the Netherlands operating in over 20 countries throughout Europe, Asia and the Americas. Aegon Asset Management US primarily manages active fixed income portfolios and has 94 accounts, \$100.8 billion in assets under management ('AUM') as of December 31, 2019 and has approximately 133 investment professionals. A majority of the firm's AUM is made up of insurance assets (approximately 75%) and sub-advised business (approximately 21%); Public Funds assets make up approximately 1.2% of total AUM.

The LACERS High Yield Fixed Income portfolio is co-managed by four portfolio managers; Jim Schaeffer, Deputy CIO/ Co-Head of Fixed Income, Kevin Bakker and Ben Miller, Co-Heads of High Yield and Derek Thoms, High Yield Portfolio Manager. Mr. Schaeffer has been with Aegon since 2004 and is responsible for top-down portfolio themes, risk positioning and process oversight. Messrs. Bakker, Miller and Thoms are responsible for day-to-day portfolio management and have been in the role for 12, 13 and four years respectively. The portfolio management team is supported by 20 research analysts, five distressed debt analysts and four macro strategy analysts.

The team seeks to achieve their outperformance target primarily through issue selection informed by top-down macro insights and has a philosophical view that unexpected changes in the business cycle can create investment opportunities. Broad diversification is used to mitigate individual credit risk and aids in managing liquidity risk across industries and credit quality tiers. Typically, the portfolio will hold 125-175 issuers.

The portfolio construction process incorporates the portfolio management and research teams collaboratively to assess the relative attractiveness of names entering the portfolio. Quantitative and qualitative factors are aggregated and tested against valuation, technical metrics and investor sentiment. Sector and industry allocations are informed by the bottom-up top-down process with the portfolio's benchmark being viewed as a jumping-off point rather than a blueprint. The process results in a portfolio that can vary significantly from benchmark characteristics and historically has resulted in the ability to tactically position the portfolio defensively when warranted as well as being able to dial-up the risk profile as the process uncovers opportunities.

### **Investment Management Fee**

The portfolio has an asset-based fee of 0.38% (37.8 basis points) annually. This fee ranks in the 21<sup>st</sup> percentile among its peers in the eVestment U.S. High Yield Fixed Income Universe. In other words, 79% of the 207 high yield fixed income products included in the peer universe have a higher fee than the LACERS account.

### **Performance**

Referring to Exhibit 1, since inception on July 1, 2013, (note NEPC since inception returns begin calculating from the first full month of performance) the strategy has outperformed the Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index by 0.07%, returning 6.09%, net of fees and ranked in the 17<sup>th</sup> percentile in its peer universe. The information ratio was 0.07 and active risk, as measured by tracking error was 0.98%. In the one-year period ended December 31, 2019, the portfolio outperformed the index by 0.43% and ranked 29<sup>th</sup> in its peer universe.

Since July 1, 2013, referring to Exhibit 2, much of the historical outperformance, on a cumulative basis was erased in the second quarter of 2016 which was a result of Energy sector exposure and has oscillated between cumulative outperformance and underperformance since then.

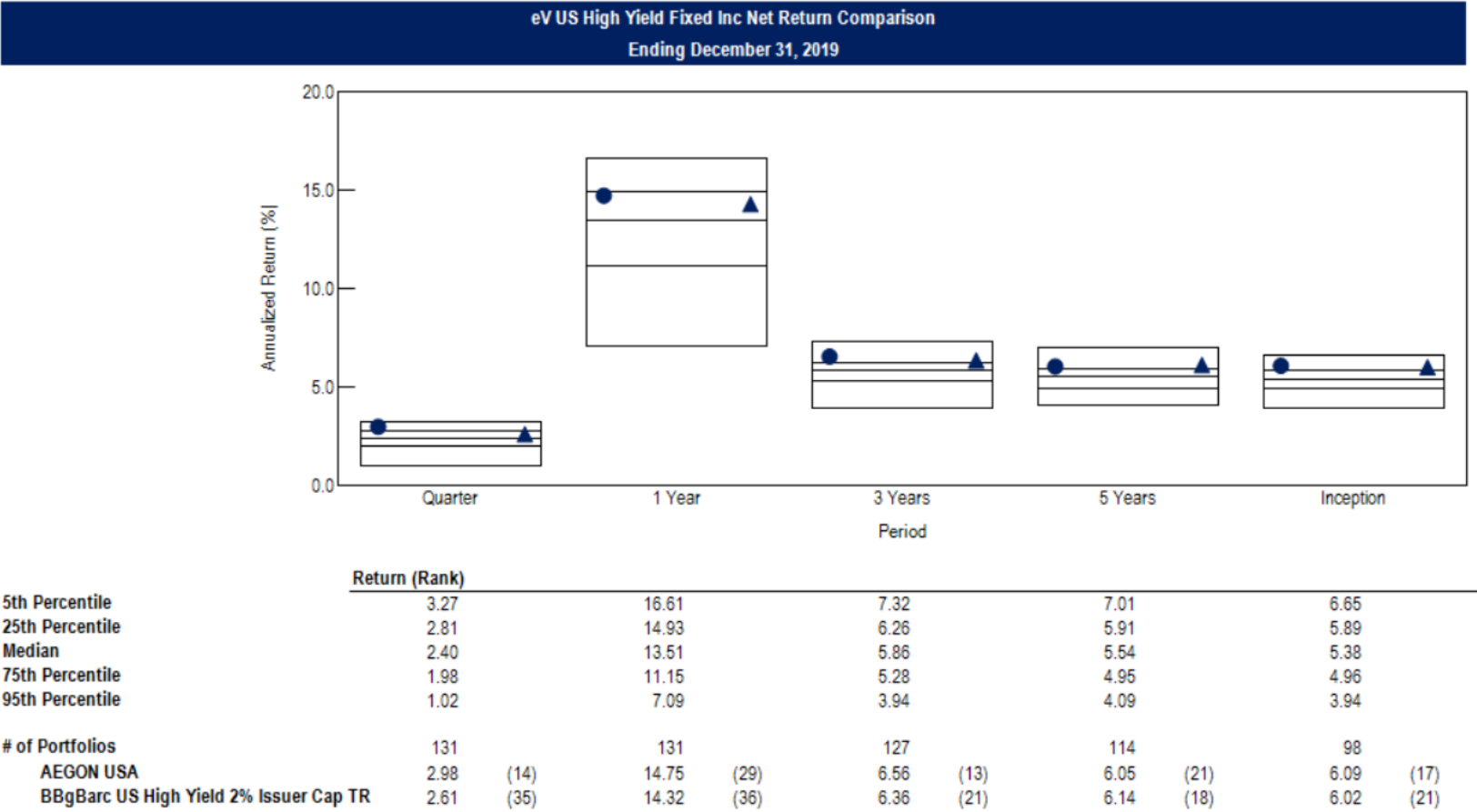
### **Conclusion**

Aegon has modestly outperformed its benchmark since July 1, 2013. However, the firm settled a SEC investigation and reorganized many processes related to the firm's risk, compliance, marketing, product development, audit and legal functions. Additionally, there has been several management changes within the investment division. The LACERS Investment Committee did not select Aegon for Board consideration and contract award in the recent competitive bid process. NEPC recommends a contract extension for a period of

one year from the period of contract expiry. This contract extension will allow for continual management of the existing high yield portfolio while the high yield manager search is completed.

