



## **Investment Committee Agenda**

### **REGULAR MEETING**

**TUESDAY, JANUARY 11, 2022**

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

### **MEETING LOCATION:**

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Investment Committee's January 11, 2022 meeting will be conducted via telephone and/or videoconferencing.

**Important Message to the Public**

**Information to call-in to listen and/or participate:**

**Dial:** (669) 254-5252 or (669) 216-1590

**Meeting ID#** 161 145 1373

**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

Chair: Sung Won Sohn

Committee Members: Elizabeth Lee  
Nilza R. Serrano

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

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

**Notice to Paid Representatives**

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at [ethics.lacity.org/lobbying](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).

**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.ghokassian@lacers.org](mailto:ani.ghokassian@lacers.org).

**Disclaimer to Participants**

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

**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).

[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 MEETING OF DECEMBER 14, 2021 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [PRESENTATION BY DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EMERGING MARKETS VALUE PORTFOLIO](#)
- V. [PRESENTATION BY PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. MID CAP CORE EQUITIES PORTFOLIO](#)
- VI. [SEMI-FINALISTS OF THE REAL ESTATE CONSULTANT REQUEST FOR PROPOSAL AND POSSIBLE COMMITTEE ACTION](#)
- VII. [GENERAL FUND CONSULTANT CONTRACT WITH NEPC, LLC AND POSSIBLE COMMITTEE ACTION](#)
- VIII. [PRIVATE EQUITY BENCHMARK CHANGE AND POSSIBLE COMMITTEE ACTION](#)
- IX. OTHER BUSINESS
- X. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, February 8, 2022, at 10:30 a.m., or immediately following the Board Meeting, at LACERS, 202 West 1<sup>st</sup> Street, Suite 500, Los Angeles, CA 90012 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 response to public health concerns relating to the novel coronavirus continue.
- XI. ADJOURNMENT



## **Board of Administration Agenda**

### **SPECIAL MEETING**

**TUESDAY, JANUARY 11, 2022**

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

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President: Cynthia M. Ruiz  
Vice President: Sung Won Sohn

Commissioners: Annie Chao  
Elizabeth Lee  
Sandra Lee  
Nilza R. Serrano  
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

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

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- XI. ADJOURNMENT

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

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Investment Committee's December 14, 2021 meeting was conducted via telephone and/or videoconferencing.

December 14, 2021

1:06 p.m.

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PRESENT via Videoconferencing: Chair:	Sung Won Sohn
Committee Member:	Elizabeth Lee Nilza R. Serrano
Manager-Secretary:	Neil M. Guglielmo
Legal Counselor:	Anya Freedman
Executive Assistant:	Ani Ghoukassian

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *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 MEETING OF NOVEMBER 9, 2021 AND POSSIBLE COMMITTEE ACTION – Committee Member Serrano moved approval, 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, discussed the following items:

- Investment Committee Meeting Forward Calendar
- Staff is evaluating the real estate consultant search proposals and the passive investment manager search proposals

- Staff is working on the Unique Investment Opportunities Policy

IV

PRESENTATION BY NORTHERN TRUST REGARDING SECURITIES LENDING ACTIVITY REPORT FOR THE PERIOD JULY 1, 2020 TO JUNE 30, 2021 – Gary Guibert, Senior Vice President, Don Anderson, Senior Vice President, and Brad Pederson, Vice President, with Northern Trust, presented and discussed this item with the Committee for 20 minutes.

V

OTHER BUSINESS – There was no other business.

VI

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, January 11, 2022, at 10:30 a.m. or immediately following the Board Meeting, at LACERS, 202 West 1<sup>st</sup> Street, Suite 500, Los Angeles, CA 90012, 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 responding to public health concerns relating to the novel coronavirus continue.

VII

ADJOURNMENT – There being no further business before the Committee, Chair Sohn adjourned the meeting at 1:37 p.m.

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Sung Won Sohn  
Chair

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Neil M. Guglielmo  
Manager-Secretary



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# Los Angeles City Employees' Retirement System

Emerging Markets Value Strategy

January 11, 2022

Ethan Wren, CPA, CFA – Senior Portfolio Manager and Vice President

Joe Young, CFA – Regional Director and Vice President

# Relationship Summary – Emerging Markets Value

As of November 30, 2021

Account Name	Account Value	Annualized Excess Return (%) 1 Year (net of fees)	Annualized Excess Return (%) Since 1st Full Month (net of fees)	Account Inception
LACERS Emerging Markets Value	\$438,897,723	6.31	0.82	7/25/2014

Performance data shown represents past performance and is no guarantee of future results. Net returns are reported net of all advisory fees and include reinvestment of dividends and other earnings. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

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# Agenda

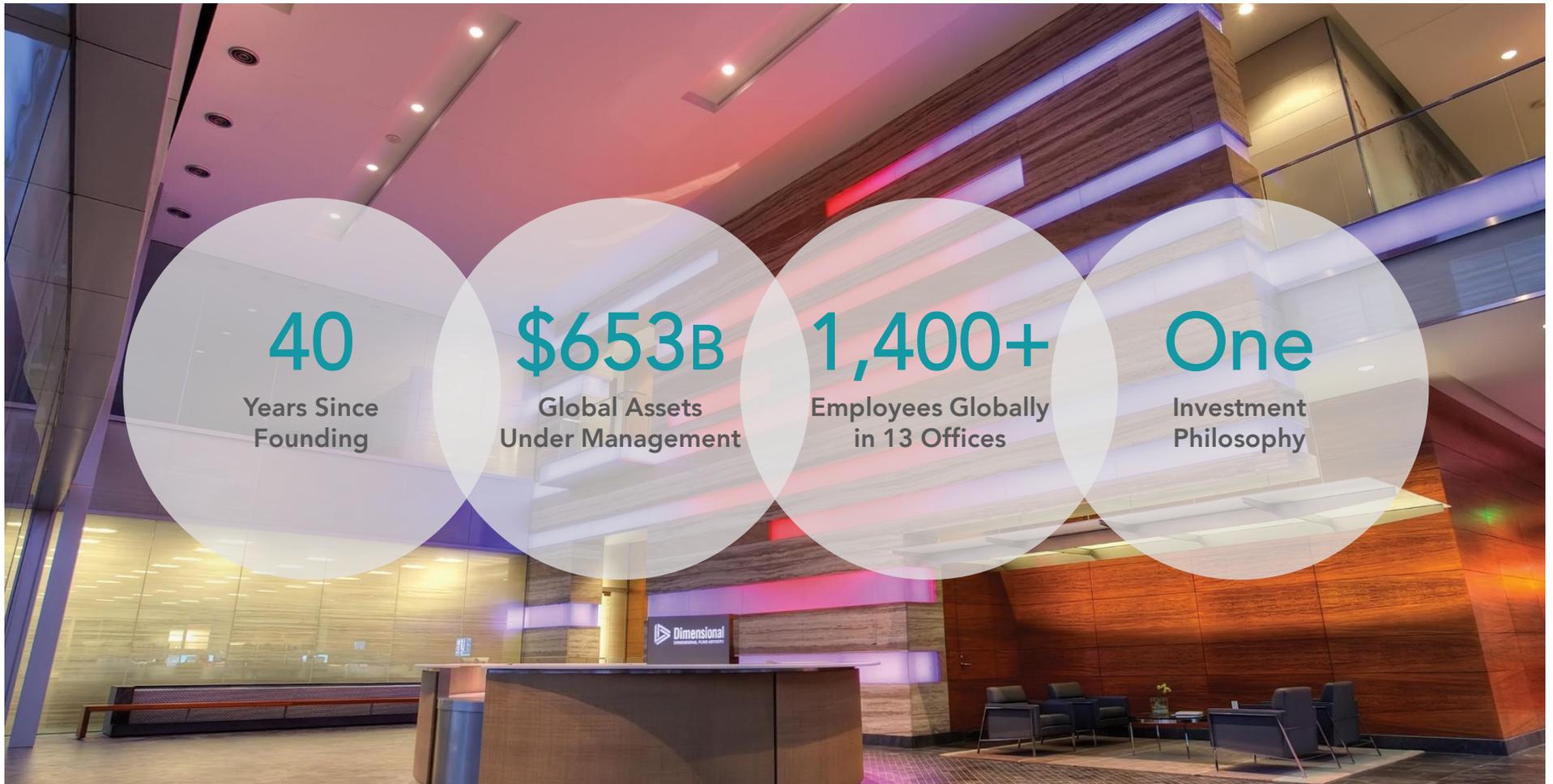
- Dimensional
- Dimensions of Expected Returns
- Emerging Markets Value Strategy
- Characteristics and Performance
- Appendix

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# Dimensional

# Dimensional at a Glance

As of September 30, 2021

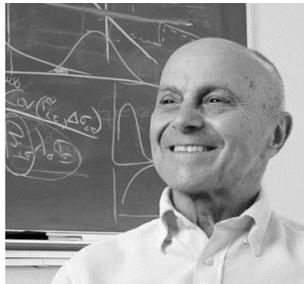


Assets in US dollars.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

# A Heritage of Leading Research

The bar for research at Dimensional has been set by the best in the field



NOBEL LAUREATE, 2013

**Eugene Fama**  
University of Chicago

Dimensional Director and  
Consultant, Dimensional,<sup>1</sup>  
1981–present



**Kenneth French**  
Dartmouth College

Consultant, Dimensional,<sup>1</sup>  
1986–present  
  
Co-Chair of the Investment  
Research Committee,  
Dimensional,<sup>1</sup>  
2006–present  
  
Dimensional Director,  
2006–present



NOBEL LAUREATE, 1997

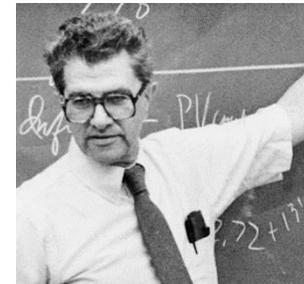
**Robert Merton**  
MIT

Director, Dimensional  
US Mutual Funds,  
2003–2009  
  
Resident Scientist,  
Dimensional Holdings Inc.,  
2010–present



**Robert Novy-Marx**  
University of Rochester

Consultant,  
Dimensional<sup>1</sup>  
2014–present



NOBEL LAUREATE, 1990

**Merton Miller**  
University of Chicago

Independent Director,  
Dimensional US Mutual  
Funds, 1981–2000



NOBEL LAUREATE, 1997

**Myron Scholes**  
Stanford University

Independent Director,  
Dimensional US Mutual  
Funds, 1981–present

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**“At Dimensional, we don’t jump on every new idea that comes along.  
We’re looking for what will stand up over a long period of time.”**

Eugene Fama  
Nobel laureate, 2013

1. Dimensional Fund Advisors LP.

<sup>1</sup>“Dimensional Directors” refers to the Board of Directors of the general partner of Dimensional Fund Advisors LP.

# Implementation Requires Expertise

Adding value over benchmarks and peers through cost-efficient portfolio management, design, and trading



**GERARD K. O'REILLY, PhD**  
Co-Chief Executive Officer  
and Chief Investment Officer



## Global Investment Solutions



**MARLENA LEE, PhD**  
Global Head of  
Investment Solutions

## Global Research



**SAVINA RIZOVA, PhD**  
Global Head  
of Research



**PETE DILLARD**  
Chief Data Officer and  
Head of Investment  
Analytics and Data

## Global Trading



**RYAN WILEY**  
Global Head of  
Equity Trading



**JASON LAPPING**  
Head of International  
Equity Trading

## Global Portfolio Management



**JED FOGDALL**  
Global Head of  
Portfolio Management



**DAVE PLECHA**  
Global Head  
of Fixed Income



**PAUL FOLEY**  
Head of EMEA  
Portfolio Management



**BHANU SINGH**  
Head of Asia Pacific  
Portfolio Management



**MARY PHILLIPS**  
Deputy Head  
of Portfolio  
Management,  
North America



**ALLEN PU, PhD**  
Deputy Head  
of Portfolio  
Management,  
North America



**JOEL SCHNEIDER**  
Deputy Head  
of Portfolio  
Management,  
North America



**JIM WHITTINGTON**  
Head of Responsible  
Investment and  
Senior Portfolio  
Manager



**LACEY HUEBEL**  
Head of Responsible  
Investment, North  
America and  
Portfolio Manager



**NICOLE HUNTER**  
Head of Capital  
Markets

# Diversity and Inclusion

Our goal is to have a substantial impact on the employee experience by intentionally integrating diversity and inclusion efforts throughout different aspects of an employee's career.

