



Investment Committee Agenda

REGULAR MEETING

TUESDAY, JULY 14, 2020

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

MEETING LOCATION:

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020) and due to the concerns over COVID-19, the LACERS Investment Committee's July 14, 2020, meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to participate:

Dial: (669) 900-6833 or (346) 248-7799

Meeting ID# 925 0101 8439

Instructions for call-in participants:

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press *9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

Information to listen only: 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

Notice to Paid Representatives

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

Request for services

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

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

Disclaimer to participants

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

[CLICK HERE TO ACCESS BOARD REPORTS](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – **THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD**

- II. [APPROVAL OF MINUTES FOR THE REGULAR MEETING OF JUNE 9, 2020 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [INVESTMENT MANAGER CONTRACT WITH AXIOM INTERNATIONAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- V. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO CERBERUS INSTITUTIONAL REAL ESTATE PARTNERS V, L.P. AND POSSIBLE COMMITTEE ACTION**
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, August 11, 2020 at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401 and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.
- VIII. ADJOURNMENT



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, JULY 14, 2020

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

Legal Counsel: City Attorney's Office
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- VIII. ADJOURNMENT

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

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020)
and due to the concerns over COVID-19, the
LACERS Investment Committee's
June 9, 2020, meeting was conducted
via telephone and/or videoconferencing

Agenda of: July 14, 2020

Item No: II

June 9, 2020

1:25 p.m.

PRESENT via Zoom Meeting:	Chair:	Sung Won Sohn
	Committee Members:	Elizabeth Lee Nilza R. Serrano
	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	James Napier
PRESENT at LACERS offices:	Executive Assistant:	Ani Ghoukassian

The Items in the Minutes are numbered to correspond with the Agenda but are listed in the order heard.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – ***THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT – PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD*** – Chair Sohn asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING OF MAY 12, 2020 AND POSSIBLE COMMITTEE ACTION – Committee Member Serrano moved approval of the minutes for the Regular Meeting of May 12, 2020, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn -3; Nays, None.

Item V taken out of order

V

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, presented the Committee with the 12-month forward calendar and stated that the Special Investment Committee Meeting is still pending due to the City's civil unrest, intention to bring TIPS allocation discussion to the Committee in July, and intention to explore Asset Allocation in coming year.

III

INVESTMENT MANAGER CONTRACT WITH BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS VALUE PORTFOLIO AND POSSIBLE COMMITTEE ACTION– Bryan Fujita, Investment Officer III, Ellen Chen, Investment Officer I, and Carolyn Smith, Partner with NEPC, introduced this item to the Committee and Committee Member Elizabeth Lee moved approval of staff's recommendation, and was adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn -3; Nays, None.

IV

REAL ESTATE FISCAL YEAR 2020-21 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION– Felix Fels, Chae Hong, and Storm Klyve-Underkofler, of Townsend/AON presented this item to the Committee and Committee Member Serrano moved approval of staff's recommendation, and adopted by the following vote: Ayes, Committee Members Elizabeth, Serrano, and Chair Sohn -3; Nays, None.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, July 14, 2020 at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401 and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.

VIII

ADJOURNMENT – There being no further business before the Committee, Chair Sohn adjourned the Meeting at 2:08 p.m.

Sung Won Sohn
Chair

Neil M. Guglielmo
Manager-Secretary

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

MEETING: JULY 14, 2020
ITEM: IV

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH AXIOM INTERNATIONAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee recommend to the Board:

1. A change in Axiom International Investors, LLC's benchmark from the MSCI Emerging Markets Growth Index to the MSCI Emerging Markets Index.
2. A one-year contract extension with Axiom for management of an active emerging markets growth equities portfolio.

Executive Summary

Axiom International Investors, LLC (Axiom) has managed an active emerging markets growth equities portfolio for LACERS since April 2014. LACERS' portfolio is currently valued at \$424 million as of May 31, 2020. Axiom was placed "On Watch" for an initial one-year period effective April 17, 2019 due to performance. Due to a high concentration in three stocks in the existing MSCI Emerging Markets Growth (MSCI EM Growth) Index, which skews benchmark performance and increases risk, staff and NEPC, LLC (NEPC) recommend changing the benchmark to the MSCI Emerging Markets (MSCI EM) Index. In light of Axiom's continued "On Watch" status and consistent with the LACERS Manager Monitoring Policy, staff and NEPC recommend a one-year contract extension.