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

Exhibit 1

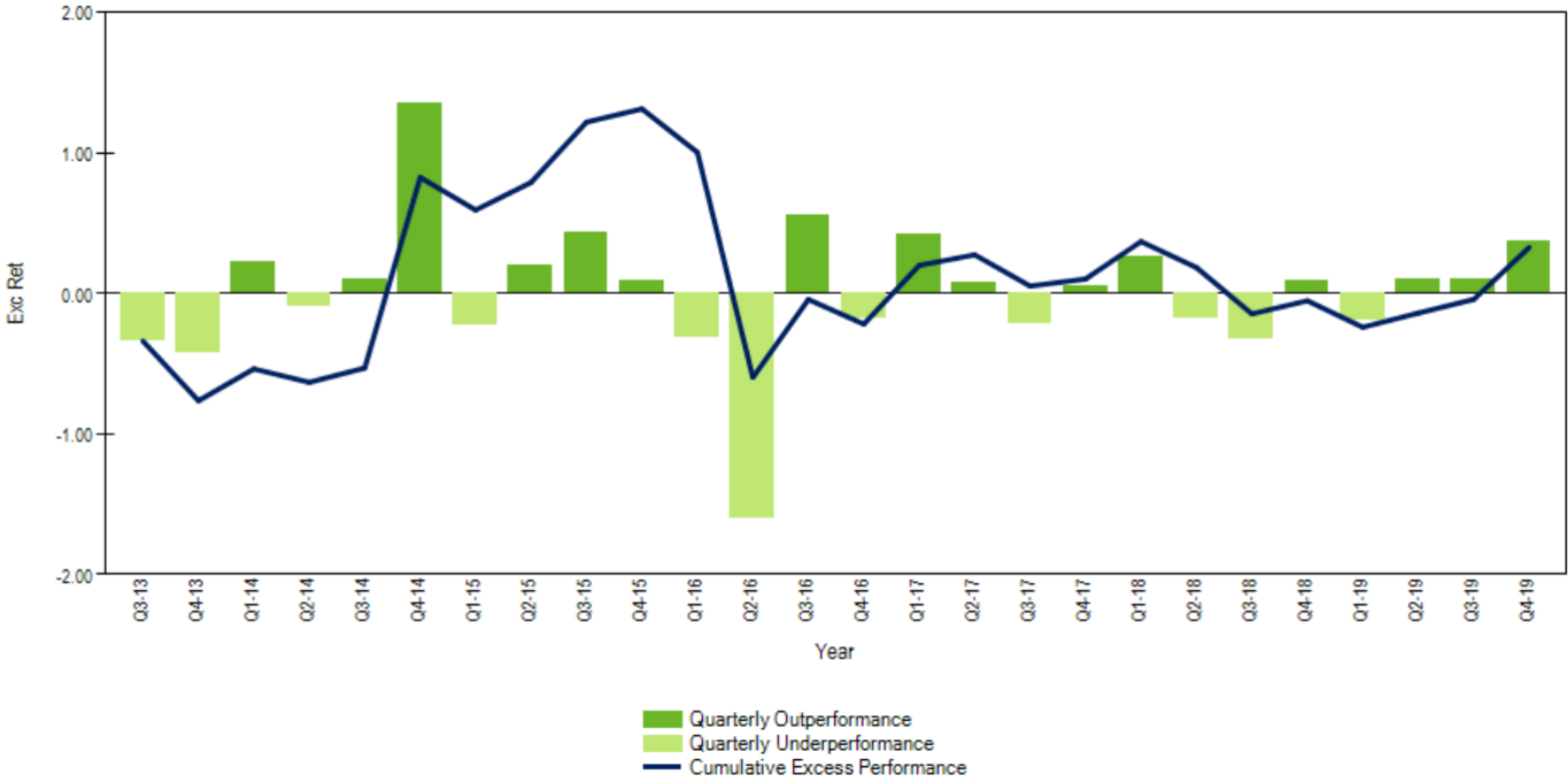


Note: Inception date of the portfolio is 6/20/2013. Inception date for performance calculation is 7/1/2013



Exhibit 2

Quarterly and Cumulative Excess Performance



**REPORT TO INVESTMENT COMMITTEE****From: Lita Payne, Executive Officer****MEETING: FEBRUARY 11, 2020****ITEM: V***Lita Payne***SUBJECT: SEMI-FINALISTS OF THE ACTIVE EMERGING MARKET DEBT INVESTMENT  
MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION****ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐****Recommendation**

That the Committee concur with staff's recommendation to advance the following four managers as semi-finalists for the Emerging Market Debt Mandate Search:

1. Ashmore Investment Management Limited
2. PGIM, Inc. (current LACERS manager)
3. Schroder Investment Management North America Inc.
4. Wellington Management Company LLP

**Executive Summary**

The Board-approved request for proposal (RFP) for emerging market blended local and hard currency debt investment managers opened on June 10, 2019, and closed on July 22, 2019. A total of 19 proposals were received, representing 19 firms, including one emerging investment manager. Following review, 16 of 19 firms met the minimum qualifications and four firms are recommended to advance as semi-finalists for this search.

**Discussion*****Background***

The Board approved an RFP process to evaluate the current marketplace for emerging market blended local and hard currency debt investment managers on October 23, 2018. Based upon the asset allocation targets approved by the Board on April 10, 2018, approximately \$800 million (4.50% of total fund assets) will be allocated to this mandate. LACERS seeks one or more qualified investment management firms to actively manage a publicly-traded emerging market blended local and hard currency debt investment strategy. LACERS will consider separately managed accounts and fund-of-funds.

The search opened on June 10, 2019, and closed on July 22, 2019. The search was advertised in the Pensions and Investments and Emerging Manager Monthly publications. The RFP was published on LACERS' website and the websites of LACERS' general fund consultant, NEPC, LLC (NEPC), Association of Asian American Investment Managers, and New America Alliance. Further, the RFP was emailed to all contacts within the LACERS Investment RFP/RFI Notification System database.

### ***Search Results***

A total of 19 proposals were received, representing 19 firms, including one emerging investment manager. Following a review of the minimum qualifications (MQs) required to participate in the search, 16 of 19 proposals met the MQs, including the proposal of the emerging investment manager.

### ***Evaluation Criteria and Recommendation***

NEPC evaluated the respondents based on the methodology published in the LACERS Manager Search and Selection Policy (Policy). The scoring criteria and corresponding weightings established by the Policy are as follows:

| <b>Criteria</b>            | <b>Weight</b> | <b>Sub-weighting</b> |
|----------------------------|---------------|----------------------|
| Qualitative Assessment     | 70%           |                      |
| <i>Organization/People</i> |               | 30%                  |
| <i>Investment Process</i>  |               | 40%                  |
| <i>Risk Management</i>     |               | 30%                  |
| Quantitative Assessment    | 20%           |                      |
| Expected Fees              | 10%           |                      |

The attached evaluation report includes the summary findings of all firms as well as additional information for each of the proposed semi-finalists:

1. Ashmore Investment Management Limited
2. PGIM, Inc. (current LACERS manager)<sup>1</sup>
3. Schroder Investment Management North America Inc.
4. Wellington Management Company LLP

Upon Investment Committee concurrence of the proposed semi-finalist firms, staff will conduct additional due diligence, which may include on-site visits and reference checks. Following completion of this assessment, staff will recommend finalists for interview and consideration by the Committee, consistent with the process approved by the Board on October 23, 2018.

### **Strategic Plan Impact Statement**

The RFP for emerging market blended local and hard currency debt investment managers assists the fund with optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP upholds good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

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<sup>1</sup>Manages approximately \$443 million for LACERS in an emerging market hard currency debt strategy as of January 31, 2020.

Prepared by: Jimmy Wang, Investment Officer I, Investment Division  
Jeremiah Paras, Investment Officer I, Investment Division

RJ/BF/JW/JP

Attachment: 1. Emerging Markets Blended Debt Investment Manager Search Semi-Finalists  
Report by NEPC, LLC

# EMERGING MARKETS BLENDED DEBT INVESTMENT MANAGER SEARCH SEMI- FINALISTS

**LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM**

**February, 2020**



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

# SEARCH SUMMARY

## Summary

- **LACERS received 19 proposals for emerging market blended debt mandates**
- **After a review of the minimum requirements, 3 proposals did not pass**
  - Two firms did not have a 5-year GIPS compliant track record
  - One firm submitted an incomplete proposal
- **Using the scoring matrix from LACERS' Manager Search and Selection Policy, semi-finalist firms were identified**

## Semi-Finalist Firms

- **Ashmore Group**
- **PGIM Fixed Income**
- **Schroder Investment Management North America Inc.**
- **Wellington Management Company LLP**



# CANDIDATE EVALUATION SCORES

| Firm  | Qualitative Assessment 70%  |                          |                       | Quantitative Assessment (20%) | Fees (10%) | Total |
|---|-----------------------------|--------------------------|-----------------------|-------------------------------|------------|-------|
|   | Organization / People (30%) | Investment Process (40%) | Risk Management (30%) |                               |            |       |
| Ashmore Group                                     | 4.75                        | 4.50                     | 4.00                  | 3.70                          | 2.00       | 4.04  |
| Wellington Management Company LLP                 | 4.00                        | 4.25                     | 4.00                  | 4.00                          | 2.00       | 3.87  |
| Schroder Investment Management North America Inc. | 3.50                        | 3.25                     | 4.00                  | 3.65                          | 5.00       | 3.72  |
| PGIM Fixed Income                                 | 3.50                        | 3.50                     | 3.25                  | 3.30                          | 5.00       | 3.56  |
| Firm A  | 3.50                        | 3.50                     | 3.00                  | 3.40                          | 5.00       | 3.53  |
| Firm B  | 4.25                        | 4.00                     | 3.25                  | 3.50                          | 1.00       | 3.50  |
| Firm C  | 3.25                        | 3.00                     | 3.25                  | 3.90                          | 5.00       | 3.49  |
| Firm D  | 3.50                        | 3.00                     | 3.50                  | 3.80                          | 4.00       | 3.47  |
| Firm E  | 2.75                        | 3.00                     | 3.00                  | 4.95                          | 4.00       | 3.44  |
| Firm F  | 3.50                        | 4.00                     | 2.00                  | 3.20                          | 5.00       | 3.42  |
| Firm G  | 3.50                        | 3.75                     | 3.50                  | 2.90                          | 3.00       | 3.40  |
| Firm H  | 3.50                        | 3.50                     | 3.00                  | 4.25                          | 2.00       | 3.40  |
| Firm I  | 3.50                        | 3.75                     | 3.50                  | 2.80                          | 3.00       | 3.38  |
| Firm J  | 3.00                        | 2.50                     | 3.25                  | 4.50                          | 3.00       | 3.21  |
| Firm K  | 3.25                        | 3.50                     | 3.50                  | 2.50                          | 1.00       | 3.00  |
| Firm L  | 2.25                        | 2.50                     | 2.50                  | 3.55                          | 4.00       | 2.81  |