## IN@Dimensional

Starting in 2021, Dimensional launched a series of Inclusion Networks [INs] to help support our mission of providing a respectful and inclusive work environment.

INs focus on three primary goals: supporting professional development; fostering community and building professional networks; and supporting related diversity initiatives (e.g., Recruitment, Community Engagement etc.).

## Talent Management

Performance management practices are continually examined and iterated so that all employees have similar access to career development, feedback, and the chance for advancement.

- Examples include training on best practices for giving and receiving feedback and leveraging specific techniques like self-assessments that help minimize and mitigate bias.

Biannual succession and high-potential talent identification processes further aim to maintain sufficient bench strength. These efforts often result in promotions to the most senior levels. The most recent succession appointments were 50% women.

## Training and Education

Dimensional University management training teaches inclusive leadership and provides measurement and feedback loops so that managers treat their teams respectfully, consistently and inclusively.

A centralized repository accessible to all employees provides regularly curated tools and information about D&I.

Inclusion Networks also play a role in education by curating resources and/or organizing events for key moments throughout the year (e.g., Black History Month).

## Gender Diversity at a Glance<sup>1</sup>



1. Global headcount as of December 31, 2020.

2. Reflects global hiring for 2019 and 2020.

# Partnering with our Clients to Deliver Expertise

<p><b>Investment Presentations and Discussion Topics</b></p>	<p>Dimensional’s Investment Solutions Group, Research, and Portfolio Management teams create extensive content related to our investment approach as well as addressing client concerns and questions and are prepared to engage with our clients on a myriad of subjects.</p>
<p><b>Portfolio Consulting</b></p>	<p>This group helps clients better understand their aggregate portfolios and investments. It includes portfolio exposure and composition analytics, asset allocation studies, and product comparisons.</p>
<p><b>Dimensional University</b></p>	<p>An educational resource that Dimensional offers its clients that covers everything from investment and data management education to ideas on human resource development and virtual interaction techniques.</p>
<p><b>Conferences and Virtual Events</b></p>	<p>Dimensional offers a broad set of events focused on bringing forth Dimensional investment professionals as well as academics and other industry experts to discuss big investment ideas and related topics.</p>
<p><b>Building Community</b></p>	<p>Private virtual and in-person engagements designed to be intimate peer-to-peer discussions focused on the most pertinent topics and challenges facing institutional investors.</p>
<p><b>Exclusive Access to Academics and Subject Matter Experts</b></p>	<p>Intimate sessions with academics and subject matter experts—topics ranging from investment research and ideas, to broader challenges facing institutional investors (e.g., participant communication and behavior; interpreting fiduciary rules and regulations, etc.).</p>

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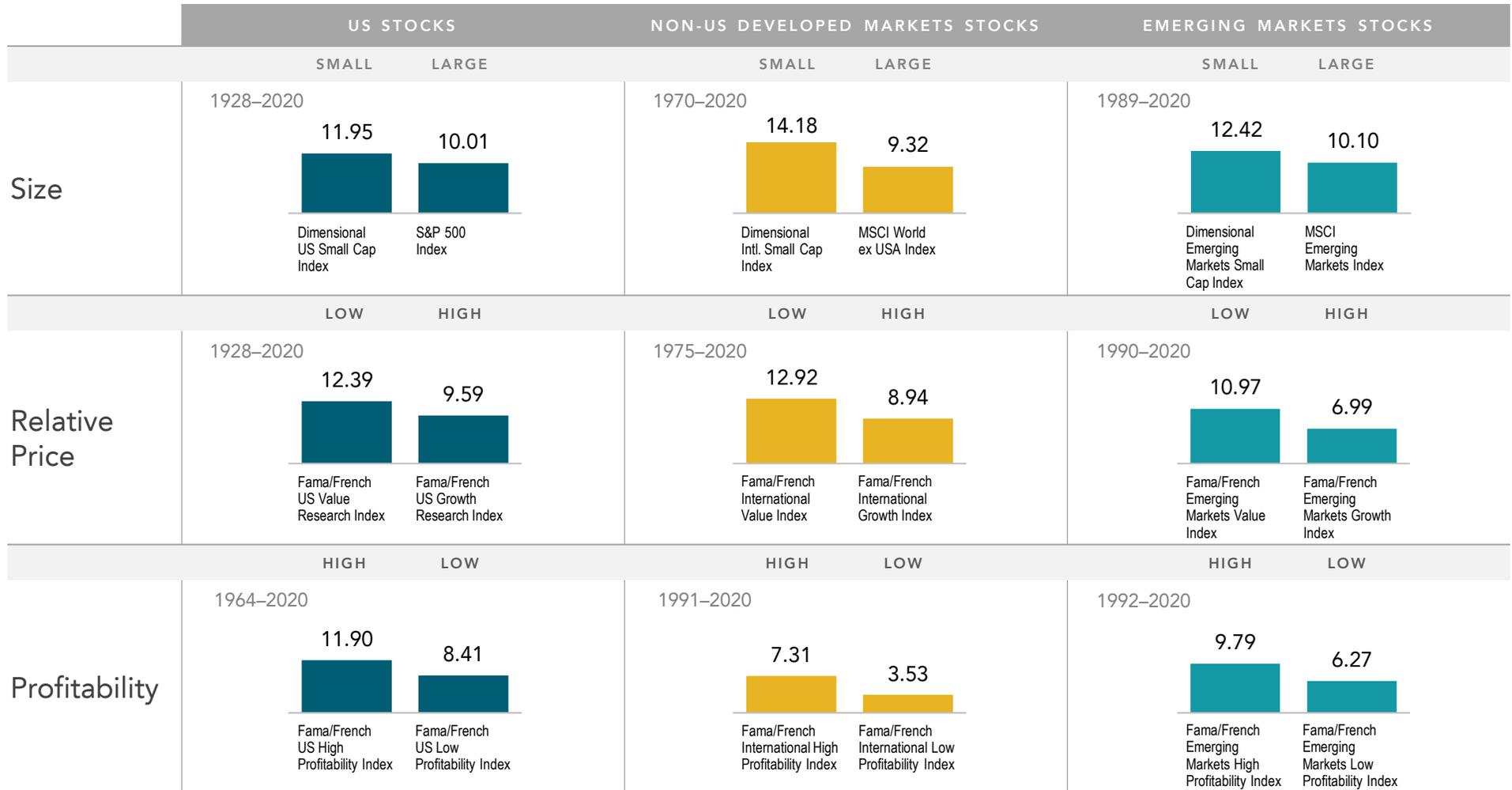
# Dimensions of Expected Returns

# Premiums are Realized Across Different Time Horizons



# Dimensions of Expected Returns

Illustrative index performance: annualized compound returns (%) in US dollars



Past performance is no guarantee of future results. Actual returns may be lower.

Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. MSCI indices are gross dividends. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. MSCI data © MSCI 2021, all rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data.

# Historical Performance of Premiums over Rolling Periods

## Emerging Markets

Overlapping Periods: July 1989–December 2020

### MARKET beat T-BILLS



Market is Fama/French Emerging Markets Index.  
T-Bills is One-Month US Treasury Bills.

There are 259 overlapping 10-year periods, 319 overlapping 5-year periods, and 367 overlapping 1-year periods.

Overlapping Periods: July 1989–December 2020

### VALUE beat GROWTH

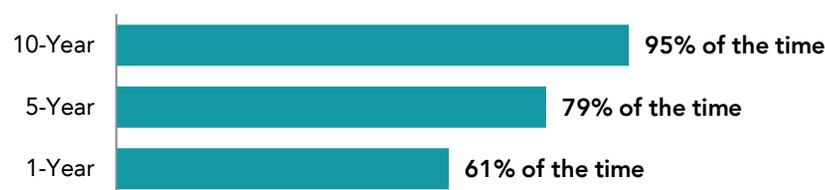


Value is Fama/French Emerging Markets Value Index.  
Growth is Fama/French Emerging Markets Growth Index.

There are 259 overlapping 10-year periods, 319 overlapping 5-year periods, and 367 overlapping 1-year periods.

Overlapping Periods: January 1989–December 2020

### SMALL beat LARGE

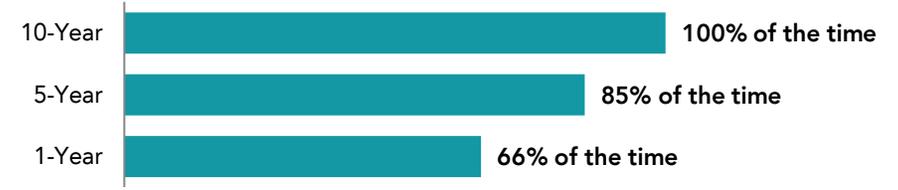


Small is Dimensional Emerging Markets Small Index.  
Large is MSCI Emerging Markets Index (gross div.).

There are 265 overlapping 10-year periods, 325 overlapping 5-year periods, and 373 overlapping 1-year periods.

Overlapping Periods: July 1991–December 2020

### HIGH PROFITABILITY beat LOW PROFITABILITY



High is Fama/French Emerging Markets High Profitability Index.  
Low is Fama/French Emerging Markets Low Profitability Index.

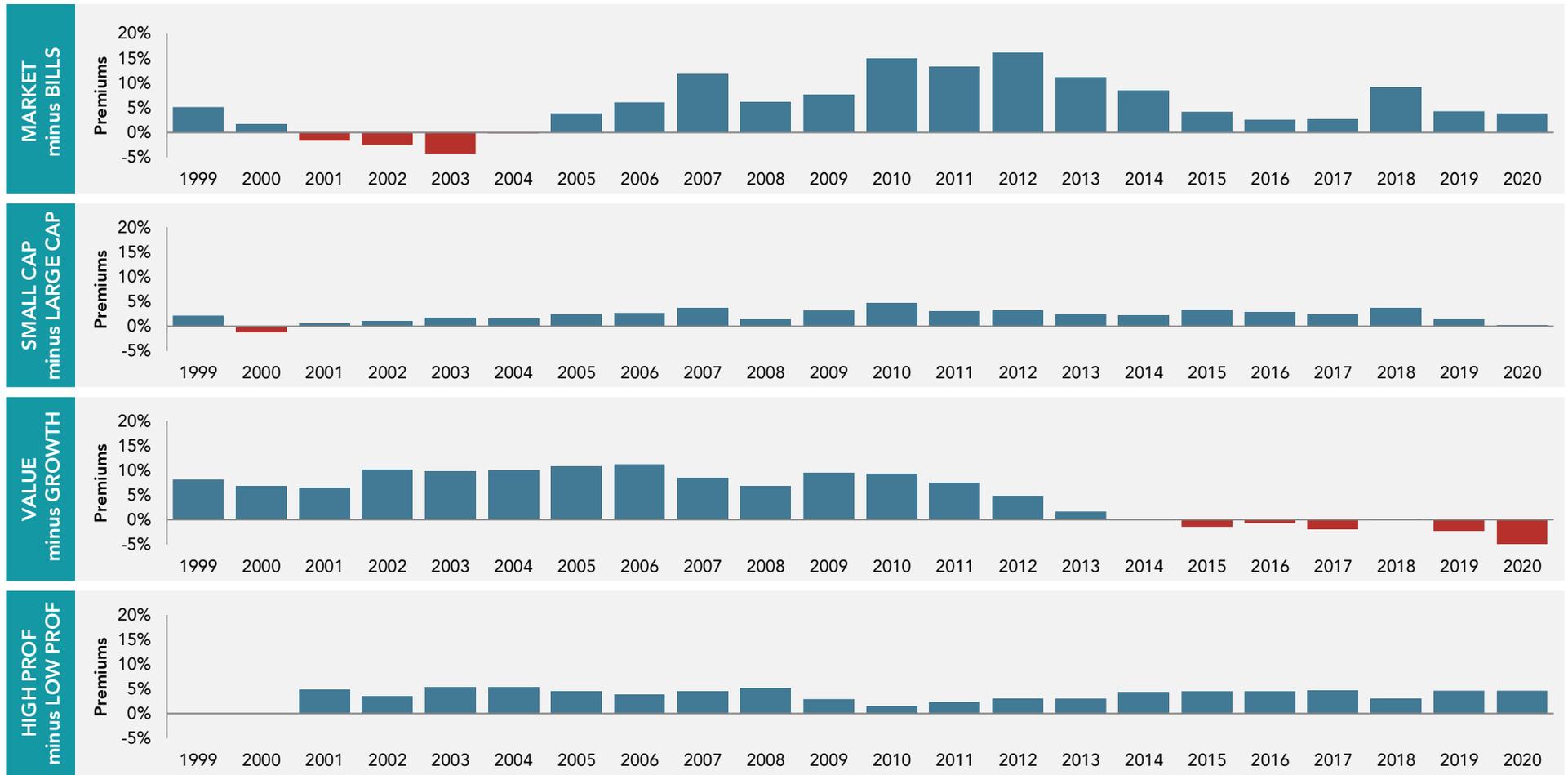
There are 235 overlapping 10-year periods, 295 overlapping 5-year periods, and 343 overlapping 1-year periods.