Discussion

Background

Axiom has managed an active emerging markets growth equities portfolio for LACERS since April 2014, and is benchmarked against the MSCI EM Growth Index. Axiom uses a fundamental research-based investment strategy that focuses on companies exhibiting key growth drivers, such as company-specific improvements and favorable macroeconomic and political factors. Such drivers tend to be indicators of positive company financial and stock price performance. The investment team consists of six

professionals including co-portfolio managers Christopher Lively and Don Elefson, who have 33 and 37 years of experience, respectively.

Axiom was hired through the 2013 Active Emerging Market Growth Equities manager search process and a three-year contract was authorized by the Board on July 23, 2013. Axiom was awarded a contract renewal on September 27, 2016 and a one-year extension on July 23, 2019. The current contract expires on December 31, 2020.

Organization

Axiom is 100% employee-owned, with 50 employees, and is headquartered in Greenwich, Connecticut. As of May 31, 2020, Axiom managed over \$13 billion in total assets with \$5.9 billion in the emerging markets growth equities strategy.

Due Diligence

Axiom's organizational structure, investment philosophy, strategy, and process have not changed over the one-year contract extension period.

Performance

As of May 31, 2020, Axiom has underperformed the MSCI EM Growth Index over all time periods as presented in the table below.

Annualized Performance as of 5/31/20 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception ¹
Axiom	-4.07	4.12	-3.43	2.43	2.73	2.85
MSCI EM Growth Index	-3.42	7.45	-2.67	3.72	3.91	3.84
% of Excess Return	-0.65	-3.33	-0.76	-1.29	-1.18	-0.99

¹Inception Date: 4/11/14

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

Calendar Year Performance as of 5/31/20 (Net-of-Fees)							
	1/1/20 - 5/31/20	2019	2018	2017	2016	2015	4/11/14- 12/31/14
Axiom	-11.35	24.70	-17.64	40.56	8.40	-12.44	-2.01
MSCI EM Growth Index	-9.95	25.10	-18.26	46.80	7.59	-11.34	-2.24
% of Excess Return	-1.40	-0.40	0.62	-6.24	0.81	-1.10	0.23

Pursuant to the LACERS Manager Monitoring Policy (Policy), Axiom was placed on "On Watch" status for an initial one-year period effective April 17, 2019. The following Policy watch list criteria triggered the "On Watch" status based on the performance as of March 31, 2019.

1. Annualized net underperformance relative to its benchmark for trailing 3 years.
2. Annualized net underperformance relative to its benchmark for trailing 5 years.
3. Annualized net Information Ratio trailing 5 years relative to its benchmark is below .20.

Based on performance as of March 31, 2020, Axiom continued to trigger the same three Policy criteria. Accordingly, staff and NEPC extended Axiom's "On Watch" status for another one-year period effective April 18, 2020.

Benchmark Concentration and Risk

To further understand Axiom's underperformance relative to the MSCI EM Growth Index, staff and NEPC conducted an attribution analysis which revealed a high benchmark concentration in three secular growth stocks: Alibaba Group, Tencent, and Taiwan Semiconductor. Of the 551 stocks in the benchmark, these three stocks collectively comprise about a 34% weight in the benchmark and have driven 99% of benchmark's cumulative three-year performance return (i.e., these stock have produced 11.56% of the benchmark's 11.63% total return, while the remaining stocks in the index have produced 0.07% of the benchmark return, as presented in the following attribution table). LACERS' investment management guidelines specifically limit individual stock holdings to 5% of the portfolio's market value at time of purchase to control risk and ensure sufficient diversification among holdings. This guideline has required Axiom to limit total exposure to Alibaba Group, Tencent, and Taiwan Semiconductor to about half of their current total benchmark weight as illustrated in the table below. As of May 31, 2020, Axiom's total exposure to these three stocks was about 18% of the portfolio, whereas the same three stocks represented about 34% of the index. Over the time period presented in the table, Axiom's underweight to these stocks has contributed a -3.73% cumulative excess return relative to the benchmark, which is more than the cumulative portfolio underperformance of -1.54%. Alternatively stated, Axiom's compliance with LACERS' guidelines has accounted for all of Axiom's underperformance relative to the benchmark.