# ASHMORE GROUP

| Firm/Personnel Information                       |   |
|--|---|
| Main Office                                      | London  |
| Additional Offices                               | New York, Bogota, Lima, Dublin, Riyadh, Mumbai, Dubai, Tokyo, Singapore, Jakarta  |
| Year Founded                                     | 1992  |
| Ownership Structure                              | Ashmore Group is a subsidiary of Ashmore Group plc, which is publicly traded  |
| Firm Assets* (\$millions)                        | \$91,900  |
| Product Assets* (\$millions)                     | \$13,064  |
| Product Capacity                                 | No set capacity   |
| Number of Employees Firm                         | 302   |
| Number of Employees Product                      | 32  |
| Number of Employees Spending ≥50% on the Product | 32  |
| Team   | Investment committee has ultimate responsibility for portfolio management.  |
| Key Team Members                                 | Mark Coombs, Chair Fixed Income Committee, Ricardo Xavier, Deputy Chair IC, Jan Dehn, Herbert Saller, Robin Forrest, Fernando Assad |

| Fund Strategy                    |  |
|----------------------------------|--|
| Fund Strategy                    | Ashmore EM Blended Debt Total Return Strategy  |
| Typical Number of Issuers        | 300 – 500 securities   |
| Typical Turnover /Holding Period | 6 – 12 months  |
| Investment Restrictions          | Maximum country exposure is 25%. Maximum corporate/quasi exposure per issuer is 10%.   |
| Strategy Description             | The firm uses a top-down macro economic focus that lends itself to a tactical asset allocation approach. The strategy aims to take advantage of the full spectrum of emerging market debt universe. The Investment Committee incorporates macro themes and country analysis to actively manage local debt, hard currency, corporate and currency exposure. The strategy is diversified amongst local bond exposures and numerous active currency positions. Out of benchmark positions may include Frontier markets, inflation protected bonds and local corporate bonds. The team maintains close ties with policy makers, government officials and corporations within emerging markets countries as a source for gathering information. |

| Investment Fees/Performance               |  |
|---|--|
| Management Fees \$200M                    | 0.58%  |
| Management Fees \$600M                    | 0.50%  |
| Margin on Fees Paid (Net Gain/Fee Paid)** | 1.26x  |
| ESG                                       | ESG factors are fully integrated in the risk assessment of each country's credit. They use a performance assessment rather than just a risk assessment of ESG. |
| PRI Signatory / Year Signed               | Yes / 2013   |

| Annualized Performance* (Gross of Fees)           |          |             |            |             |           |                       |
|---|----------|-------------|------------|-------------|-----------|-----------------------|
| Fund Name   | One Year | Three Years | Five Years | Seven Years | Ten Years | Inception (6/30/2003) |
| Ashmore EM Blended Debt Total Return Strategy     | 7.95     | 4.64        | 4.72       | 3.49        | 5.93      | 9.03                  |
| 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div | 10.91    | 3.89        | 3.19       | 2.26        | 4.73      | 7.01                  |
| Excess  | -2.96    | 0.75        | 1.53       | 1.23        | 1.21      | 2.02                  |

\*As of 9/30/2019

\*\*Margin on fees calculated on \$600 million mandate.





# PGIM FIXED INCOME

| Firm/Personnel Information                              |  | Fund Strategy                           |   | Investment Fees/Performance                       |  |  |
|---|--|---|---|---|--|--|
| <b>Main Office</b>                                      | Newark, NJ   | <b>Fund Strategy</b>                    | PGIM Fixed Income Emerging Markets Debt – Hard/Local Currency Blend   | <b>Management Fees \$200M</b>                     | 0.38%  |  |
| <b>Additional Offices</b>                               | London, Letterkenny, Ireland, Singapore, Tokyo   | <b>Typical Number of Issuers</b>        | ~550 securities   | <b>Management Fees \$600M</b>                     | 0.33%  |  |
| <b>Year Founded</b>                                     | PFI – 1875, PGIM - 1984  | <b>Typical Turnover /Holding Period</b> | 25% - 55%   | <b>Margin on Fees Paid (Net Gain/Fee Paid)***</b> | 2.83x  |  |
| <b>Ownership Structure</b>                              | Wholly-owned subsidiary of Prudential Financial Inc., a publicly traded firm             | <b>Investment Restrictions</b>          | Duration range 5.5-7.75 years; Exposures hard currency 40-70%, corporates 0-15%, local currency 30-60%.   | <b>ESG</b>  | Focus on integration into investment process. Analysts take into account ESG factors, not a separate team. Material ESG impacts may not manifest given short holding period. |  |
| <b>Firm Assets* (\$millions)</b>                        | \$838,209.39   | <b>Strategy Description</b>             | The firm starts with a top-down approach by assessing the global appetite for risk and setting a dynamic risk budget for the overall portfolio. The investment approach seeks to add value primarily through research-based country allocation, security selection, currencies, and, to a lesser extent, yield curve management. They pay close attention to value-added from non-benchmark securities and adjust the portfolio's risk levels based on market conditions. | <b>PRI Signatory / Year Signed</b>                | Yes / 2015   |  |
| <b>Product Assets* (\$millions)</b>                     | \$14,132.89  |   |   |   |  |  |
| <b>Product Capacity</b>                                 | No set capacity  |   |   |   |  |  |
| <b>Number of Employees Firm</b>                         | 860  |   |   |   |  |  |
| <b>Number of Employees Product</b>                      | 154  |   |   |   |  |  |
| <b>Number of Employees Spending ≥50% on the Product</b> | 34   |   |   |   |  |  |
| <b>Team**</b>   | 2 Senior PMs supported by 22 dedicated region and sector portfolio managers and analysts |   |   |   |  |  |
| <b>Key Team Members**</b>                               | Cathy Hepworth, David Bessey, Mariusz Banasiak   |   |   |   |  |  |

| Annualized Performance* (Gross of Fees)                             |          |             |            |             |           |                       |
|---|----------|-------------|------------|-------------|-----------|-----------------------|
| Fund Name   | One Year | Three Years | Five Years | Seven Years | Ten Years | Inception (12/1/2007) |
| PGIM Fixed Income Emerging Markets Debt - Hard/Local Currency Blend | 12.46    | 4.88        | 4.32       | 3.39        | 6.11      | 6.34                  |
| 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div                   | 10.91    | 3.89        | 3.19       | 2.26        | 4.73      | 5.07                  |
| Excess  | 1.55     | 0.99        | 1.13       | 1.13        | 1.39      | 1.28                  |

\*As of 9/30/2019

\*\*David Bessey is retiring Q1 2020.

\*\*\*Margin on fees calculated on \$600 million mandate.



# SCHRODER INVESTMENT MGMT. NORTH AMERICA INC.

| Firm/Personnel Information                              |  |
|---|--|
| <b>Main Office</b>                                      | New York, London   |
| <b>Additional Offices</b>                               | 32 additional offices  |
| <b>Year Founded</b>                                     | Schroder Merchant Bank – 1804, Investment Management - 1980                |
| <b>Ownership Structure*</b>                             | Wholly-owned subsidiary of Schroders Plc, a publicly traded firm           |
| <b>Firm Assets** (\$millions)</b>                       | \$555,509.56   |
| <b>Product Assets*** (\$millions)</b>                   | \$1,217.44   |
| <b>Product Capacity</b>                                 | \$10 billion   |
| <b>Number of Employees Firm</b>                         | 4,318  |
| <b>Number of Employees Product</b>                      | 28   |
| <b>Number of Employees Spending ≥50% on the Product</b> | 28   |
| <b>Team</b>   | Four portfolio managers supported by 20 research analysts and four traders |
| <b>Key Team Members</b>                                 | James Barrineau, Fernando Grisales   |

| Fund Strategy                           |   |
|---|---|
| <b>Fund Strategy</b>                    | Emerging Markets Debt Relative Return   |
| <b>Typical Number of Issuers</b>        | 80 – 150 securities   |
| <b>Typical Turnover /Holding Period</b> | ~258%   |
| <b>Investment Restrictions</b>          | Portfolio duration +/- two years from benchmark. Country limit max 30%. Corporate exposure max 40%. Local currency (unhedged) max 50%. Corporate issuer concentration 2% max.   |
| <b>Strategy Description</b>             | The team employs a thematically-driven relative value strategy that invests across the emerging markets debt spectrum. The universe includes all sovereign, local currency, and corporate debt securities issued by emerging market countries and derivatives related to those securities. They believe using a dynamic asset allocation approach utilizing the entire EMD opportunity set is the best way to balance risk and return. Portfolios typically exhibit high active risk relative to the benchmark. |

| Investment Fees/Performance                        |   |
|--|---|
| <b>Management Fees \$200M</b>                      | 0.45%                                   |
| <b>Management Fees \$600M</b>                      | 0.41%                                   |
| <b>Margin on Fees Paid (Net Gain/Fee Paid)****</b> | 1.65x                                   |
| <b>ESG</b>   | ESG integrated into country assessment. |
| <b>PRI Signatory / Year Signed</b>                 | Yes / 2007                              |

| Annualized Performance*** (Gross of Fees)         |          |             |            |             |           |                      |
|---|----------|-------------|------------|-------------|-----------|----------------------|
| Fund Name   | One Year | Three Years | Five Years | Seven Years | Ten Years | Inception (7/1/2012) |
| Emerging Markets Debt Relative Return             | 6.66     | 4.05        | 3.62       | 3.42        | ---       | 3.67                 |
| 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div | 10.91    | 3.89        | 3.19       | 2.26        | 4.73      | 2.54                 |
| Excess  | -4.25    | 0.16        | 0.43       | 1.16        | ---       | 1.14                 |



\*The firm is owned by the Schroder family (47.9%), employees (3.4%) and publicly traded (48.7%).