**Past performance is no guarantee of future results. Actual returns may be lower.**

In USD. Based on monthly rolling differences in annualized returns over the periods listed. Rolling multiyear periods overlap and are not independent. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. "One-Month Treasury Bills" is the IA SBBI US 30 Day TBILL TR USD, provided by Morningstar. MSCI data © MSCI 2021, all rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data.

# Historical Observations of 10-Year Premiums

Equity, size, relative price, and profitability: Emerging Markets

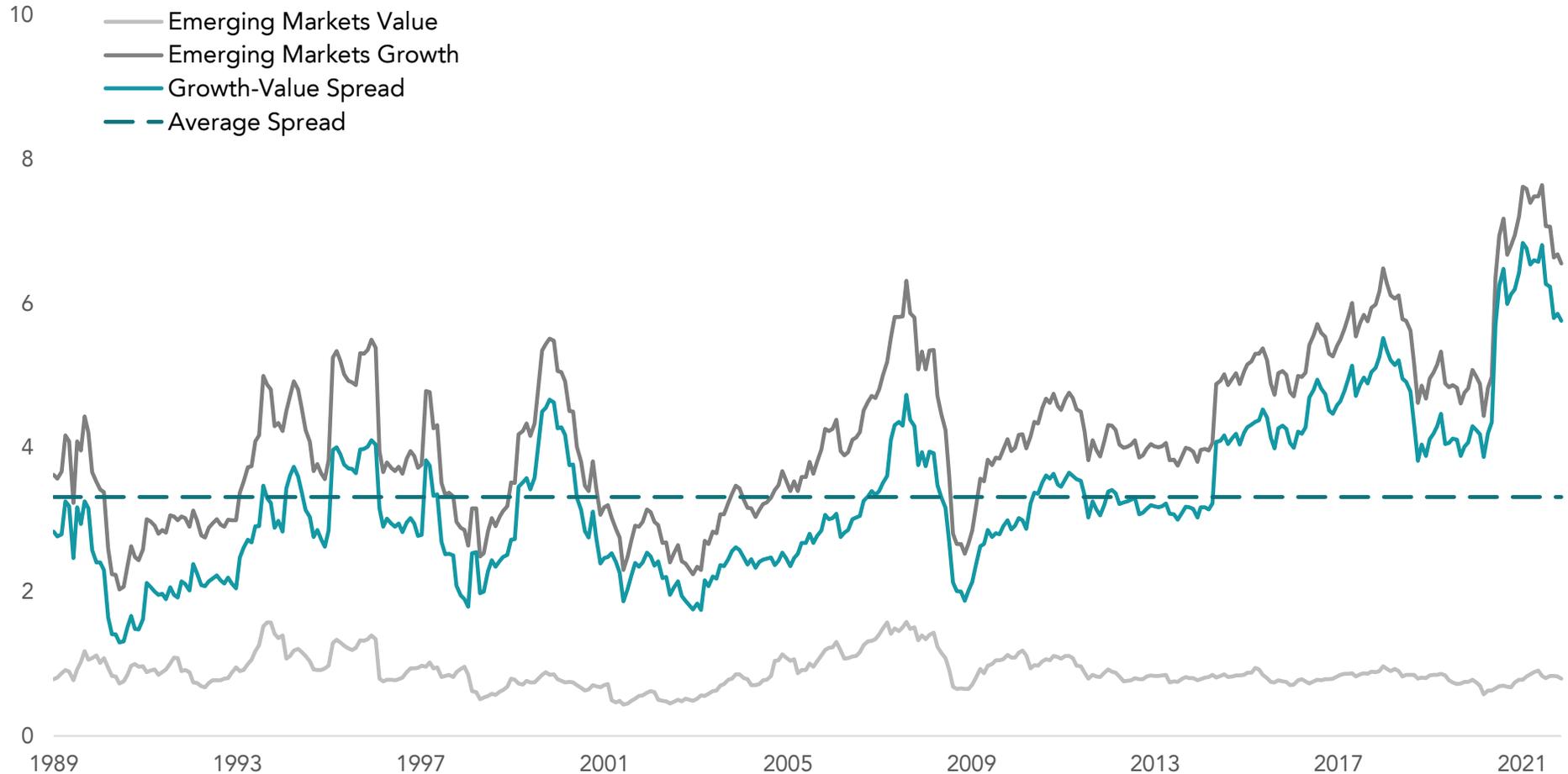


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In USD. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. MSCI indices are gross div. 10-year premiums are calculated as the difference in annualized 10-year returns between the two indices described. Market minus Bills: Fama/French Emerging Markets Index minus the One-Month US Treasury Bill, which is the IA SBBI US 30 Day TBill TR USD, provided by Morningstar. Small Cap minus Large Cap: Dimensional Emerging Markets Small Cap Index minus MSCI Emerging Markets Index. Value minus Growth: Fama/French Emerging Markets Value Index minus Fama/French Emerging Markets Growth Index. High Prof minus Low Prof: Fama/French Emerging Markets High Profitability Index minus the Fama/French Emerging Markets Low Profitability Index. MSCI data © MSCI 2021, all rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data.

# Historical Valuations: Emerging Markets

Price-to-book ratio, June 1989–November 2021

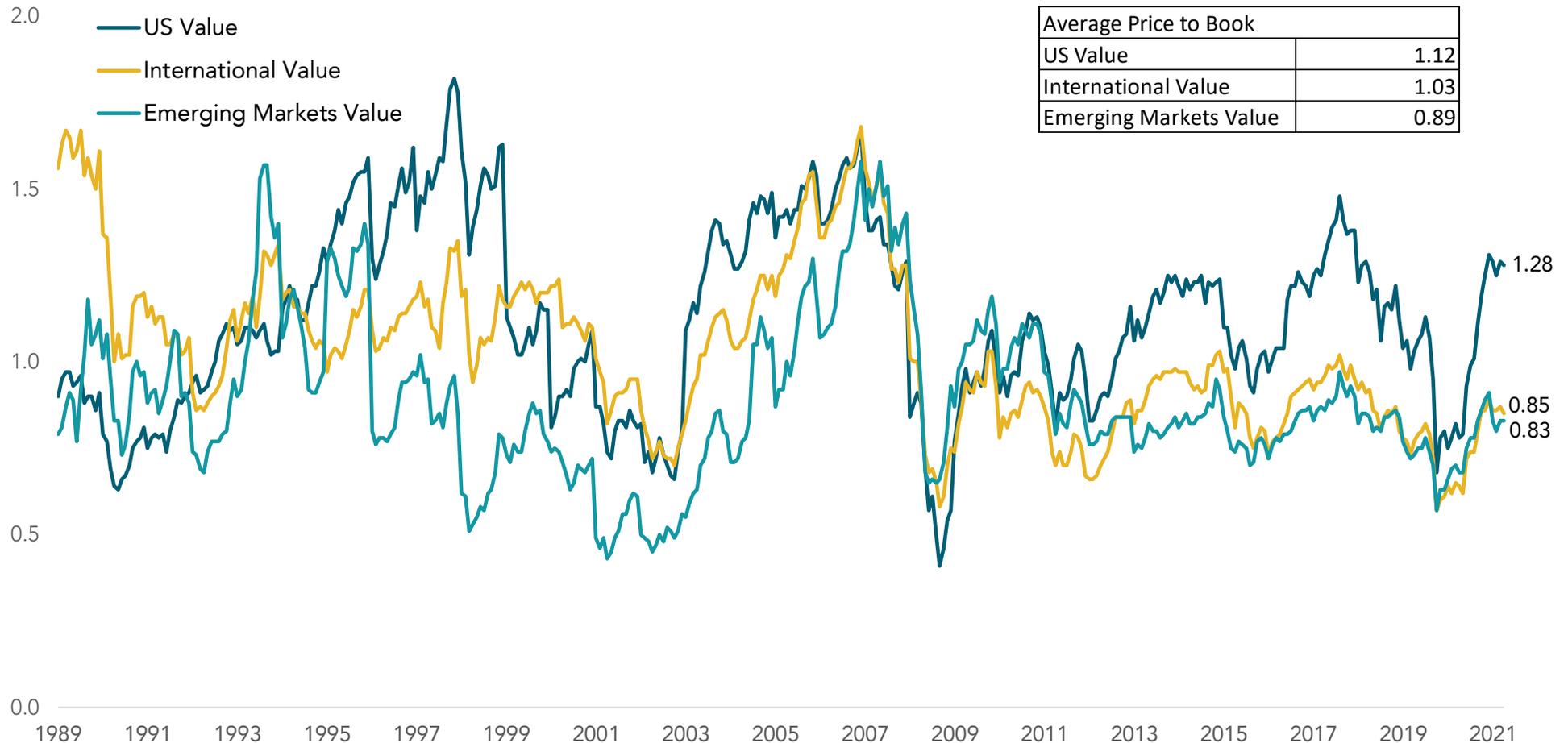


In USD.

Source: CRSP and Compustat data calculated by Dimensional. Fama/French data provided by Fama/French. Value stocks represented by the Fama/French Emerging Markets Value Research Index. Growth stocks represented by the Fama/French Emerging Markets Growth Research Index. Monthly aggregate price-to-book ratios are computed as the inverse of the weighted average book-to-market value as of month-end, where book equity is the book equity for the last fiscal year-end as of 6 months prior to each month-end, and market equity is as of month-end for each month. Book-to-market ratios above 10 are winsorized as the cutoff value. Firms with negative book value are excluded. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. See "Index Descriptions" in the appendix for descriptions of Fama/French index data.