Los Angeles City Employees' Retirement System vs. MSCI Emerging Markets Growth Attribution of 3 stocks where guideline restriction accounted for more than the overall fund underperformance 3/31/2017-5/31/2020

	LACERS			MSCI EM Growth			Variation			Attribution Analysis		
	Ending Weight	Total Return	Contrib. To Return	Ending Weight	Total Return	Contrib. To Return	Variation in Ending Weight	Total Return Difference	Contrib. To Return Difference	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	10.10	10.10	100.00	11.63	11.63	—	-1.54	-1.54	-0.21	-1.32	-1.54
Alibaba	6.32	69.46	2.70	14.35	69.35	4.71	-8.03	0.11	-2.01	-1.58	0.00	-1.57
Tencent	6.41	55.32	2.40	11.18	55.39	3.89	-4.77	-0.06	-1.49	-1.30	-0.01	-1.31
Taiwan Semiconductor	5.45	56.92	2.08	8.83	59.25	2.96	-3.37	-2.32	-0.88	-0.54	-0.31	-0.85
Sum	18.18			34.36			-16.17					-3.73

Portfolio guidelines limit each stock to a max 5% position at time of purchase.

3 highly concentrated stocks
Compose more than 34% of MSCI
EMG benchmark.

Relative underweight per guideline restrictions.

Relative underperformance due to
the 3 stocks.

Source: Factset

At the time of Axiom's hiring in 2014, the MSCI EM Growth Index was sufficiently diversified to be a suitable benchmark by which to gauge Axiom's performance. The following table illustrates the growing concentration of Alibaba Group, Tencent, and Taiwan Semiconductor in the LACERS account and the MSCI EM Growth Index, since inception of the account.

	6/30/2014	5/31/2020
Axiom LACERS Account	8.89%	18.18%
MSCI EM Growth	15.86%	31.48%

Staff, NEPC, and Axiom agree that the benchmark's current three stock concentration exposes the benchmark to an imprudent level of risk and that LACERS' guidelines continue to provide appropriate diversification risk controls for Axiom's strategy. To properly reflect the risk-return profile of Axiom's strategy imposed by LACERS guidelines, staff and NEPC recommend changing Axiom's benchmark to the MSCI Emerging Markets (MSCI EM) Index, a diversified index consisting of 1,403 emerging market stocks (the MSCI EM Growth Index is a subset of this index). Such a change would reduce the benchmark concentration risk; the aforementioned stocks account for only 17% of the MSCI EM Index versus 34% for the MSCI EM Growth benchmark. A benchmark change would have no impact on Axiom's process for identifying growth stock opportunities. In fact, it would more accurately reflect Axiom's approach of finding opportunities across a broad range of sectors as Axiom's process begins with the MSCI EM Index as the universe from which to source ideas. Exhibit 1 of Attachment 1 compares the sector allocations of the LACERS account relative to the MSCI EM and EM Growth Indices.

Comparing Axiom's performance to the more diversified MSCI EM Index, Axiom has outperformed over all annualized time periods and most calendar year periods as presented in the tables below. Axiom's performance relative to the MSCI EM Index does not trigger the watch criteria of the Policy.

Annualized Performance as of 5/31/20 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception ¹
Axiom	-4.07	4.12	-3.43	2.43	2.73	2.85
MSCI EM Growth Index	-3.42	7.45	-2.67	3.72	3.91	3.84
<i>% of Excess Return</i>	-0.65	-3.33	-0.76	-1.29	-1.18	-0.99
MSCI EM Index	-6.95	-4.39	-6.55	-0.15	0.87	0.98
<i>% of Excess Return</i>	2.88	8.51	3.12	2.58	1.86	1.87