\*\*AUM for parent and related asset management subsidiaries.

\*\*\*As of 9/30/2019. \*\*\*\*Margin on fees calculated on \$600 million mandate.

# WELLINGTON MANAGEMENT COMPANY LLP

| Firm/Personnel Information                       |  |
|--|--|
| Main Office                                      | Boston, MA   |
| Additional Offices                               | Radnor, Chicago, San Francisco, London, Frankfurt, Hong Kong, Beijing, Sydney, Singapore, Tokyo, Toronto, Zurich |
| Year Founded                                     | 1933   |
| Ownership Structure                              | Employee-owned   |
| Firm Assets* (\$millions)                        | \$1,101,580  |
| Product Assets* (\$millions)                     | \$4,773  |
| Product Capacity                                 | \$5 billion  |
| Number of Employees Firm                         | 2,611  |
| Number of Employees Product                      | 33   |
| Number of Employees Spending ≥50% on the Product | 33   |
| Team   | Lead PM supported by two back-up PMs. Other team members include 4 PMs, 26 dedicated EM specialists              |
| Key Team Members                                 | Jim Valone, Kevin Murphy, Evan Ouellette   |

| Fund Strategy                    |   |
|----------------------------------|---|
| Fund Strategy                    | Blended Opportunistic Emerging Markets Debt   |
| Typical Number of Issuers        | 200 – 300 securities  |
| Typical Turnover /Holding Period | 75% - 100%  |
| Investment Restrictions          | Issuer: 25% Country, 25% Currency, single issuer 5%. Industry/Sector local currency debt 100%, corporate issuers 50%, top five countries 75%. 0% regional limits. No limit on level III assets. 0% leverage. Duration up to 10 years.   |
| Strategy Description             | The team uses a “best ideas” approach that takes advantage of investment opportunities across the emerging markets fixed income spectrum, including hard and local currency-denominated sovereign, quasi-sovereign, and corporate debt, currencies, and derivatives. While the team is mindful of benchmark exposures, they may deviate considerably from the benchmark if they believe it to be justified by fundamental, valuation, and/or technical considerations. They may take outright currency exposure unrelated to underlying bond exposures. |

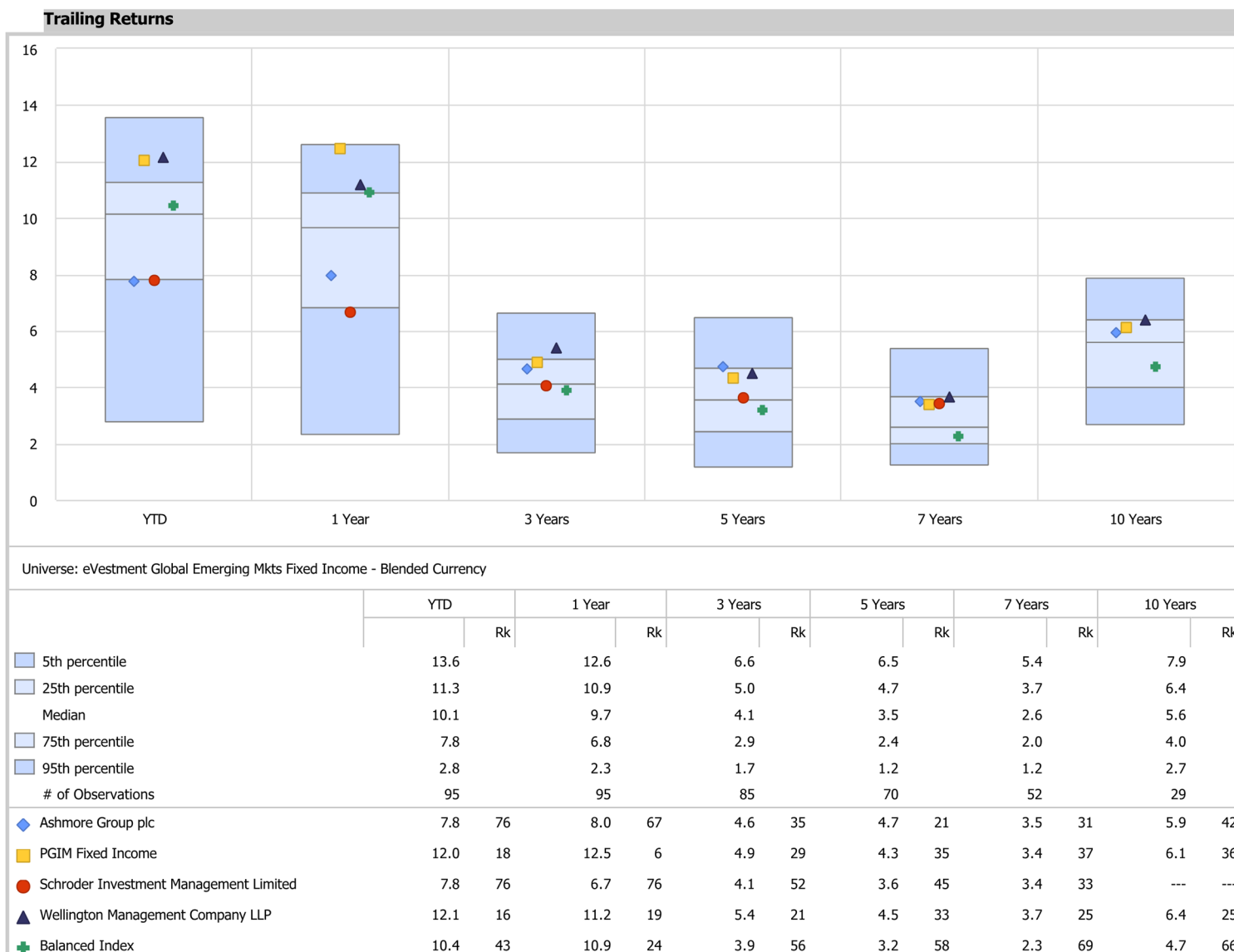
| Investment Fees/Performance               |  |
|---|--|
| Management Fees \$200M                    | 0.55%  |
| Management Fees \$600M                    | 0.47%  |
| Margin on Fees Paid (Net Gain/Fee Paid)** | 2.19x  |
| ESG                                       | ESG is used to manage risk at the country and issuer level. ESG is integrated into the approach rather than used as a screen. If ESG risks are material, then they are included in risk/return assessment. |
| PRI Signatory / Year Signed               | Yes / 2012   |

| Annualized Performance* (Gross of Fees)           |          |             |            |             |           |                       |
|---|----------|-------------|------------|-------------|-----------|-----------------------|
| Fund Name   | One Year | Three Years | Five Years | Seven Years | Ten Years | Inception (2/28/2009) |
| Blended Opportunistic Emerging Markets Debt       | 11.18    | 5.39        | 4.49       | 3.65        | 6.39      | 9.18                  |
| 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div | 10.91    | 3.89        | 3.19       | 2.26        | 4.73      | 7.11                  |
| Excess  | 0.27     | 1.51        | 1.30       | 1.39        | 1.66      | 2.07                  |



\*As of 9/30/2019. \*\*Margin on fees calculated on \$600 million mandate.