# Historical Valuation of Value Stocks across Regions

Price-to-book ratio, June 1989–September 2021



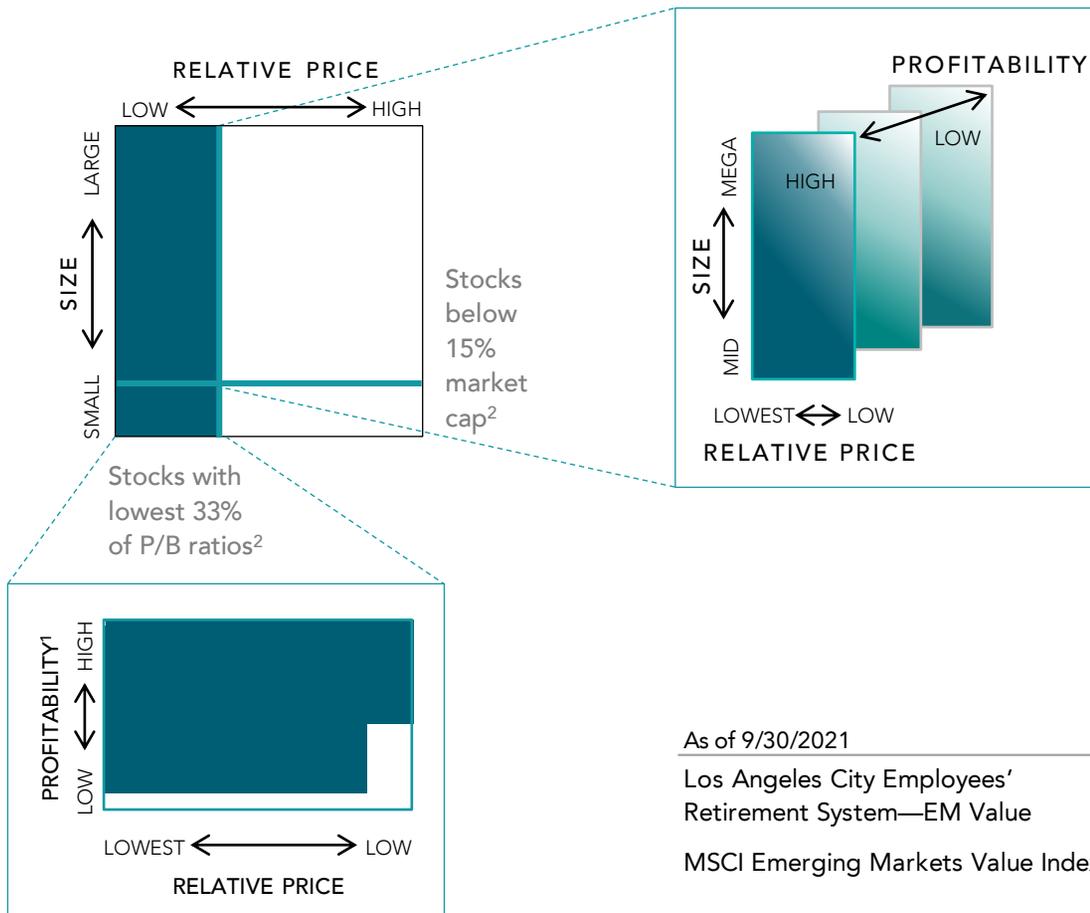
In USD. Source: CRSP and Compustat data calculated by Dimensional. Fama/French data provided by Fama/French. Value stocks represented by the Fama/French US Value Research Index. Growth stocks represented by the Fama/French US Growth Research Index. Monthly aggregate price-to-book ratios are computed as the inverse of the weighted average book-to-market value as of month-end, where book equity used from July of year t through June of year t+1 is the book equity for the last fiscal year end in t-1, and market equity is as of month-end for each month. Firms with negative book value are excluded. See "Index Descriptions" in the appendix for descriptions of Fama/French index data. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. The Fama/French Indices reflected above are not "financial indices" for the purpose of the EU Markets in Financial Instruments Directive (MiFID). Rather, they represent academic concepts that may be relevant or informative about portfolio construction and are not available for direct investment or for use as a benchmark. Their performance does not reflect the expenses associated with the management of an actual portfolio. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower.

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# Emerging Markets Value Strategy

# Portfolio Construction: Security Selection and Weighting

Los Angeles City Employees' Retirement System—EM Value



- Focus on value securities
- In large caps, increased emphasis on higher expected return securities:
  - Lower relative price, higher profitability, lower market cap
- In small caps, exclude companies with lowest expected returns:
  - Low profitability and higher relative price

As of 9/30/2021	Weighted Average Market Cap (millions)	Aggregate Price-to-Book
Los Angeles City Employees' Retirement System—EM Value	\$41,699	1.00
MSCI Emerging Markets Value Index	\$69,573	1.33

1. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book.  
2. Actual size and relative price breaks are determined at the country or region level.  
Holdings are subject to change. MSCI data © MSCI 2021, all rights reserved.

# Improving Expected Returns through Daily Rebalancing

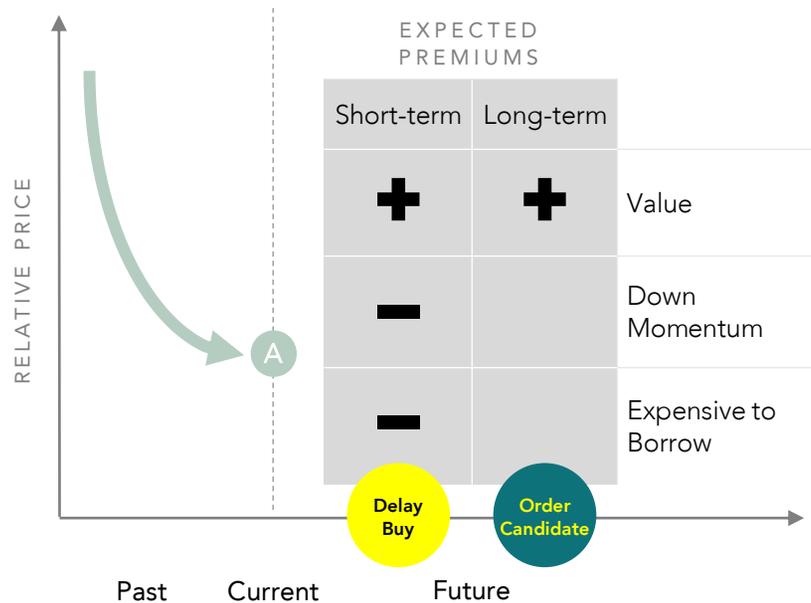
Many inputs inform which stocks we want to hold each day



# Balancing Differences Between Long- and Short-Term Expected Returns

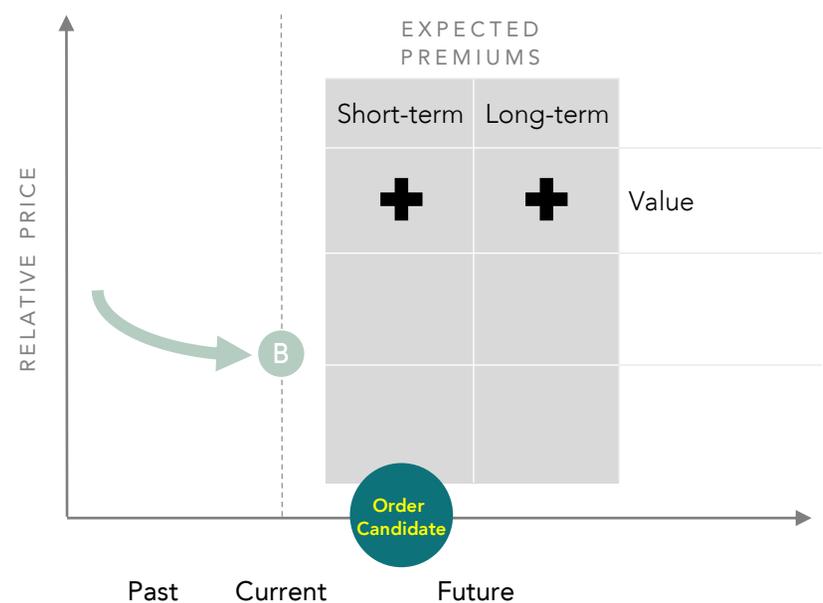
## Stock A

- Migrates from growth to value
- Down momentum and expensive to borrow



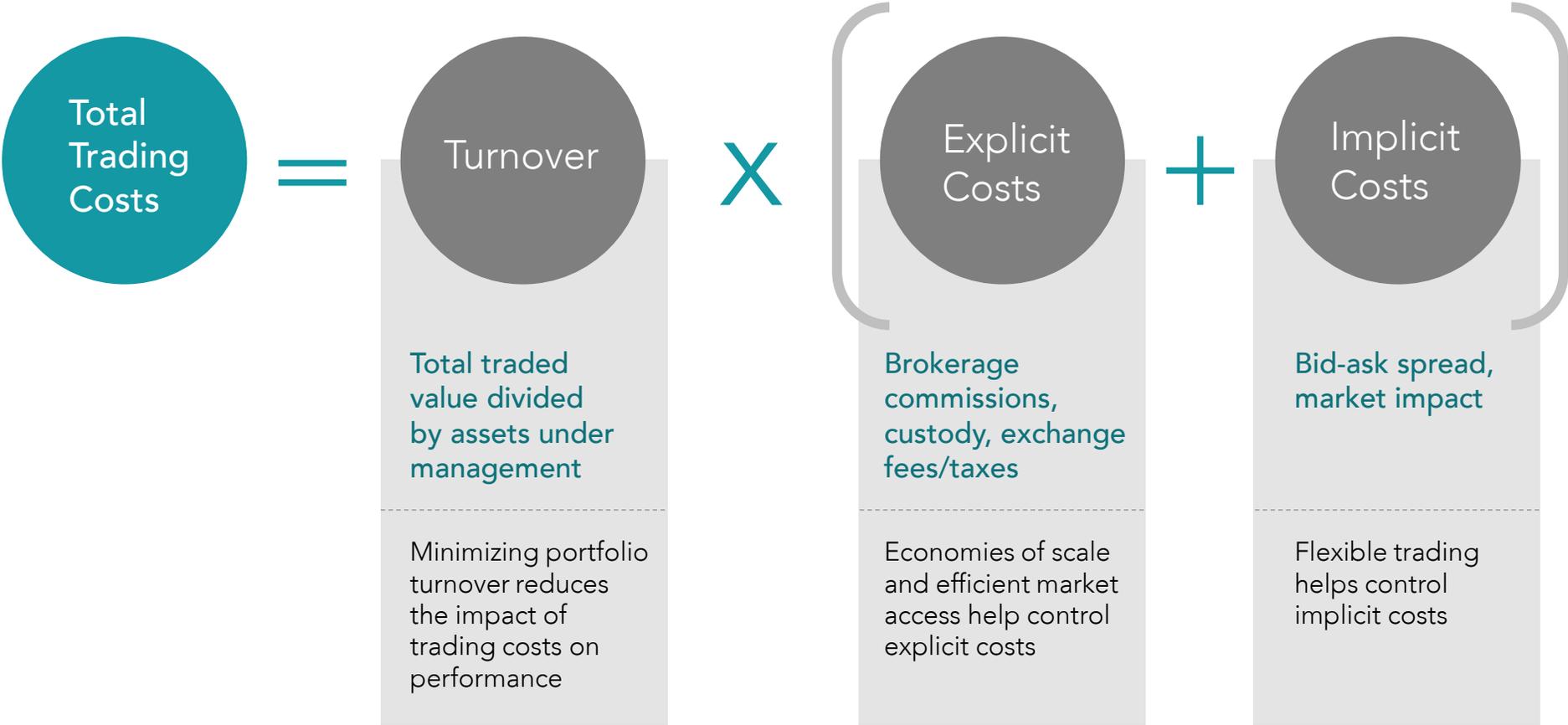
## Stock B

- Migrates from growth to value



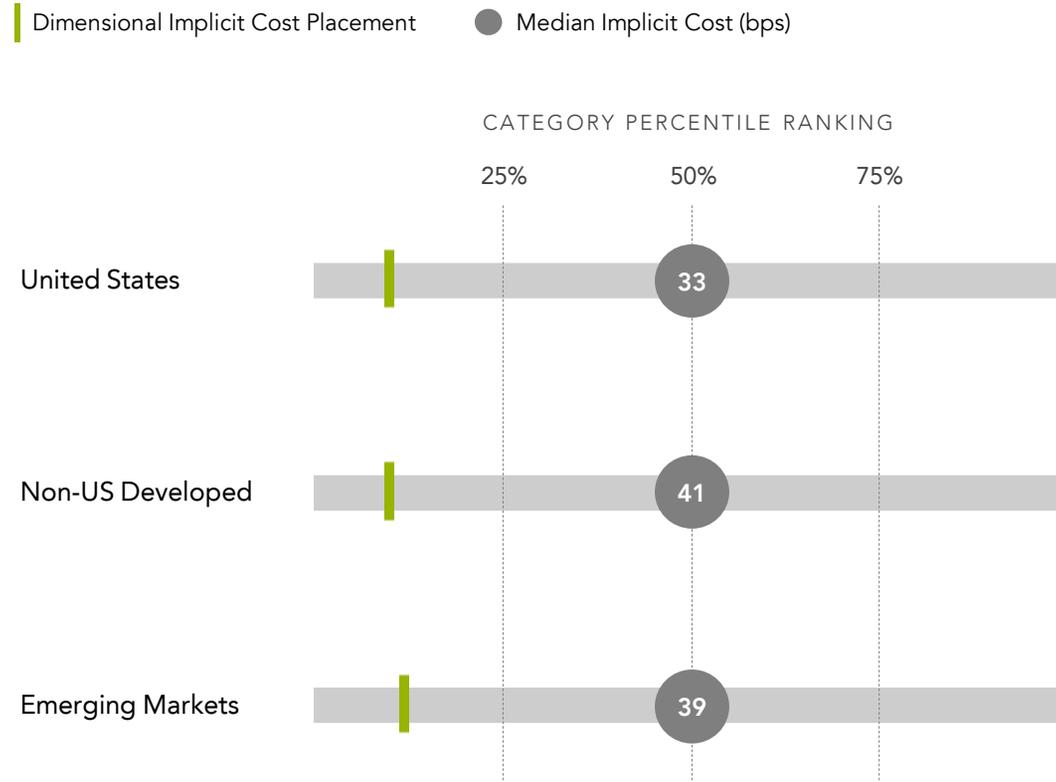
# Trading Costs Matter

Dimensional's flexible approach helps reduce the total costs of trading



# Dimensional Implicit Costs Relative to Peers

Virtu Post-Trade Analytics™—Peer Trade Cost Analysis, one year ending December 31, 2020