¹Inception Date: 4/11/14

Calendar Year Performance as of 5/31/20 (Net-of-Fees)							
	1/1/20 - 5/31/20	2019	2018	2017	2016	2015	4/11/14- 12/31/14
Axiom	-11.35	24.70	-17.64	40.56	8.40	-12.44	-2.01
MSCI EM Growth Index	-9.95	25.10	-18.26	46.80	7.59	-11.34	-2.24
<i>% of Excess Return</i>	<i>-1.40</i>	<i>-0.40</i>	<i>0.62</i>	<i>-6.24</i>	<i>0.81</i>	<i>-1.10</i>	<i>0.23</i>
MSCI EM Index	-15.96	18.42	-14.57	37.28	11.15	-14.92	-3.89
<i>% of Excess Return</i>	<i>4.61</i>	<i>6.28</i>	<i>-3.07</i>	<i>3.28</i>	<i>-2.75</i>	<i>2.48</i>	<i>1.88</i>

Further, with the exception of LACERS, all of Axiom's Emerging Markets Equity clients use either the MSCI EM Index or a custom index based off the MSCI EM Index. None use the MSCI EM Growth Index due to the concentration issue. As of June 25, 2020, Axiom currently has 11 other public fund clients invested in the strategy, totaling \$2.3 billion in AUM.

Should the Committee and Board approve a benchmark change and contract extension, staff would implement the benchmark change effective as of close of business on July 31, 2020. Staff and NEPC would also extend Axiom's watch status to July 31, 2021 in order to monitor Axiom for consistency with its stated growth strategy and the portfolio's performance in light of the benchmark change.

Fees

LACERS pays Axiom an effective fee of 62 basis points (0.62%), which is approximately \$2.6 million annually based on the value of LACERS' assets as of May 31, 2020. This fee ranks in the 23rd percentile among its peers in the eVestment Global Emerging Markets All Cap Growth Equity Universe (i.e. Axiom's fee is lower than 77% of peers).

General Fund Consultant Opinion

NEPC concurs with these recommendations.

Strategic Plan Impact Statement

A benchmark change and contract extension with Axiom 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: Ellen Chen, Investment Officer I, Investment Division

RJ/BF/EC:jp

Attachments: 1. Consultant Recommendation – NEPC, LLC



NEPC, LLC

To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: July 14, 2020

Subject: Axiom Investors - Contract extension and benchmark change

Recommendation

NEPC recommends the Los Angeles City Employees' Retirement System ('LACERS') change the portfolio's benchmark to the MSCI Emerging Markets Index from the MSCI Emerging Markets Growth Index. NEPC also recommends that LACERS extend the contract that is currently in place with Axiom Investors ('Axiom') for a period of one year from the date of contract expiry.

Background

Axiom was hired on April 11, 2014 to provide the Plan with public equity exposure across emerging markets. The portfolio's strategy is benchmarked against the MSCI Emerging Markets Growth Index and has a performance inception date of May 1, 2014.

As of May 31, 2020, Axiom managed \$424.3 million, or 2.4% of Plan assets in an international emerging markets separately managed account. The performance objective is to outperform the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently on Watch due to performance under the LACERS' Manager Monitoring Policy.

Axiom has requested a benchmark change from the MSCI Emerging Markets Growth Index to the broader MSCI Emerging Markets Index. Axiom lists the preferred benchmark for the portfolio as the broader MSCI Emerging Markets Index and uses the broader index as the starting point in constructing the portfolio. Axiom's investment process identifies stocks based on positive earnings growth, positive earnings estimate revisions, positive price movement and favorable valuation characteristics which results in a 'growth' oriented portfolio.

As of March 31, 2020, Axiom's portfolio weights compared to the MSCI Emerging Markets Index and the MSCI Emerging Markets Growth Index are shown in Exhibit 1 below.