# CANDIDATE PERFORMANCE COMPARISON

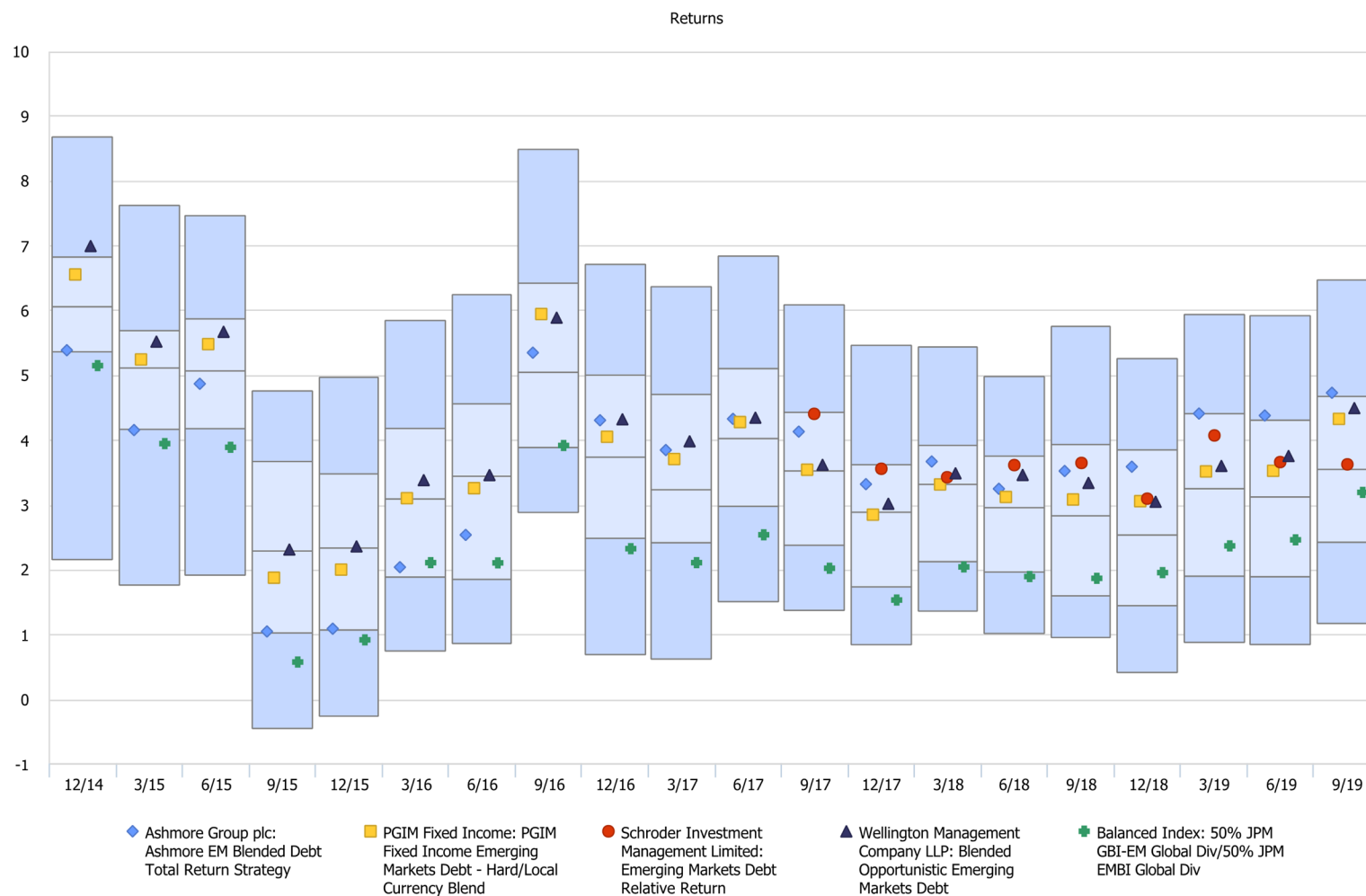


Data as of 9/30/2019  
Balanced Index is 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div



# CANDIDATE PERFORMANCE COMPARISON

Rolling 5 Year Returns (past 20 quarters)

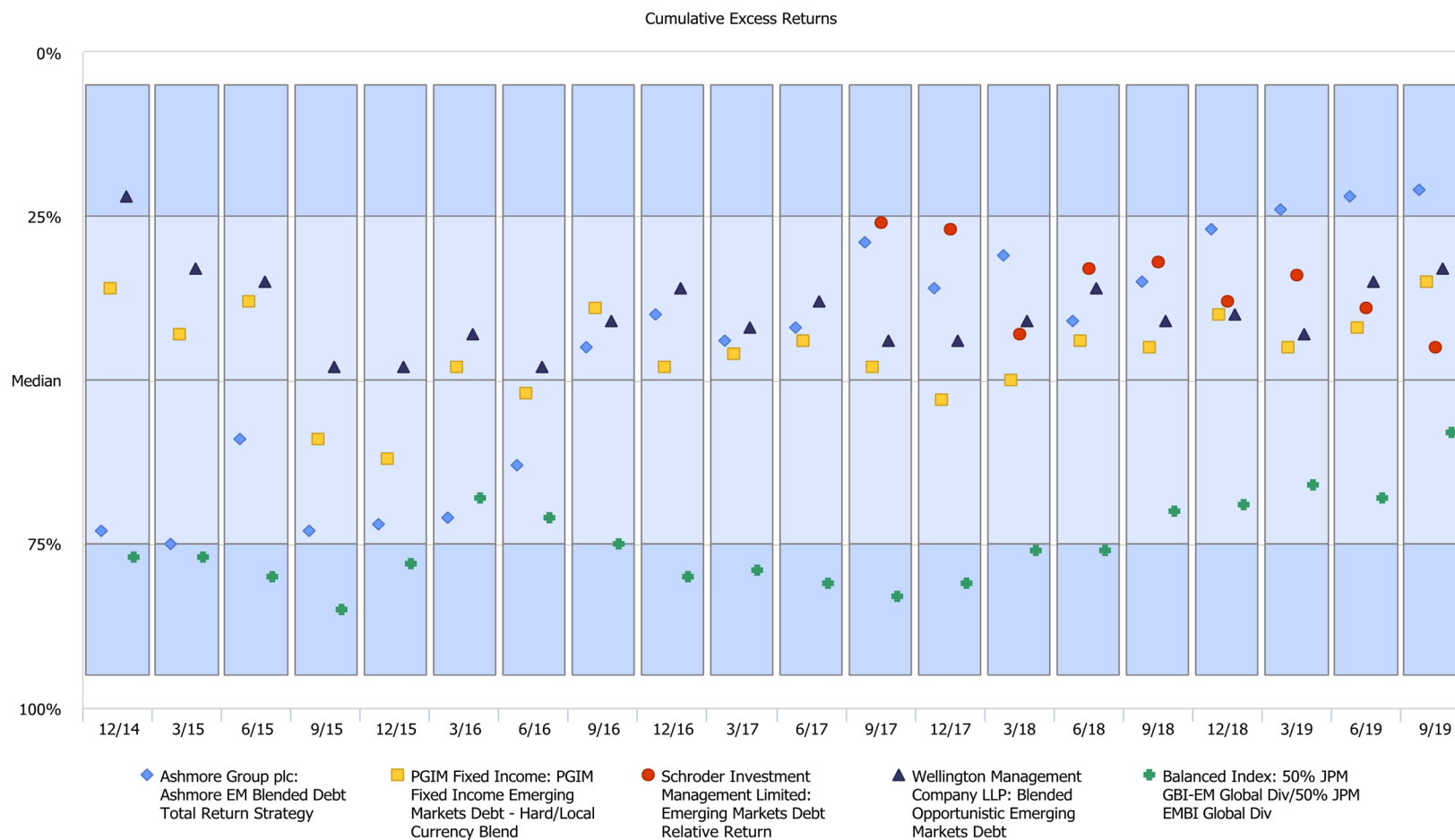


Data as of 9/30/2019  
Balanced Index is 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div



# CANDIDATE PERFORMANCE COMPARISON

Cumulative Excess Rolling 5 Years (past 20 quarters)

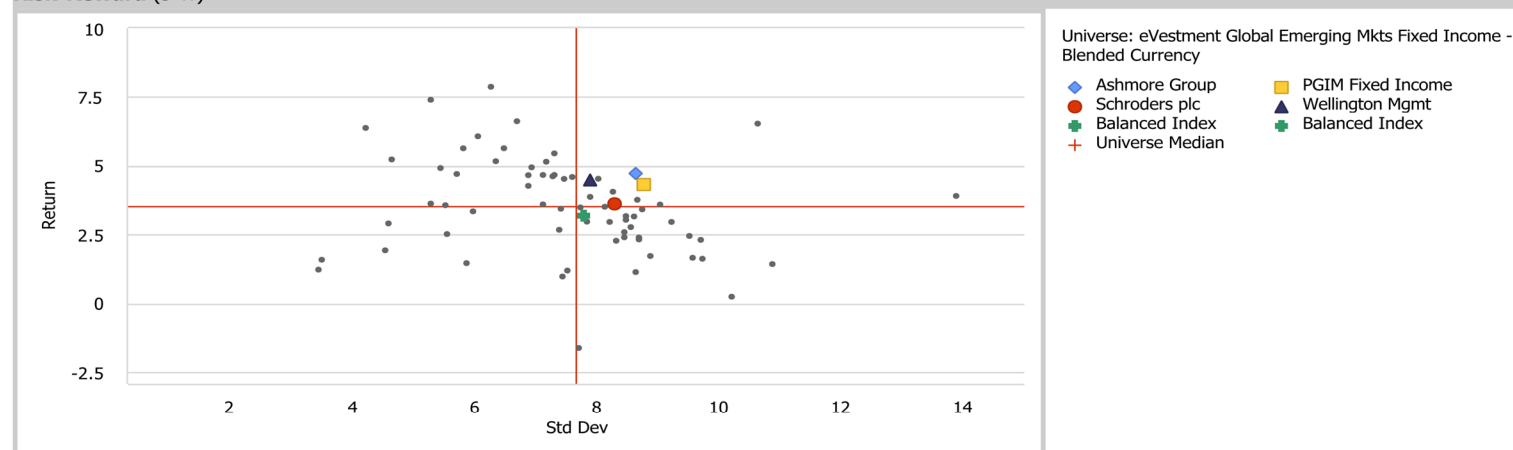


Data as of 9/30/2019  
Balanced Index is 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div