- Trading costs negatively impact returns
- Lower implicit costs contributes to lower total trading costs
- Dimensional uses both third party and internally developed benchmarks to evaluate the implicit costs of trading.

**Past performance is not a guarantee of future results.**

Date range reflects most recent data available. Ranking provided by Virtu. Ranking from 1-100% where 1 is lowest implicit cost and 100 is highest implicit cost. The data provided on this slide is copyrighted by Virtu ITG LLC or its affiliates and may not be copied, displayed, or transmitted in any form without prior written permission. Many factors influence transaction cost including order size, volatility, and spread. Virtu's peer universe includes a variety of firm types trading orders of all sizes in various market conditions.

# Summary of Portfolio Risk Management

Provides diversification and broad oversight

<p><b>Concentration Risk</b></p>	<ul style="list-style-type: none"> <li>• Emphasis on broad diversification across multiple facets (as applicable): issuer, guarantor<sup>1</sup>, country, currency, industry</li> <li>• Sector target weights typically capped at their approximate weight in a broadly diversified, sector-neutral universe plus an additional 10% for equities</li> <li>• Industry groups generally capped at 25%</li> <li>• Guidelines target a maximum 5% per issuer at time of purchase for equities</li> </ul>	<p><b>Liquidity Management</b></p>	<ul style="list-style-type: none"> <li>• Emphasis on liquid securities</li> <li>• Flexibility in security selection</li> <li>• Real-time monitoring</li> </ul>
<p><b>Implementation Risk</b></p>	<ul style="list-style-type: none"> <li>• Team managed</li> <li>• Approved exchanges only and ongoing evaluation of settlement mechanism (for equity strategies)</li> <li>• Ongoing evaluation of listing requirements and liquidity</li> <li>• Systematic adjustments based on market activity</li> <li>• Governance oversight of Investment Committee, Portfolio Management, and Compliance and Risk groups</li> </ul>	<p><b>Systematic/ Style Risk</b></p>	<ul style="list-style-type: none"> <li>• Monitor duration and credit quality of individual issues and overall portfolio<sup>1</sup></li> <li>• Monitor market prices and term/credit spreads<sup>1</sup></li> <li>• Monitor characteristics of individual securities and overall strategy to prevent style drift</li> </ul>
<p><b>Operational Risk</b></p>	<ul style="list-style-type: none"> <li>• Customized Order Management Solutions</li> <li>• Comprehensive pre- and post-trade compliance</li> <li>• Proprietary and third-party risk tools</li> <li>• Independent accountant, custodian bank, and auditors</li> <li>• Independent SOC 1 audit performed annually</li> </ul>	<p><b>Counterparty Risk</b></p>	<ul style="list-style-type: none"> <li>• Emphasis on diversification</li> <li>• Governance oversight of Investment Committee, Portfolio Management, and Compliance groups</li> </ul>

Dimensional Fund Advisors LP's Investment Committee is responsible for creating investment guidelines specific to each portfolio. The Investment Committee considers the investment objectives and limitations set forth in each portfolio's governing agreements when addressing risk, and investment guidelines may be distinct between Dimensional-managed portfolios.

1. Applicable to fixed income strategies only.

# There Is More to Managing Portfolios

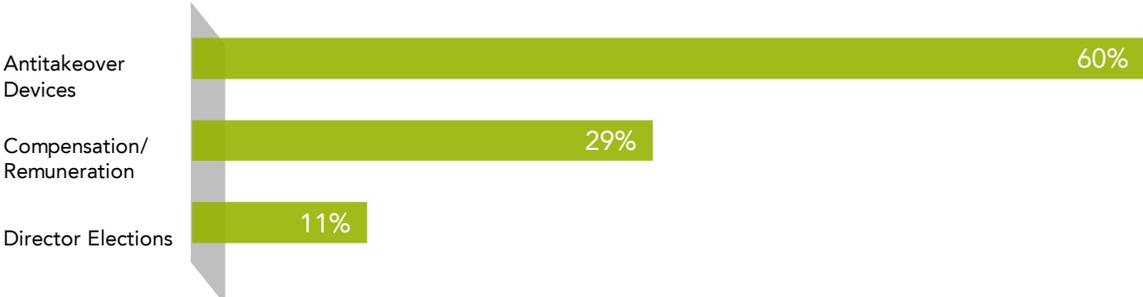
**Buy and sell discipline is important, but alone it is not enough.**

Additional value can be added through expertise in data management, corporate actions, FX trading, securities lending, and corporate governance.



# Enhancing Shareholder Value Through Stewardship

## Investment stewardship activity

<p>Global Engagements <b>605</b></p>	<p>Top Engagement Topics by Count</p>  <table border="1"> <thead> <tr> <th>Topic</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Environmental and Social</td> <td>357</td> </tr> <tr> <td>Compensation/Remuneration</td> <td>314</td> </tr> <tr> <td>Board Composition</td> <td>236</td> </tr> </tbody> </table>			Topic	Count	Environmental and Social	357	Compensation/Remuneration	314	Board Composition	236
Topic	Count										
Environmental and Social	357										
Compensation/Remuneration	314										
Board Composition	236										
<p>Global Proxy Votes <b>171,904</b></p>	<p>Votes Against Management Proposals by Key Topic</p>  <table border="1"> <thead> <tr> <th>Topic</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Antitakeover Devices</td> <td>60%</td> </tr> <tr> <td>Compensation/Remuneration</td> <td>29%</td> </tr> <tr> <td>Director Elections</td> <td>11%</td> </tr> </tbody> </table>			Topic	Percentage	Antitakeover Devices	60%	Compensation/Remuneration	29%	Director Elections	11%
Topic	Percentage										
Antitakeover Devices	60%										
Compensation/Remuneration	29%										
Director Elections	11%										
<p>Recent Letter Campaigns</p>	<p><b>Board Refreshment</b> Dimensional sent letters to over 200 US and EMEA-based companies that we believed may have inadequate processes to ensure an appropriate mix of experience and expertise across board members.</p>	<p><b>Political Lobbying Oversight</b> Dimensional sent letters to 54 US large cap companies that we believed had poor disclosure on political spending and its alignment with shareholder interests.</p>	<p><b>Climate Change</b> Dimensional sent letters to over 150 companies globally that we believed could improve their board oversight and disclosure of climate risk.</p>								

Global engagement and proxy voting reported for proxy year 2021. Engagements may cover multiple topics. Total number of topical discussions will exceed total number of portfolio company discussions due to many discussions covering multiple stewardship topics. Letter campaigns include those in proxy year 2020 and proxy year 2021. Dimensional's 2020 proxy year period spans July 1, 2019 through June 30, 2020. Dimensional's 2021 proxy year period spans July 1, 2020 to June 30, 2021. More information on Dimensional's proxy voting records may be found on Dimensional's public website at [www.dimensional.com](http://www.dimensional.com). These details may be found on the "Investment Stewardship" page under the "About Us" section of the relevant regional site. Dimensional from time to time discusses governance matters with portfolio companies to represent client interests; however, regardless of such conversations, Dimensional, on behalf of its clients, acquires securities solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of any portfolio company.

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# Characteristics and Performance

# Country Allocations

As of September 30, 2021

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE		MSCI Emerging Markets Value Index
PORTFOLIO WEIGHTS (%)		
China	32.4	33.6
Taiwan	17.3	14.4
Korea	14.3	12.2
India	14.2	12.1
Brazil	4.4	4.7
South Africa	4.2	4.2
Mexico	2.2	1.9
Thailand	1.8	1.6
Russia	1.6	4.1
Malaysia	1.6	1.4
Indonesia	1.5	1.3
Poland	0.8	0.8
Philippines	0.7	0.7
Qatar	0.7	0.7
United Arab Emirates	0.6	0.8
Turkey	0.5	0.3
Chile	0.4	0.4
Greece	0.3	0.2
Hungary	0.2	0.2
Colombia	0.2	0.2
Czech	0.1	0.1
Saudi Arabia	—	3.3
Kuwait	—	0.6
Peru	—	0.2
Argentina	—	0.1
Egypt	—	0.1
Pakistan	—	0.0

Holdings are subject to change. Numbers may not total 100% due to rounding. MSCI data © MSCI 2021, all rights reserved.

# Sector Allocations

As of September 30, 2021

	LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE	MSCI Emerging Markets Value Index
<b>PORTFOLIO WEIGHTS (%)</b>		
Financials	26.4	28.6
Materials	14.9	9.0
Information Technology	12.6	16.9
Energy	10.3	6.6
Industrials	9.9	5.8
Consumer Discretionary	9.4	12.7
Real Estate	5.9	2.6
Communication Services	3.4	6.8
Consumer Staples	3.0	4.5
Health Care	2.5	2.9
Utilities	1.7	3.3
REITs	0.0	0.2

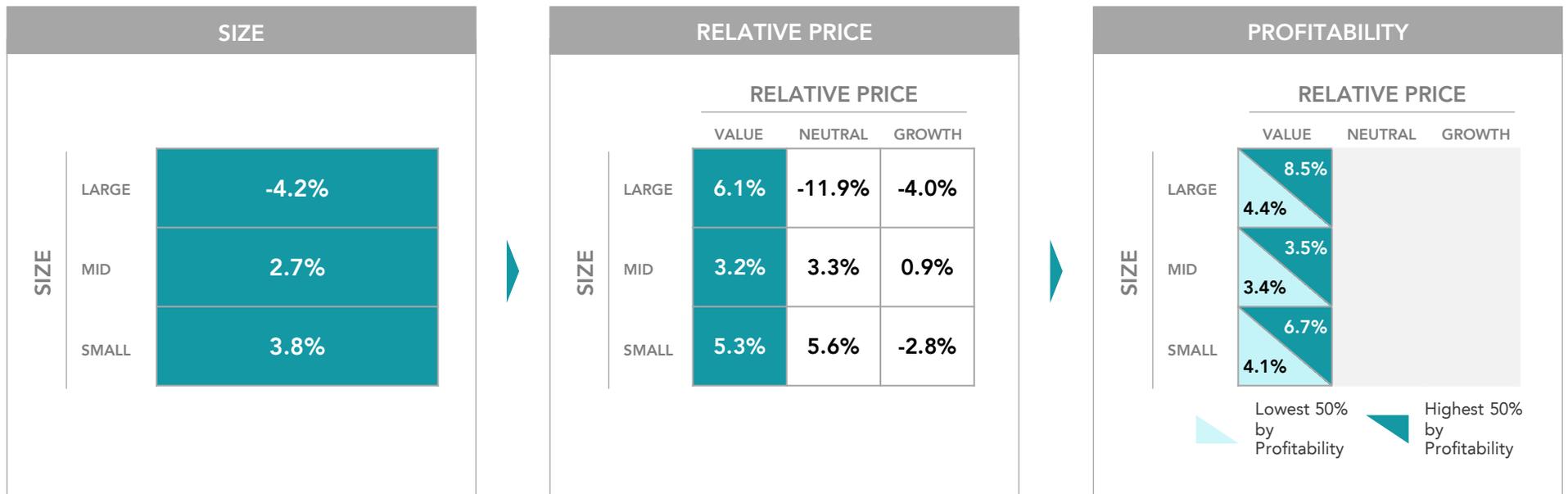
Numbers may not total 100% due to rounding. MSCI data © MSCI 2021, all rights reserved. Real Estate Investment Trusts (REITs) are shown as a separate category to illustrate their exclusion from certain funds. REITs are classified according to GICS Industry code. GICS was developed by and is the exclusive property of MSCI and S&P Dow Jones Indices LLC, a division of S&P Global.