Exhibit 1

GICS Sector	Portfolio Weight	MSCI EM Index	Excess Weight	MSCI EM Growth Index Weight	Excess Weight
Energy	6.7%	7.4%	-0.7%	2.5%	4.2%
Materials	3.7%	7.3%	-3.7%	4.2%	-0.5%
Industrials	6.2%	5.3%	0.9%	4.6%	1.5%
Consumer Discretionary	16.6%	14.3%	2.3%	22.0%	-5.4%
Consumer Staples	7.4%	6.2%	1.2%	9.3%	-1.8%
Health Care	2.6%	2.7%	-0.1%	3.9%	-1.4%
Financials	24.5%	24.5%	0.0%	14.9%	9.7%
Information Technology	20.0%	15.6%	4.3%	20.4%	-0.4%
Communication Services	10.2%	11.0%	-0.8%	14.9%	-4.8%
Utilities	0.0%	2.6%	-2.6%	2.0%	-2.0%
Real Estate	2.0%	3.0%	-1.0%	1.4%	0.6%
Unclassified	0.2%	0.0%	0.2%	0.0%	0.2%

When Axiom was hired, the MSCI Emerging Markets Growth index was much less concentrated than it is today and therefore it was more acceptable as a performance benchmark for the Axiom portfolio. To demonstrate how the benchmark has changed over time, Exhibit 2 provides a list of the top ten names in the MSCI Emerging Markets Growth at the time LACERS hired Axiom versus today. As of 3/31/2014, the top ten names in the index represented 27% of the total index, while as of April 30, 2020 the top ten names represented 44.5% of the index. In comparison, the concentration in the top ten names in the broader index for similar time periods was 16.4% and 28.1%.

We first started discussing the concentration in the benchmark with Axiom in 2017. Given that the concentration in the growth index has become much worse and our belief that the restriction in LACERS' investment guidelines (i.e., maximum amount in any one stock to be less than 5%) should remain in place to ensure reasonable diversification, we believe that a benchmark change is warranted for the portfolio. We do not believe that Axiom will change their investment style just because the benchmark is different.

Exhibit 2:

31-Mar-14		April 30 2020	
Asset Name	Weight (%)	Asset Name	Weight (%)
SAMSUNG ELECTRONICS CO LTD	7.26%	ALIBABA GROUP HOLDING	12.47%
TAIWAN SEMICONDUCTOR MANU	4.99%	TENCENT HOLDINGS LTD	10.92%
TENCENT HOLDINGS LTD	3.70%	TAIWAN SEMICONDUCTOR MANUFACT (8.93%
NASPERS	2.27%	SAMSUNG ELECTRONICS CO LTD	4.51%
ITAU UNIBANCO HOLDING SA	1.96%	NASPERS	2.49%
AMBEV SA	1.84%	SK HYNIX INC	1.33%
CNOOC LTD	1.40%	JD.COM INC	1.13%
SBERBANK ROSSII PAO	1.34%	SBERBANK ROSSII PAO	1.02%
HOUSING DEVELOPMENT FINANCE	1.14%	NETEASE INC	0.87%
CHINA LIFE INSURANCE CO LTD	1.10%	ICICI BANK LTD	0.86%



We believe that by changing Axiom's benchmark, you will have a benchmark that is fair and not overly concentrated in a few names. Additionally, Axiom will have the ability to express a positive view on a large benchmark-weighted name and remain in-line with LACERS' guidelines. Some of the drawbacks of continuing to use the growth benchmark is that Axiom's performance relative to the benchmark will be primarily determined by the performance of a handful of names (i.e., Alibaba Group, Tencent, and Taiwan Semiconductor). There may be times when there is meaningful dispersion in the Axiom portfolio versus the benchmark and it will have nothing to do with Axiom's skill as an investment manager and everything to do with poor benchmark construction. To our knowledge, LACERS is the only client who has requested that Axiom use the growth version of the emerging markets benchmark. We do not want the firm to manage your account any differently than how they manage their other clients' portfolios.

Axiom is an independent employee-owned investment management firm founded in 1998 by Andrew Jacobson. As of March 31, 2020 the firm had \$11.1 billion in assets under management and had 50 employees. Prior to forming Axiom, the investment team was responsible for developing and managing the international equity strategy at Columbus Circle Investors, a division of PIMCO Advisors LP. The Axiom Emerging Markets team is led by Chris Lively and co-portfolio manager Donald Elefson. José Morales joined the firm in 2017 as a portfolio manager. The portfolio managers split the emerging markets by region. Chris Lively retains final buy and sell authority, and ultimately decides portfolio positioning and stock weightings. The team also leverages a shared research platform across all of Axiom's non-U.S. equity products.