# CANDIDATE PERFORMANCE COMPARISON

Risk-Reward (5-Yr)



Risk-Reward (5-Yr)

| Firm Name                              | Returns | Std Dev | Alpha | Beta | Batting Average | Info Ratio | Up Mkt Capture | Down Mkt Capture | Tracking Error | Treynor |
|--|---------|---------|-------|------|-----------------|------------|----------------|------------------|----------------|---------|
| Ashmore Group plc                      | 4.73    | 8.65    | 1.36  | 1.06 | 0.62            | 0.58       | 110.72         | 97.04            | 2.64           | 3.56    |
| PGIM Fixed Income                      | 4.32    | 8.78    | 0.77  | 1.12 | 0.70            | 0.79       | 117.13         | 107.52           | 1.44           | 3.01    |
| Schroder Investment Management Limited | 3.62    | 8.32    | 0.59  | 0.96 | 0.62            | 0.12       | 96.74          | 92.29            | 3.59           | 2.77    |
| Wellington Management Company LLP      | 4.49    | 7.90    | 1.26  | 1.00 | 0.65            | 1.17       | 106.19         | 94.37            | 1.11           | 3.52    |
| Balanced Index                         | 3.19    | 7.80    | 0.00  | 1.00 | 0.00            | ---        | 100.00         | 100.00           | 0.00           | 2.23    |

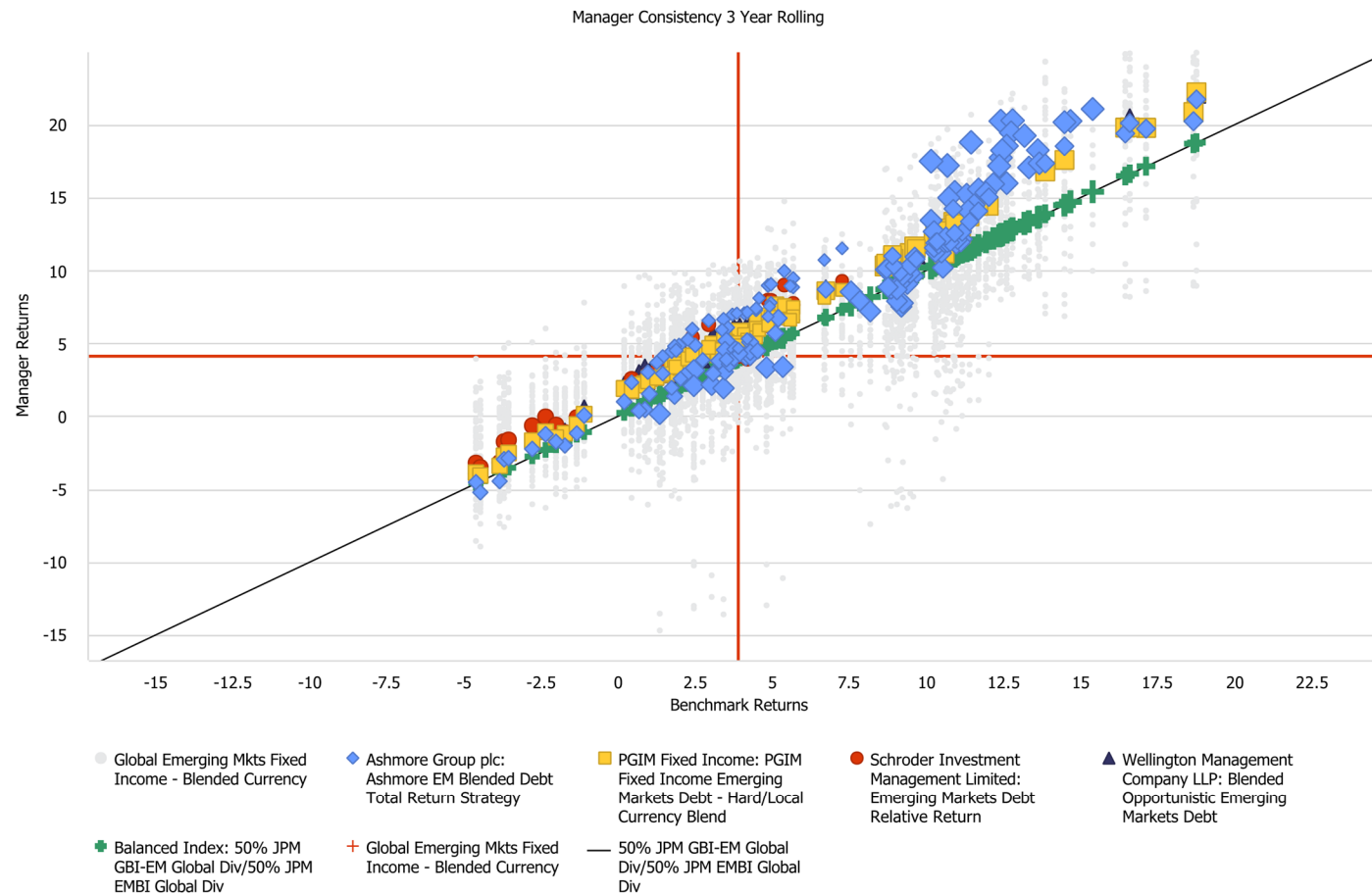
| Percentiles  | Returns | Std Dev | Alpha | Beta | Batting Average | Info Ratio | Up Mkt Capture | Down Mkt Capture | Tracking Error | Treynor |
|--------------|---------|---------|-------|------|-----------------|------------|----------------|------------------|----------------|---------|
| High         | 7.87    | 3.47    | 5.73  | 1.55 | 0.70            | 1.23       | 149.12         | 20.99            | 1.11           | 12.95   |
| 5th          | 6.47    | 4.59    | 3.82  | 1.19 | 0.63            | 1.06       | 114.35         | 33.12            | 1.44           | 7.75    |
| 25th         | 4.67    | 6.40    | 1.97  | 1.07 | 0.58            | 0.58       | 104.39         | 60.19            | 2.05           | 4.44    |
| Median       | 3.54    | 7.67    | 0.53  | 0.90 | 0.53            | 0.11       | 94.36          | 90.15            | 3.14           | 2.69    |
| 75th         | 2.42    | 8.64    | -0.60 | 0.67 | 0.47            | -0.25      | 73.99          | 108.05           | 4.14           | 1.57    |
| 95th         | 1.17    | 10.01   | -1.77 | 0.45 | 0.38            | -0.57      | 42.56          | 118.83           | 6.80           | 0.23    |
| Low          | -1.61   | 13.90   | -3.41 | 0.29 | 0.35            | -0.72      | 31.32          | 141.73           | 8.08           | -4.13   |
| Observations | 70      | 70      | 70    | 70   | 70              | 70         | 70             | 70               | 70             | 70      |