# Market Segment Returns

## Emerging Markets All Cap Value Equity

Year to Date as of November 30, 2021

### MSCI EMERGING MARKETS IMI SEGMENTED RETURNS (%)



All returns are in USD. All returns (with the exception of the MSCI Emerging Markets IMI) are computed from index published security weights, Dimensional computed security returns, and Dimensional classification of securities based on size, value, and profitability parameters. Additional information available upon request. MSCI Emerging Markets IMI return provided by MSCI. Companies are classified as small, mid, and large by computing breakpoints based on total market capitalization. Within emerging markets, large is the largest 70% of market cap, mid is the next 15%, and small is the smallest 15%. Designations between value, neutral, and growth are constructed in each country or region based on price to book ratios marketwide. Value is defined as the 33% of market cap with the lowest price to book ratios, neutral is the next 33%, and growth is the highest 34%. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Designations between high and low profitability are constructed based on profitability within marketwide value stocks. High profitability is defined as the 50% of market cap with the highest profitability and low profitability is the lowest 50%. Stocks without a profitability metric are excluded from the profitability market segment returns. **Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.** MSCI data © MSCI 2021, all rights reserved.

# Performance

As of November 30, 2021

Annualized Returns <sup>1</sup> (%)	Year to Date	1 Year	3 Years	5 Years	Since 8/14 Account 1st Full Month
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE (net of fees)	7.28	15.32	6.63	7.65	2.31
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE (gross of fees)	7.69	15.82	7.13	8.18	2.83
MSCI Emerging Markets Value Index (net dividends)	0.44	9.02	5.05	6.44	1.50
Excess Return (net of fees)	6.84	6.31	1.57	1.21	0.82

Calendar Year Returns (%)	LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE (net of fees)	LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE (gross of fees)	MSCI Emerging Markets Value Index (net dividends)
2015	-19.40	-18.96	-18.57
2016	17.80	18.42	14.90
2017	32.69	33.37	28.07
2018	-12.58	-12.13	-10.72
2019	10.11	10.67	11.94
2020	4.37	4.87	5.48

Account Value

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE	\$438,897,723
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Performance data shown represents past performance and is no guarantee of future results. Performance is presented net of fees and gross of fees. Net returns are reported net of all advisory fees and include reinvestment of dividends and other earnings. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

1. Returns for periods shorter than one year are not annualized.

MSCI data © MSCI 2021, all rights reserved. Indices are not available for direct investment.

Risk-adjusted Return source: eVestment

# Performance Commentary

Year to Date as of November 30, 2021

## Returns (%)

Los Angeles City Employees' Retirement System—EM Value (net of fees)	7.28
MSCI Emerging Markets Index (net dividends)	-4.34
MSCI Emerging Markets Value Index (net dividends)	0.44

Outperformed the MSCI Emerging Markets Index by 11.6% and the MSCI Emerging Markets Value Index by 6.8%

- Focus on value stocks contributed positively
- Emphasis on stocks with high profitability contributed positively

## Market Returns by Relative Price

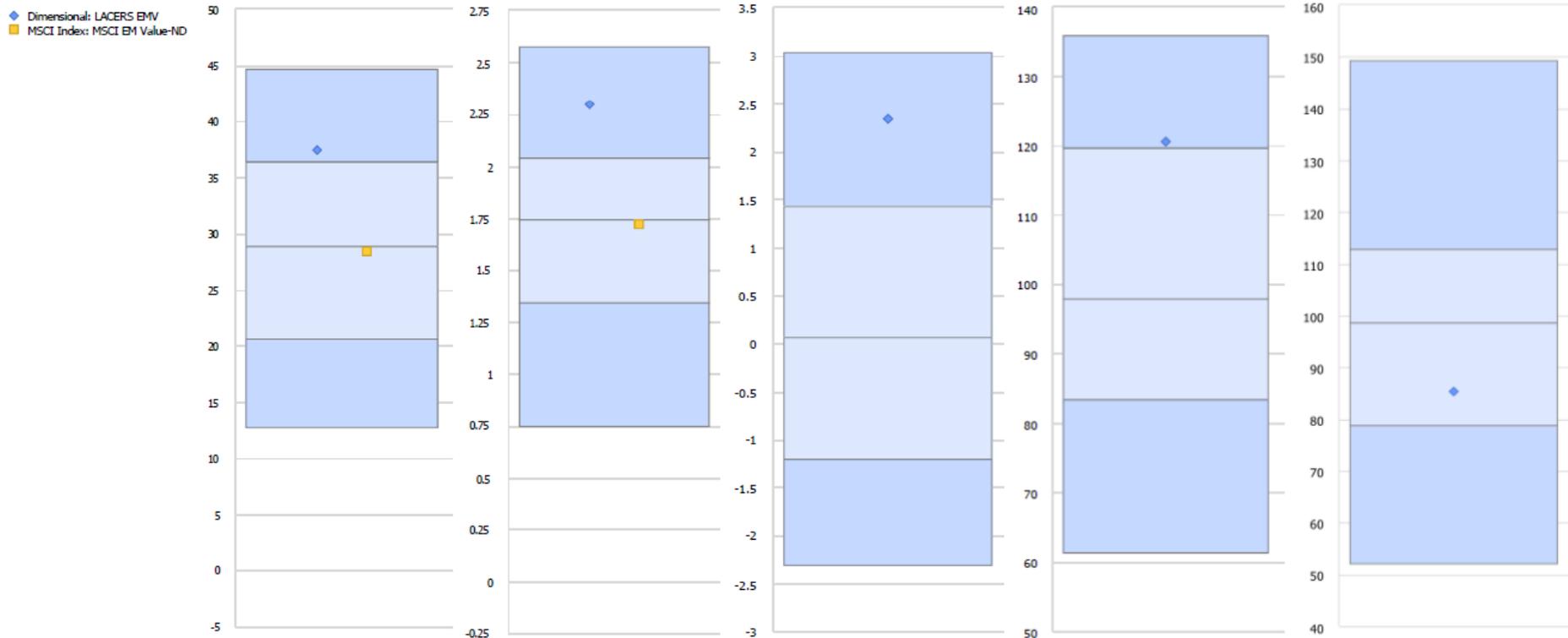
	Market Return	Portfolio Weight Relative to	
		MSCI Emerging Markets Index	MSCI Emerging Markets Value Index
Value 0-33%	5.9%	+52%	+29%
Neutral 33-50%	-9.1%	-7%	-7%
Growth 50-100%	-5.7%	-44%	-20%

**Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit [us.dimensional.com](https://us.dimensional.com).**

In USD. Market Returns are computed from MSCI Emerging Markets IMI Index published security weights and Dimensional computed security returns. MSCI data © MSCI 2021, all rights reserved. Indices are not available for direct investment. Company size designations are based on total market capitalization in each country or region. Relative price (e.g., Value and Growth) designations are based on price-to-book ratios. Profitability ("Prof") designations are based on operating income before depreciation and amortization minus interest expense, scaled by book. Unless shown, REITs and Utilities, identified by GICS code, and stocks without size, relative price, or profitability metrics, rights, warrants, cash, cash equivalents, ETFs, and bonds are excluded. Weights are based on month-end averages over the period. Performance includes reinvestment of dividends and other earnings. See "Appendix: Standardized Performance Data and Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

# Risk-Adjusted Return

As of September 30, 2021

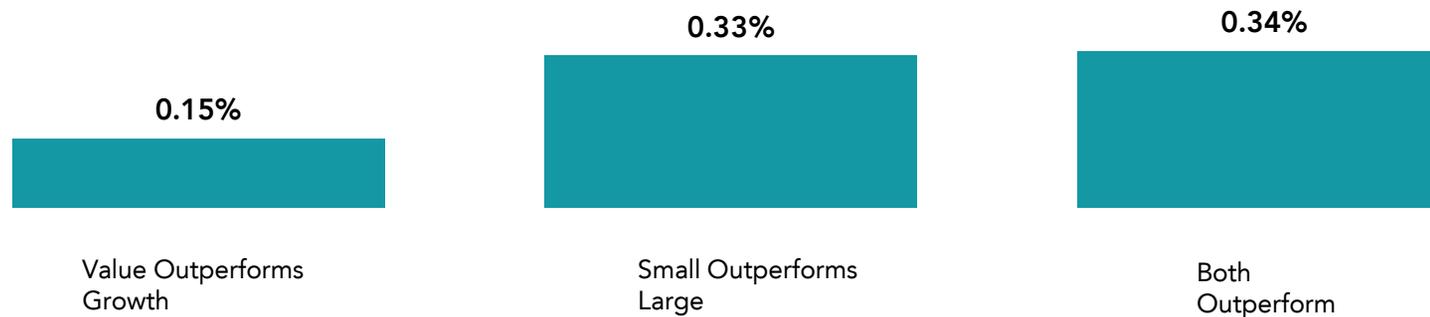


PEER GROUP					
	1 year Return	1 Year Sharpe Ratio	Information Ratio	Upside Market Capture	Downside Market Capture
5th Percentile	44.64	2.58	3.03	135.84	52.07
25th Percentile	36.38	2.04	1.42	119.6	78.78
Median	28.87	1.75	0.06	97.84	98.59
75th Percentile	20.61	1.34	-1.21	83.32	112.79
95th Percentile	12.71	0.75	-2.31	61.26	149.22
LACERS EMV	37.46	2.3	2.34	120.54	85.35
MSCI EM Value	28.43	1.72			

# Conditional Outperformance

Average performance relative to prospectus benchmark during months when premiums were realized  
August 2014 – November 2021

## LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (GROSS OF FEE) VS MSCI EMERGING MARKETS VALUE (NET DIVIDENDS)



**Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit [us.dimensional.com](https://us.dimensional.com).**

Value Outperforms Growth defined as months when the return of the MSCI Emerging Markets Value Index is greater than the return of the MSCI Emerging Markets Growth Index. Small Outperforms Large defined as months when the return of the MSCI Emerging Markets Small Cap Index is greater than the return of the MSCI Emerging Markets index. See "Cutting to the Core of Consistency: Appendix" for additional important information and "Standardized Performance Data and Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

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# Appendix

# Presenters' Biographies



**Ethan Wren, CPA, CFA**

Senior Portfolio Manager and Vice President

Ethan Wren manages emerging markets portfolios domiciled in the US and works with members of the Investment Committee to study and implement enhancements to strategies and processes. In addition, he regularly meets with current and prospective clients, including institutional investors, consultants, and financial advisors.

Before joining Portfolio Management, Ethan was part of Dimensional's Investment Analytics and Data group, working with Senior Researchers on investment process design and portfolio construction.

Ethan started at Dimensional in 2010. He has an MBA in investment management and a master's degree in accounting from the University of Texas at Austin McCombs School of Business.



**Joe Young, CFA**

Regional Director and Vice President

Joe Young is a Regional Director and Vice President in Dimensional's Global Client Group. With more than 19 years of experience in strategic business development and relationship management, Joe serves Dimensional's largest institutions, including public and corporate pension funds, defined contribution plans, sovereign wealth funds, and supranationals, as well as foundations, endowments, and Taft-Hartley plans.