The Axiom investment philosophy is to invest in quality companies that are growing and evolving better and more rapidly than expected. Critical to the investment process is the ability to identify these changes in growth, prior to them being reflected in expectations or market valuations. Axiom employs a bottom-up, growth-oriented investment discipline that relies on detailed fundamental stock analysis to identify companies that are improving more quickly than generally expected. The primary emphasis is to isolate those companies that are likely to exceed expectations, which they do by identifying and monitoring the key business drivers of each stock. Key business drivers are essentially the leading indicators of stock price performance. Key drivers can include company specific, industry, macroeconomic and political factors. For each of these drivers, they survey a wide variety of sources to determine investor expectations.

The universe is defined as securities that have a minimum market cap of \$1.0 billion, are covered by 1 or more brokerage analysts and have liquidity of over \$5 MM/day. About 80% of Axiom's new ideas are typically identified as a consequence of specific, positive, fundamental developments in a company's operations (e.g., favorable sales of a new product, a significant restructuring initiative or a change in industry conditions). Axiom also screens the investment universe on a variety of financial and technical factors to help identify new ideas for further detailed fundamental analysis. These factors include positive earnings growth, positive earnings estimate revisions, positive price movement and favorable valuation characteristics.



Performance

Referring to Exhibit 3, as of May 31, 2020, since the portfolio's inception date of May 1, 2014, the portfolio has underperformed its benchmark by 1.10% (3.11% vs 4.21%). Over the past year, ended May 31, 2020, the portfolio has underperformed the benchmark by 3.33% (4.12% vs. 7.45%). Referring to Exhibit 4, since inception of the Axiom portfolio ended March 31, 2020, the portfolio ranked in the 18th percentile among its peers and underperformed the benchmark by 1.21%. In the trailing one-year ended March 31, 2020, the portfolio ranked in the 8th percentile in its peer group underperforming its benchmark by 1.35%. Since inception, ended March 31, 2020, the information ratio was -0.47 and active risk, as measured by tracking error was 2.56%. Please note that the portfolio's performance exceeds the broader emerging market index for time periods ending March 31, 2020.

Referring to Exhibit 5, since inception, historical cumulative performance has been negative when compared to the growth benchmark. Security selection in the Information Technology, Industrials and Communication Services sectors have been responsible for cumulative negative returns since the first quarter of 2017. Referring to Exhibit 6, Axiom's style box analysis, since inception ending March 31, 2020, reveals that the portfolio is aligned closer to a core portfolio than to a Growth portfolio. This is not surprising given the diversification of the Axiom portfolio and the concentration in names in the MSCI Emerging Markets Growth Index.

Fees

The portfolio has an asset-based fee of 0.62% annually. This fee ranks in the 23rd percentile among its peers in the eVestment Global Emerging Markets All Cap Growth Equity Universe. In other words, 77% of the 48 products included in the peer universe have a higher fee than the LACERS account.

Conclusion

As of this writing, Axiom has struggled to outperform the MSCI Emerging Markets Growth benchmark over all trailing periods. Much of the underperformance can be attributed to their investment process and focus on diversification versus what has become a significantly concentrated style benchmark since March 31, 2014. We believe in the long-term efficacy of a strategy that focuses on understanding the business fundamentals of companies that are growing faster than markets anticipate. NEPC recommends changing Axiom's benchmark to the MSCI Emerging Markets Index from the MSCI Emerging Markets Growth Index. In addition, NEPC recommends a contract extension for a period of one-year from the period of contract expiry.