Data as of 9/30/2019

Balanced Index is 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div



# CANDIDATE PERFORMANCE COMPARISON

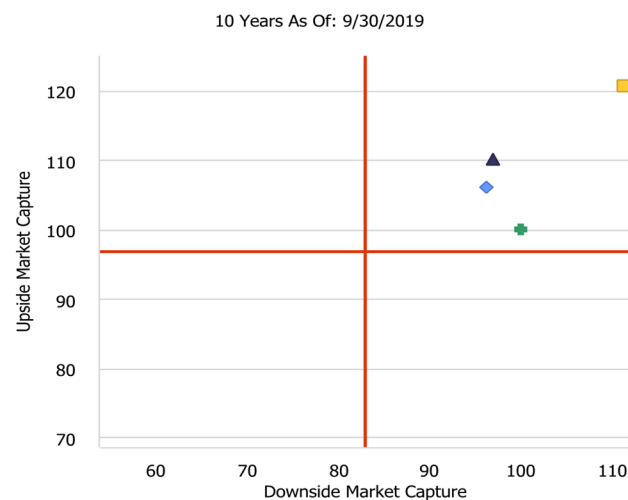
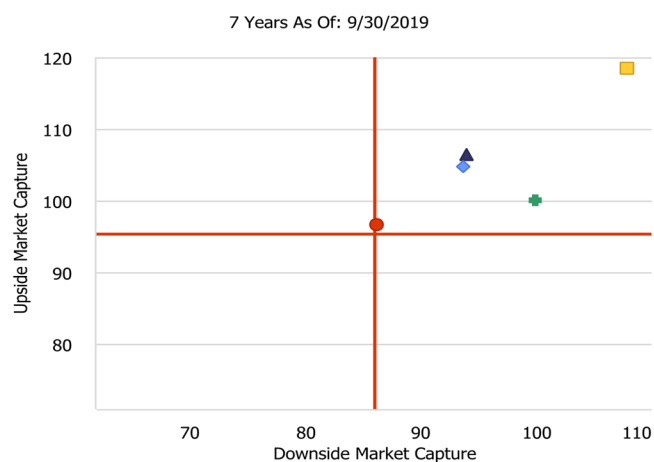
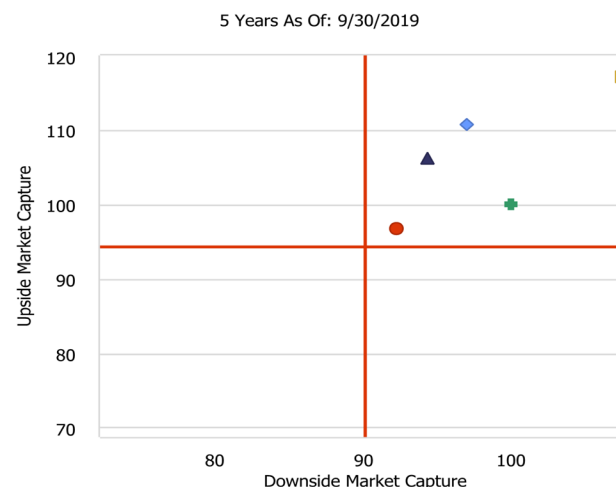
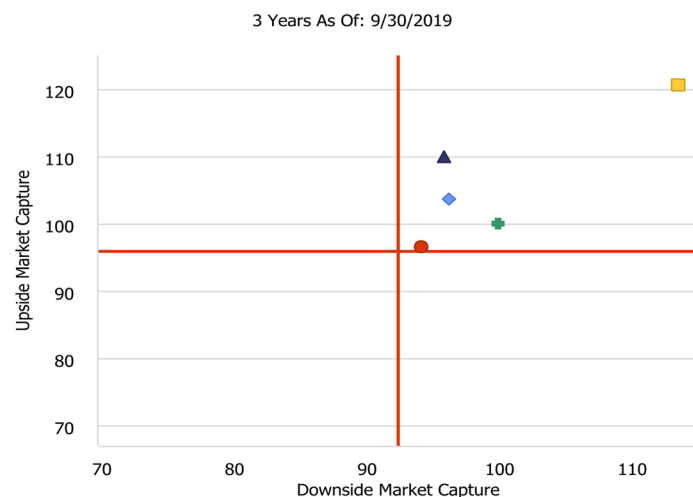


Data as of 9/30/2019  
Balanced Index is 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div





# CANDIDATE UP/DOWN MARKET CAPTURE



◆ Ashmore Group plc:  
Ashmore EM Blended Debt  
Total Return Strategy

■ PGIM Fixed Income: PGIM  
Fixed Income Emerging  
Markets Debt - Hard/Local  
Currency Blend

● Schroder Investment  
Management Limited:  
Emerging Markets Debt  
Relative Return

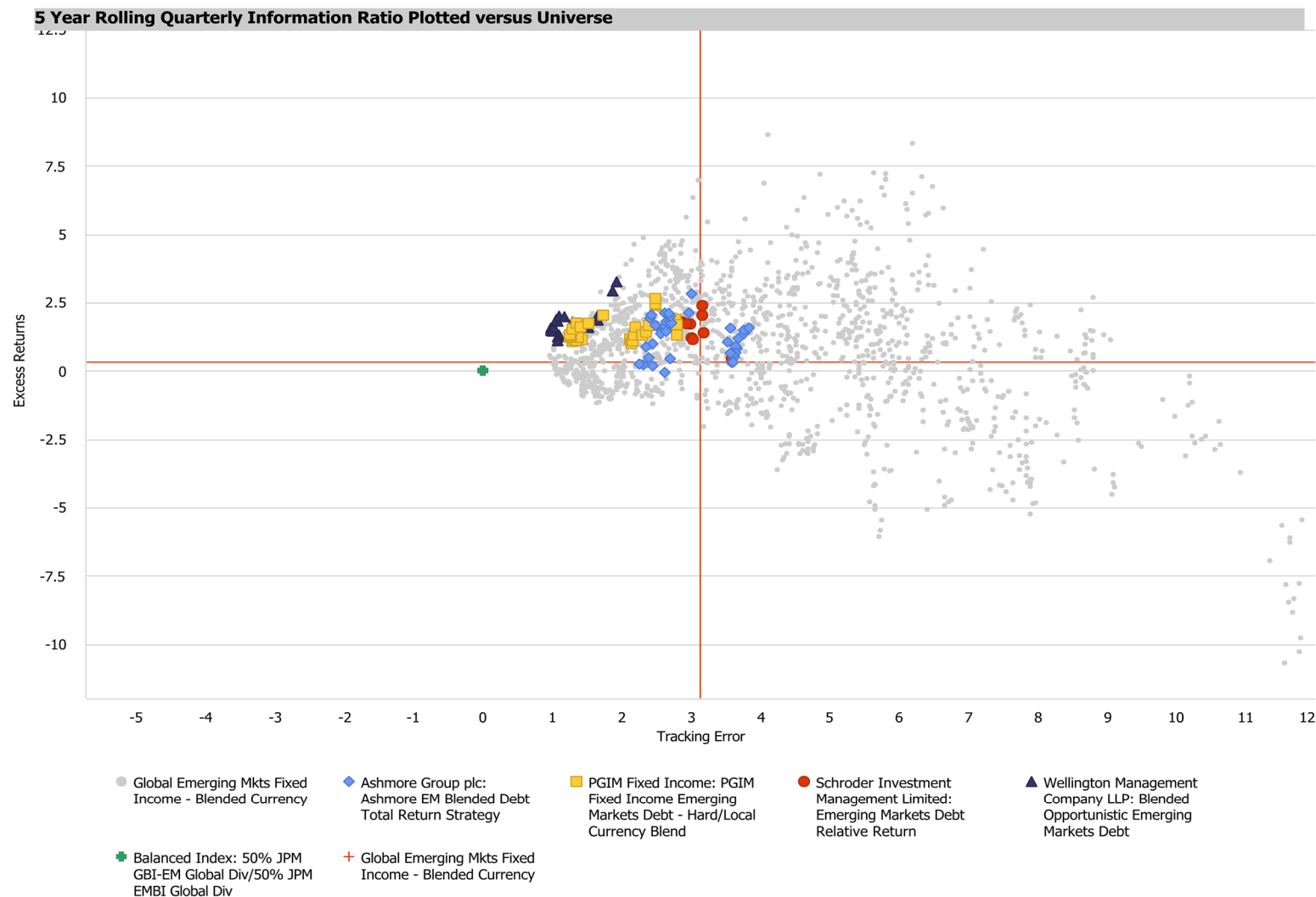
▲ Wellington Management  
Company LLP: Blended  
Opportunistic Emerging  
Markets Debt

✚ Balanced Index: 50% JPM  
GBI-EM Global Div/50% JPM  
EMBI Global Div

Data as of 9/30/2019  
Balanced Index is 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div