Joe is also the Americas Regional Lead for the firm's Official Institutions team. In this role, he helps bring Dimensional's thought leadership, education, and deep academic and internal resources to many of the firm's largest clients, including sovereign wealth funds, central banks, supranationals, and government pension funds across North and South America.

Joe began his career with Dimensional in February 2002, focusing on supporting consultant relationships. Prior to joining Dimensional, he worked at Global Crossings on their IP VPN product management team. He is a member of the CFA Society of Austin, National Society of Institutional Investment Professionals, and the Texas Association of Public Employee Retirement Systems (TEXPERS). He has been a guest lecturer for the College of Business at Colorado State University and the College of Business and Economics at the University of Idaho. A CFA® charterholder, Joe received a BS in finance from the University of Idaho.

## Client Service Team



**Joe Young, CFA**

**Vice President**

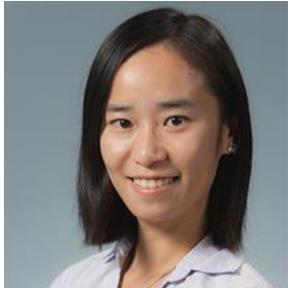
21 Years of Investment Experience  
20<sup>th</sup> Year with Firm

**Previous Employment:** Global Crossing

**Education:** B.S. in Finance, University of Idaho

Email: [Joe.Young@dimensional.com](mailto:Joe.Young@dimensional.com)

Phone: (512) 306-7462



**Wei He**

**Client Relationship Manager**

11 Years of Investment Experience  
7<sup>th</sup> Year with Firm

**Previous Employment:** Barclays Capital Tokyo

**Education:** Master's in Accounting, University of Southern California; Bachelor's in Liberal Arts, Waseda University

Email: [Weideng.He@dimensional.com](mailto:Weideng.He@dimensional.com)

Phone: (512) 306-2658



**Tanner Button**

**Senior Associate**

5<sup>th</sup> Year with Firm

**Previous Employment:** Trenegy Inc.

**Education:** B.B.A. in Finance, Texas A&M University

Email: [Tanner.Button@dimensional.com](mailto:Tanner.Button@dimensional.com)

Phone: (512) 306-2691

### Other Dimensional Resources:



General Questions and Requests:

[Inst\\_RD\\_Support-West@dimensional.com](mailto:Inst_RD_Support-West@dimensional.com)



Institutional Reporting:

[clientservice@dimensional.com](mailto:clientservice@dimensional.com)

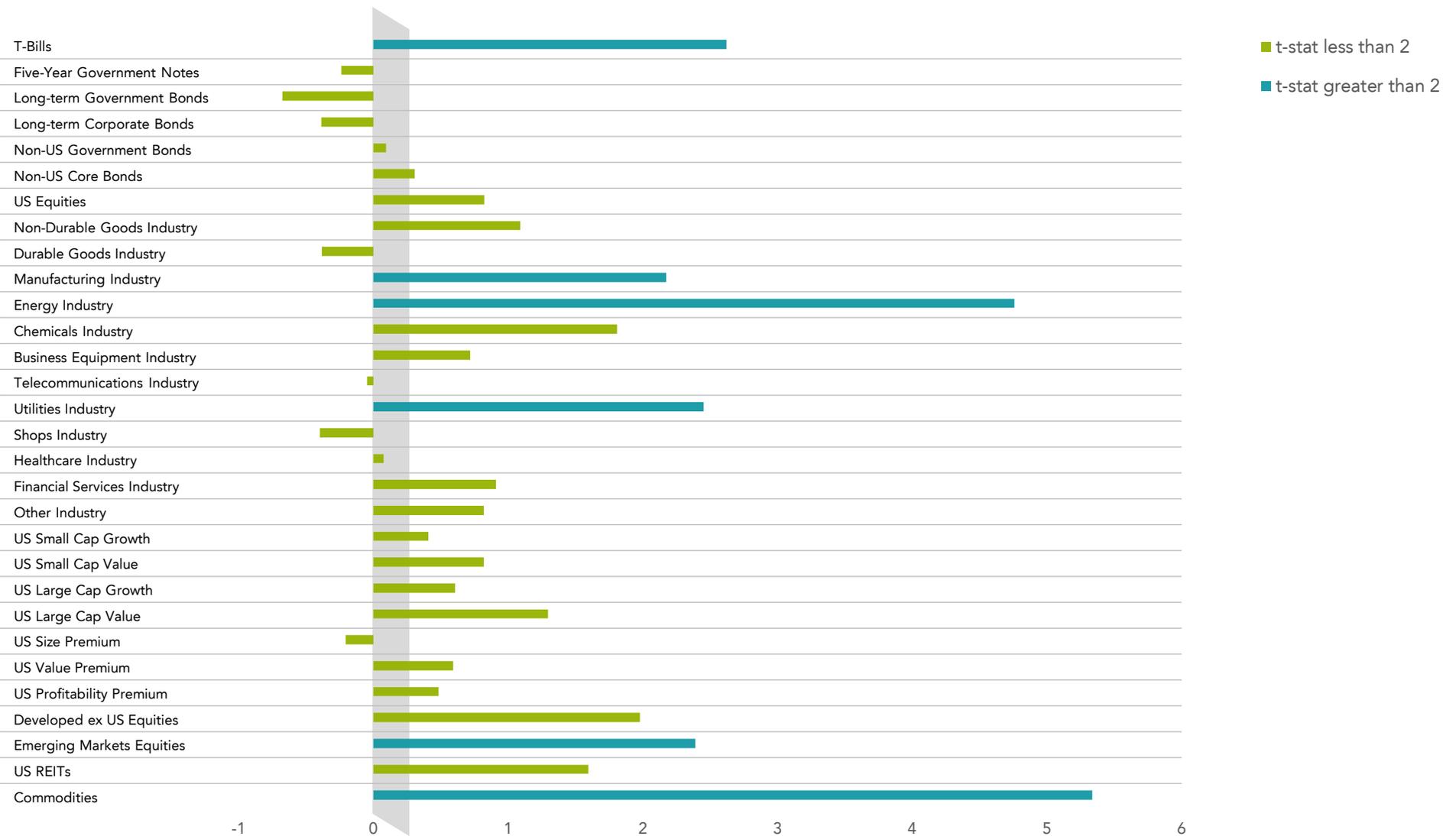


Institutional Operations:

[Ops\\_General@dimensional.com](mailto:Ops_General@dimensional.com)

# Which Assets Have Moved With Unexpected Inflation?

t-statistics for betas on unexpected inflation from time series regressions of returns, 1991–2020



**Past performance is no guarantee of future results.** Indices are not available for direct investment.

Nominal monthly returns for each asset are regressed on contemporaneous expected and unexpected inflation; this chart reports the t-statistic for the slope coefficient on unexpected inflation. Returns are in US dollars. US inflation is the annual rate of change in the Consumer Price Index for All Urban Consumers (CPI-U, not seasonally adjusted) from the Bureau of Labor Statistics. Returns are in US dollars. Unexpected inflation is the difference between actual inflation and expected inflation, estimated using an AR(1) model of inflation estimated over rolling 20-year periods. See Dai and Medhat (2021), available on SSRN: <https://ssrn.com/abstract=3882899>. See "Data Appendix" for additional information.

# Diversity and Inclusion

Dimensional strives to attract, retain, and promote a diverse and talented workforce while fostering an environment where employees from all backgrounds and identities feel valued and included with equitable access to opportunities.

## Diversity and Inclusion Executive Council

Leaders from across the firm who are responsible for working toward this goal and overseeing the firm's inclusion networks (ERGs).



**STACEY WINNING**  
COUNCIL CHAIR  
*Deputy Head of Human Resources*



**ANTHONY POMPA**  
*Head of PM Operations and Vice President*



**BHANU SINGH**  
*Head of Asia Pacific PM and Director*



**JAI DEN BONAPART**  
*Diversity and Inclusion Manager*



**JOHN ROMIZA**  
*Co-CEO of Dimensional Fund Advisors Ltd.*



**KAREN DOLAN**  
*Global Head of Marketing*



**KELLY KLINGAMAN**  
*Regional Director and Vice President*



**LISA DALLMER**  
*Chief Operating Officer*



**MARLENA LEE**  
*Global Head of Investment Solutions*



**MARY PHILLIPS**  
*Deputy Head of PM, North America*



**STEVE CLARK**  
*President of Dimensional International*

### Employees

Creating networking and educational opportunities that spread awareness around diversity, foster community and increased inclusion, and instill an overall sense of belonging.

### Environment

Regularly reviewing policies and practices so that the operating environment is equitable and supports diverse talent.

### External

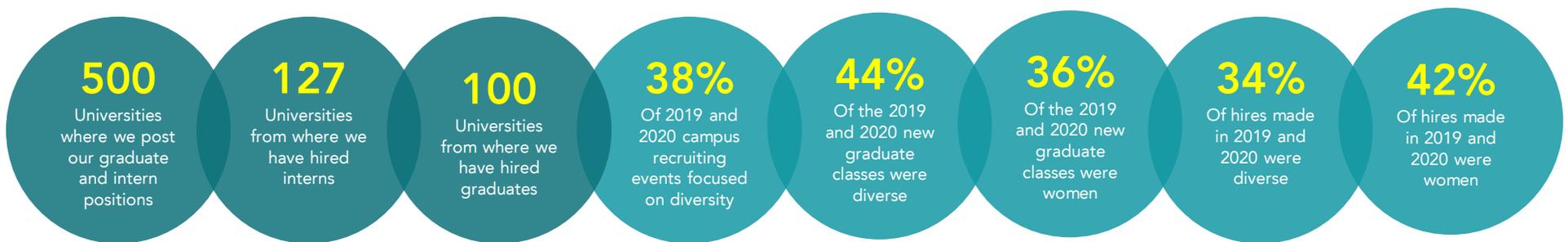
Optimizing recruitment efforts to reach diverse talent as well as engaging with external communities or organizations.

# Diversity and Inclusion

The Recruiting team works to attract the best talent to help Dimensional be successful. D&I is embedded into the overarching approach through efforts focused on casting a wide net, setting efficient and consistent hiring processes, minimizing bias, and providing a strong candidate experience.

## Casting a wide net

We continually develop robust pipelines of talent at all levels by working to identify student groups, events, community engagement, sponsorship opportunities, and professional organizations that help us connect with diverse candidates for all our hiring needs.



*Examples of organizations we collaborate with and/or target through outreach include the Robert Toigo Foundation, Cornell Women in Investing Conference, BPN (Black Professionals Network) and NSHMBA (National Society of Hispanic MBAs) amongst many others.*

## Mitigating bias

- Job description requirements are limited to minimum necessary criteria, and software is used to assess tone and gender neutrality.
- Interviewer training teaches best practices for objective interviewing and self-awareness regarding unconscious bias and how it can adversely impact the recruiting process.
- Interviewers are assigned specific topic coverage areas so that candidates are vetted broadly and holistically, and feedback is provided individually to avoid groupthink or swaying of opinions.

# Characteristics

As of September 30, 2021

	LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE	MSCI Emerging Markets Value Index
<b>MARKET CHARACTERISTICS</b>		
Total Value of Eligible Universe (millions)	\$2,849,821	\$3,945,315
Number of Holdings	2,693	957
<b>SIZE CHARACTERISTICS</b>		
Wtd. Average Market Cap (millions)	\$41,700	\$69,574
Median Market Cap (millions)	\$1,054	\$7,472
<b>VALUATION CHARACTERISTICS</b>		
Aggregate Price-to-Book	1.00	1.33
Wtd. Average Dividend-to-Price	3.16%	2.96%
<b>PROFITABILITY CHARACTERISTICS</b>		
Wtd. Average Profitability <sup>1</sup>	0.20	0.23

1. Operating income before depreciation and amortization minus interest expense scaled by book. Holdings are subject to change. MSCI data © MSCI 2021, all rights reserved.