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

Exhibit 3

Ending May 31, 2020											
	Market Value(\$)	1 Mo(%)	3 Mo(%)	YTD(%)	Fiscal YTD(%)	1 Yr(%)	3 Yrs(%)	5 Yrs(%)	10 Yrs(%)	Inception (%)	Inception Date
Axiom Emerging Markets	424,319,079	2.43	-4.07	-11.51	-2.87	4.12	2.43	2.73	--	3.11	14-May
MSCI Emerging Markets Growth NR USD		1.72	-3.42	-9.95	0.28	7.45	3.72	3.91	4.8	4.21	14-May
MSCI Emerging Markets		0.77	-6.95	-15.96	-10	-4.39	-0.15	0.88	2.47	1.29	14-May

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Exhibit 4

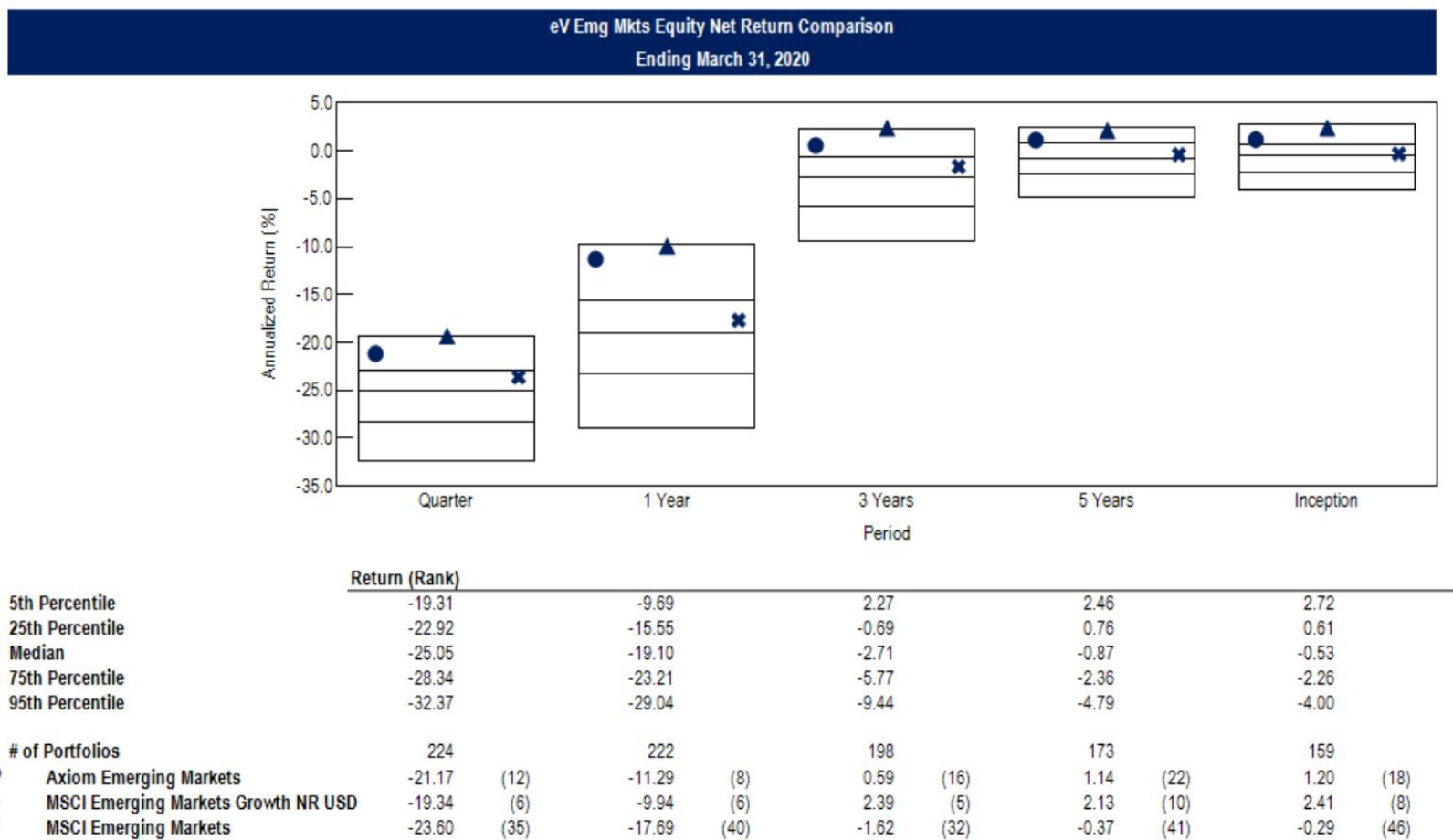


Exhibit 5

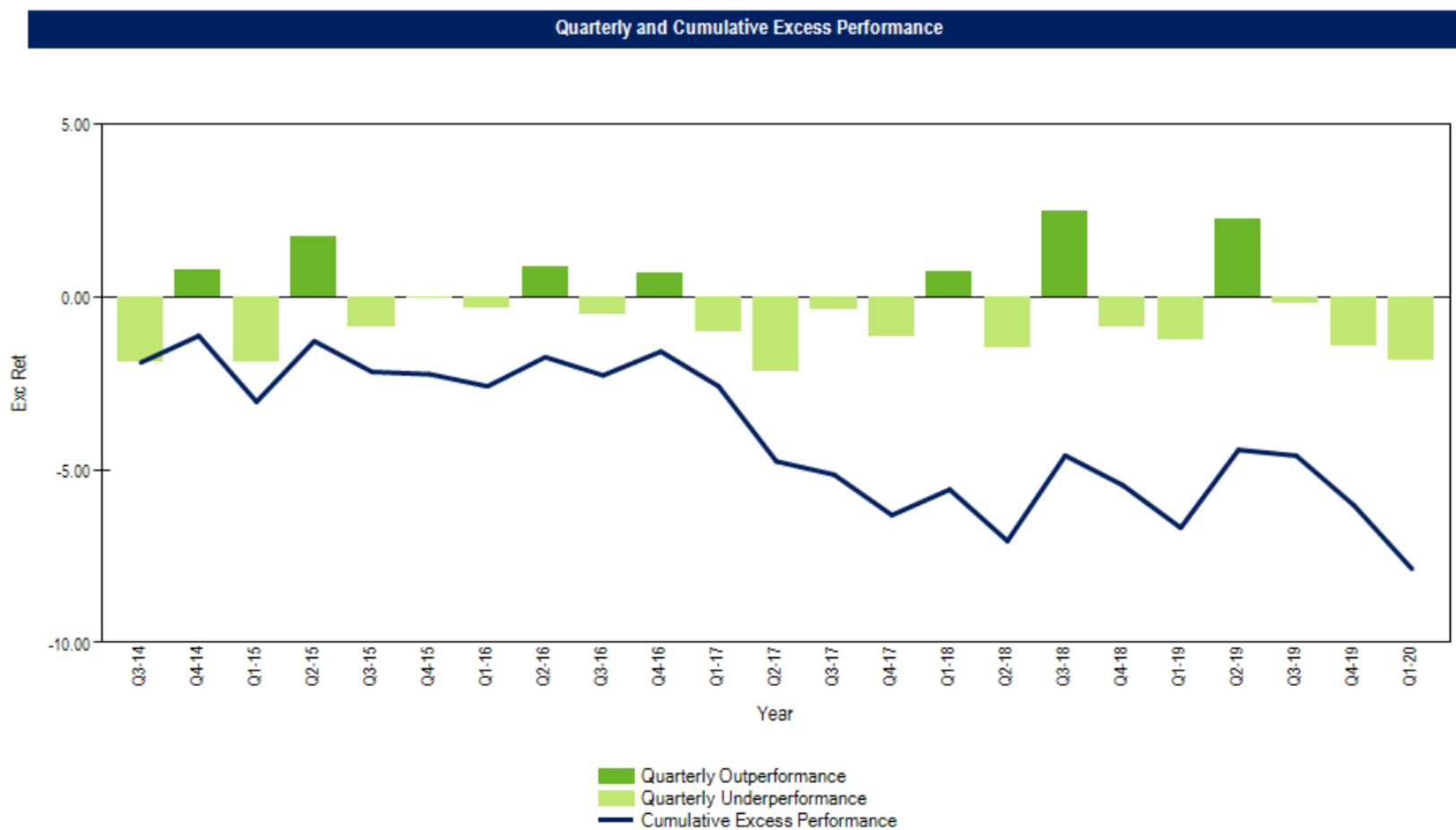


Exhibit 6

Non U.S. Effective Style Map vs. EAFE
5 Years 11 Months Ending March 31, 2020