# CANDIDATE INFORMATION RATIO COMPARISON



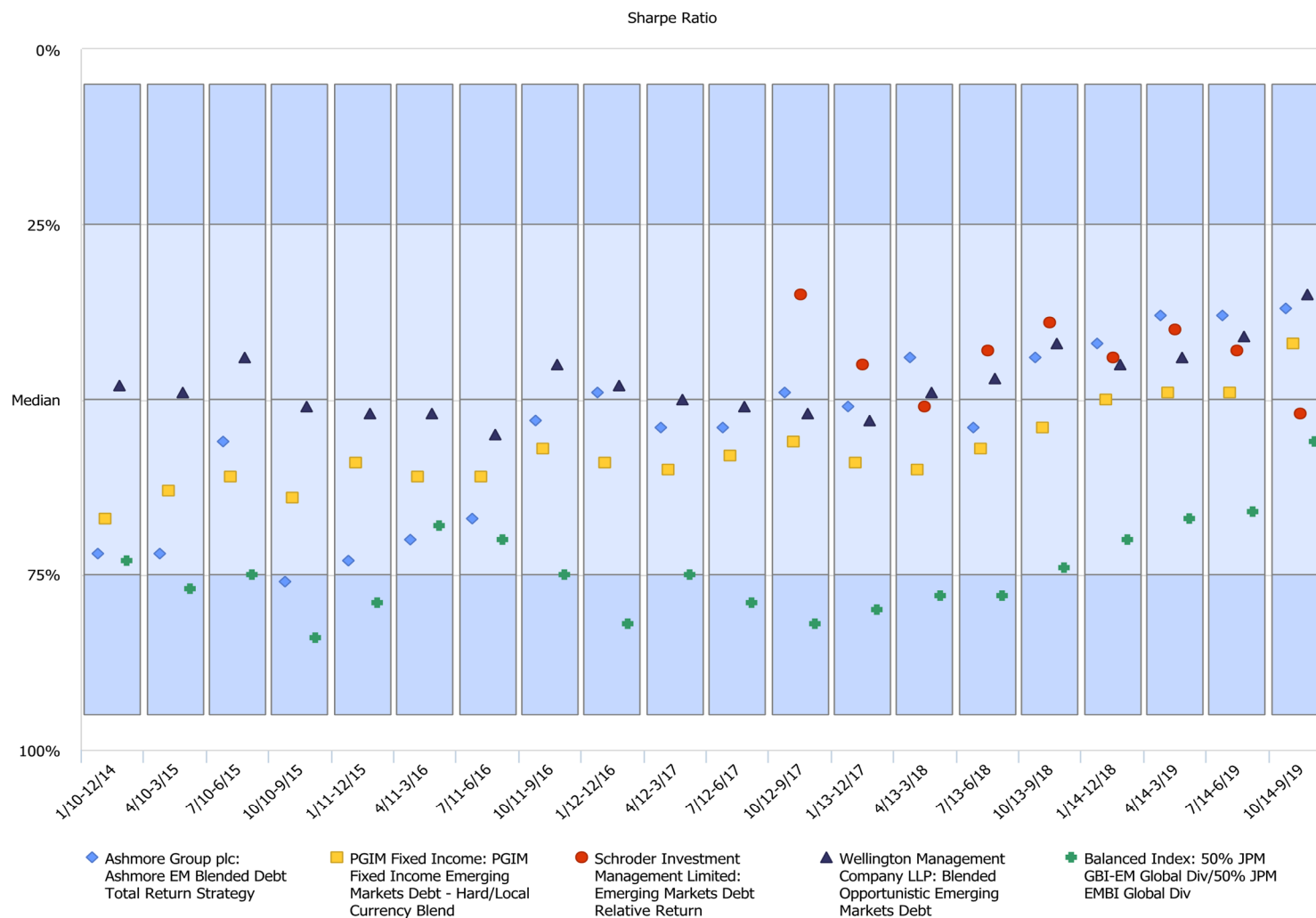
Data as of 9/30/2019

Balanced Index is 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div



# CANDIDATE SHARPE RATIO COMPARISON

5 Yr Rolling Sharpe Ratio - (past 20 qtrs)



Data as of 9/30/2019  
Balanced Index is 50% JPM GBI-EM Global Div/50% JPM EMBI Global Div



# APPENDIX

NEPC, LLC

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# PROPOSALS RECEIVED

| Firm   | Product Proposed   | Emerging Firm | Pass/Fail | Reason                       |
|--|--|---------------|-----------|------------------------------|
| Ashmore Group                                    | Ashmore EM Blended Debt Total Return Strategy                                  | N             | Pass      |                              |
| The Capital Group Companies, Inc.                | Emerging Markets Debt (Capital Group)  | N             | Pass      |                              |
| Eaton Vance Management                           | Eaton Vance Management: Emerging Markets Debt Opportunities (EMDO)             | N             | Pass      |                              |
| FIAM LLC   | Fidelity Institutional Asset Management: Emerging Market Debt Blended Currency | N             | Pass      |                              |
| Franklin Advisors, Inc.                          | Templeton Emerging Markets Fixed Income  | N             | Pass      |                              |
| GAM  | GAM Emerging Markets Opportunities Bond  | N             | Pass      |                              |
| Global Evolution USA, LLC                        | Global Evolution Blended EM Debt   | N             | Fail      | Incomplete proposal          |
| GoldenTree Asset Management LP                   | GoldenTree Emerging Markets Fund   | N             | Fail      | Didn't meet minimum criteria |
| Goldman Sachs Assets Management L.P.             | Global Emerging Market External and Local Blended Debt                         | N             | Pass      |                              |
| Investec Asset Management                        | Emerging Market Blended Sovereign Debt   | N             | Pass      |                              |
| LM Capital                                       | Emerging Market Debt   | N             | Fail      | Didn't meet minimum criteria |
| Manulife Investment Management (US) LLC          | Emerging Markets Debt Strategy ("Strategy")                                    | N             | Pass      |                              |
| Northwest Passage Capital Advisors LLC           | NWP Emerging Markets Debt Composite  | Y             | Pass      |                              |
| Nuveen   | TIAA Investments Emerging Markets Debt   | N             | Pass      |                              |
| Payden & Rygel                                   | Emerging Markets - USD/Local Currency Blend                                    | N             | Pass      |                              |
| PGIM Fixed Income                                | PGIM Fixed Income Emerging Markets Debt - Hard/Local Currency Blend            | N             | Pass      |                              |
| Schroder Investment Management North America Inc | Schroder Investment Management Limited: Emerging Markets Debt Relative Return  | N             | Pass      |                              |
| Stone Harbor Investment Partners LP              | Emerging Markets Debt Total Return   | N             | Pass      |                              |
| Wellington Management Company LLP                | Blended Opportunistic Emerging Markets Debt                                    | N             | Pass      |                              |



# GLOSSARY

# GLOSSARY OF INVESTMENT TERMINOLOGY

**Alpha** - Measures the relationship between the fund performance and the performance of another fund or benchmark index and equals the excess return while the other fund or benchmark index is zero.

**Alpha Jensen** - The average return on a portfolio over and above that predicted by the capital asset pricing model (CAPM), given the portfolio's beta and the average market return. Also known as the abnormal return or the risk adjusted excess return.

**Annualized Excess Return over Benchmark** - Annualized fund return minus the annualized benchmark return for the calculated return.

**Annualized Return** - A statistical technique whereby returns covering periods greater than one year are converted to cover a 12 month time span.

**Beta** - Measures the volatility or systematic risk and is equal to the change in the fund's performance in relation to the change in the assigned index's performance.

**Information Ratio** - A measure of the risk adjusted return of a financial security, asset, or portfolio.

*Formula: (Annualized Return of Portfolio - Annualized Return of Benchmark)/Annualized Standard Deviation(Period Portfolio Return - Period Benchmark Return). To annualize standard deviation, multiply the deviation by the square root of the number of periods per year where monthly returns per year equals 12 and quarterly returns is four periods per year.*

**R-Squared** - Represents the percentage of a fund's movements that can be explained by movements in an index. R-Squared values range from 0 to 100. An R-Squared of 100 denotes that all movements of a fund are completely explained by movements in the index.

**Sharpe Ratio** - A measure of the excess return or risk premium per unit of risk in an investment asset or trading strategy.

**Sortino Ratio** - A method to differentiate between good and bad volatility in the Sharpe Ratio. The differentiation of up and down volatility allows the calculation to provide a risk adjusted measure of a security or fund's performance without upward price change penalties.

*Formula: Calculation Average (X-Y)/Downside Deviation (X-Y) \* 2 Where X=Return Series X Y = Return Series Y which is the risk free return (91 day T-bills)*



**Standard Deviation** - The standard deviation is a statistical term that describes the distribution of results. It is a commonly used measure of volatility of returns of a portfolio, asset class, or security. The higher the standard deviation the more volatile the returns are.

*Formula: (Annualized Return of Portfolio - Annualized Return of Risk Free) / Annualized Standard Deviation (Portfolio Returns)*

**Tracking Error** - Tracking error, also known as residual risk, is a measure of the degree to which a portfolio tracks its benchmark. It is also a measure of consistency of excess returns. Tracking error is computed as the annualized standard deviation of the difference between a portfolio's return and that of its benchmark.

$$\text{Formula: Tracking Error} = \sqrt{\frac{\sum_{i=1}^n (R_p - R_b)^2}{N-1}}$$

*Where X = periods portfolio return and Y = the period's benchmark return For monthly returns, the periods per year = 12 For quarterly returns, the periods per year = 4*

**Treynor Ratio** - A risk-adjusted measure of return based on systematic risk. Similar to the Sharpe ratio with the difference being the Treynor ratio uses beta as the measurement of volatility.

*Formula: (Portfolio Average Return - Average Return of Risk-Free Rate)/Portfolio Beta*

**Up/Down Capture Ratio** - A measure of what percentage of a market's re-turns is "captured" by a portfolio. For example, if the market declines 10% over some period, and the manager declines only 9%, then his or her capture ratio is 90%. In down markets, it is advantageous for a manager to have as low a capture ratio as possible. For up markets, the higher the capture ratio the better. Looking at capture ratios can provide insight into how a manager achieves excess returns. A value manager might typically have a lower capture ratio in both up and down markets, achieving excess returns by protecting on the downside, whereas a growth manager might fall more than the overall market in down markets, but achieve above-market returns in a rising market.

*UpsideCapture = TotalReturn(FundReturns)/TotalReturns(BMReturn) when Period Benchmark Return is > = 0*

*UpsideCapture = TotalReturn(FundReturns)/TotalReturns(BMReturn) when Period Benchmark Return is > = 0*