# Partial List of Clients

## Corporate

**Anthem, Inc.**  
**AT&T Inc.**  
**Kellogg Company**  
**Merck**  
**Microsoft Corporation**  
**PepsiCo, Inc.**  
**PPG Industries, Inc.**  
**Verizon Communications, Inc.**

## Nonprofit Organizations

**Baptist Foundation of Alabama**  
**Gonzaga University**  
**Misericordia Home Endowment**  
**National Telecommunications  
 Cooperative Association**  
**Public Policy Institute of California**  
**Surdna Foundation**  
**Toledo Community Foundation**  
**Western Michigan University  
 Foundation**

## Public

**City and County of Kalamazoo**  
**City of Baton Rouge**  
**County of Los Angeles Deferred  
 Compensation**  
**Illinois Municipal Retirement Fund**  
**Los Angeles Department of  
 Water & Power System**  
**Los Angeles Fire and Police Pensions**  
**Maryland State Retirement Agency**  
**Mississippi Public Employees'  
 Retirement System**  
**Municipal Fire & Police  
 Retirement System of Iowa**  
**Nebraska Investment Council**  
**Nova Scotia Health Employees'  
 Pension Plan**  
**Teachers' Retirement Allowances Fund**  
**Utah State Retirement Systems**

## Taft-Hartley

**Local Union #226**  
**National Electrical Benefit Fund**  
**National Retirement Fund**  
**Union Electrical Industry Master Trust**

As of September 30, 2021.

Clients in bold have been clients with Dimensional for 10 or more years. Some entities listed do not engage Dimensional directly but invest in a commingled vehicle advised by Dimensional. This list is solely a partial list of clients of the Dimensional group of companies and is generally representative of Dimensional's institutional client base. Clients have given consent to be included and were not chosen based on performance-based criteria. This list should not be construed as an expression of any client's experience with Dimensional, or a suggestion that one client's experience is in any way indicative of another client's future experience with Dimensional. Inclusion of a client's name on the list should not be taken as an indication that the client approves or disapproves of Dimensional or the advisory services provided to either the client and/or the commingled vehicle in which the client may be invested.

# Dimensional Fund Advisors and Affiliates

## Global Organizational Leadership

### EXECUTIVE

**David G. Booth,<sup>1</sup>** Founder and Executive Chairman

**David P. Butler,<sup>1</sup>** Co-Chief Executive Officer and Dimensional Director

**Gerard K. O'Reilly,<sup>1</sup>** Co-Chief Executive Officer, Chief Investment Officer, and Dimensional Director

**Stephen A. Clark<sup>1</sup>**  
President of Dimensional International

### INVESTMENT PROFESSIONALS

#### RESEARCH

**Gerard K. O'Reilly<sup>1</sup>**  
Co-Chief Executive Officer, Chief Investment Officer, and Dimensional Director

**Peter Dillard**  
Chief Data Officer  
and Head of Investment Analytics and Data

**Savina Rizova<sup>1</sup>**  
Global Head of Research

#### INVESTMENT SOLUTIONS

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Global Head of Investment Solutions

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Head of EMEA Fixed Income

**Robert T. Deere<sup>1</sup>**  
Senior Investment Director

**Jed S. Fogdall<sup>1</sup>**  
Global Head of Portfolio Management

**Paul Foley**  
Head of EMEA Portfolio Management

**Jason Lapping**  
Head of International Equity Trading

**David A. Plecha<sup>1</sup>**  
Global Head of Fixed Income

**Bhanu Singh**  
Head of Asia Pacific Portfolio Management and Director

**Ryan Wiley<sup>1</sup>**  
Global Head of Equity Trading

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**Kenneth R. French,** Consultant

**John A. McQuown**

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Head of Institutional, Australia

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**Bryce Skaff**  
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**Bradley G. Steiman**  
Director and Head of Canadian Financial Advisor Services

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Head of Financial Advisor Services, Asia ex Japan

**Carlo Venes**  
Co-Head of Global Client Group

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Global Chief Compliance Officer

#### FINANCIAL/ACCOUNTING SERVICES

**Bernie Grzelak**  
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Global Head of Human Resources

#### INVESTMENT OPERATIONS

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Global Head of Investment Operations

#### LEGAL

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General Counsel and Secretary

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**Karen Dolan**  
Global Head of Marketing

#### OPERATIONS

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Chief Operating Officer

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Head of Risk Management

#### TECHNOLOGY

**Michael Holmes**  
Chief Technology Officer

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**John S. Romiza**  
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Chairman and Chief Executive Officer

#### DIMENSIONAL FUND ADVISORS CANADA ULC (VANCOUVER)

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Director and Head of Canadian Financial Advisor Services

#### DIMENSIONAL FUND ADVISORS PTE. LTD. (SINGAPORE)

**Joel Kim**  
Chief Executive Officer and Head of Fixed Income, International

#### DIMENSIONAL JAPAN LTD. (TOKYO)

**John R. Alkire**  
Chief Executive Officer

#### DIMENSIONAL HONG KONG LIMITED (HONG KONG)

As of September 30, 2021.

1. Member of the Investment Committee of Dimensional Fund Advisors LP.

All listed individuals are employees of Dimensional Investment LLC, a subsidiary of Dimensional Fund Advisors LP.

"Dimensional Director" refers to the Board of Directors of the general partner of Dimensional Fund Advisors LP. See disclosures in the appendix for information on the Dimensional entities.

# Relative Performance for Standardized Periods

Equity funds with more than 15 years of history as of November 30, 2021

Fund Name	Ticker	Morningstar Category (US Fund)	Prior Year			Prior 5 Years			Prior 10 Years			Prior 15 Years		
			Dimensional Placement/ Funds at Start <sup>1</sup>	Number of Ranked Investments <sup>2</sup>	Average Index Fund Placement <sup>3</sup>	Dimensional Placement/ Funds at Start <sup>1</sup>	Number of Ranked Investments <sup>2</sup>	Average Index Fund Placement <sup>3</sup>	Dimensional Placement/ Funds at Start <sup>1</sup>	Number of Ranked Investments <sup>2</sup>	Average Index Fund Placement <sup>3</sup>	Dimensional Placement/ Funds at Start <sup>1</sup>	Number of Ranked Investments <sup>2</sup>	Average Index Fund Placement <sup>3</sup>
Emerging Markets Core Equity Portfolio (I)	DFCEX	Diversified Emerging Markets	144/825	791	353	271/872	613	374	152/551	340	214	44/267	160	89
Emerging Markets Portfolio (I)	DFEMX	Diversified Emerging Markets	238/825	791	353	303/872	613	374	183/551	340	214	63/267	160	89
Emerging Markets Portfolio (II)	DFETX	Diversified Emerging Markets	237/825	791	353	290/872	613	374	171/551	340	214	58/267	160	89
Emerging Markets Small Cap Portfolio (I)	DEMFX	Diversified Emerging Markets	55/825	791	353	212/872	613	374	61/551	340	214	3/267	160	89
Emerging Markets Social Core Equity Portfolio	DFESX	Diversified Emerging Markets	196/825	791	353	270/872	613	374	158/551	340	214	57/267	160	89
Emerging Markets Value Portfolio (I)	DFEVX	Diversified Emerging Markets	84/825	791	353	514/872	613	374	258/551	340	214	89/267	160	89
Continental Small Company Portfolio (I)	DFCSX	Europe Stock	20/96	93	53	10/131	76	43	4/101	50	30	3/80	36	26
International Core Equity Portfolio (I)	DFIEX	Foreign Large Blend	37/800	765	389	311/782	598	297	93/688	406	227	78/571	238	146
Large Cap International Portfolio (I)	DFALX	Foreign Large Blend	163/800	765	389	248/782	598	297	175/688	406	227	101/571	238	146
International Value ETF <sup>5</sup>	DFIV	Foreign Large Value	21/386	350	170	125/403	283	130	83/355	179	95	48/276	114	63
International Value Portfolio (I)	DFIVX	Foreign Large Value	16/386	350	170	110/403	283	130	71/355	179	95	52/276	114	63
International Value Portfolio (III)	DFVIX	Foreign Large Value	15/386	350	170	98/403	283	130	60/355	179	95	38/276	114	63
International Small Company Portfolio (I)	DFISX	Foreign Small/Mid Blend	15/102	93	49	29/108	69	28	18/72	46	27	8/34	25	—
International Small Cap Value Portfolio (I)	DISVX	Foreign Small/Mid Value	27/56	55	49	33/62	43	24	6/29	15	9	3/47	5	4
Japanese Small Company Portfolio (I)	DFJSX	Japan Stock	25/44	36	15	25/58	27	19	19/43	21	14	5/55	12	9
Asia Pacific Small Company Portfolio (I)	DFRSX	Miscellaneous Region	—/—	—	—	—/—	—	—	—/—	—	—	—/—	—	—
United Kingdom Small Company Portfolio (I)	DFUKX	Miscellaneous Region	—/—	—	—	—/—	—	—	—/—	—	—	—/—	—	—
Enhanced US Large Co. Portfolio (I)	DFELX	US Large Blend	550/1,427	1,370	556	257/1,446	1,104	378	86/1,427	810	231	88/1,610	594	201
US Core Equity 1 Portfolio (I)	DFEOX	US Large Blend	385/1,427	1,370	556	604/1,446	1,104	378	308/1,427	810	231	205/1,610	594	201
US Core Equity 2 Portfolio (I)	DFQTX	US Large Blend	199/1,427	1,370	556	758/1,446	1,104	378	398/1,427	810	231	312/1,610	594	201
US Equity ETF <sup>4</sup>	DFUS	US Large Blend	411/1,427	1,370	556	252/1,446	1,104	378	129/1,427	810	231	116/1,610	594	201
US Large Company Portfolio	DFUSX	US Large Blend	298/1,427	1,370	556	197/1,446	1,104	378	91/1,427	810	231	104/1,610	594	201
Tax-Managed US Marketwide Value Portfolio (II)	DFMVX	US Large Value	485/1,263	1,208	611	463/1,359	1,033	433	67/1,231	756	280	132/1,259	538	257
US Large Cap Value Portfolio (I)	DFLVX	US Large Value	376/1,263	1,208	611	621/1,359	1,033	433	105/1,231	756	280	181/1,259	538	257
US Large Cap Value Portfolio (III)	DFUVX	US Large Value	360/1,263	1,208	611	584/1,359	1,033	433	84/1,231	756	280	158/1,259	538	257
US Vector Equity Portfolio (I)	DFVEX	US Mid-Cap Value	102/425	412	166	52/446	349	141	22/377	253	69	65/343	173	76
Real Estate Securities Portfolio (I)	DFREX	US Real Estate	137/252	247	138	66/271	199	131	32/231	149	91	37/205	102	48
US Micro Cap Portfolio (I)	DFSCX	US Small Blend	34/670	634	360	284/719	529	205	86/581	354	124	100/553	241	92
US Small Cap ETF <sup>4</sup>	DFAS	US Small Blend	89/670	634	360	290/719	529	205	96/581	354	124	131/553	241	92
US Small Cap Portfolio (I)	DFSTX	US Small Blend	72/670	634	360	273/719	529	205	99/581	354	124	56/553	241	92
US Small Cap Value Portfolio (I)	DFSVX	US Small Value	41/459	445	198	198/488	390	182	75/426	297	122	111/388	197	111
US Targeted Value ETF <sup>4</sup>	DFAT	US Small Value	120/459	445	198	158/488	390	182	45/426	297	122	93/388	197	111
US Targeted Value Portfolio (I)	DFVX	US Small Value	48/459	445	198	117/488	390	182	49/426	297	122	53/388	197	111
Global Equity Portfolio (I)	DGEIX	World Large-Stock Blend	22/341	332	97	89/262	240	94	22/171	145	40	19/103	79	40
Global Equity Portfolio (R2)	DGERX	World Large-Stock Blend	26/341	332	97	101/262	240	94	28/171	145	40	22/103	79	40

**Equity funds included on the “Evaluating Dimensional Across Strategies” slide are shown here in bold.**

1. Dimensional Placement is the Morningstar 1-, 5-, 10-, or 15-Year Total Return Absolute Category Rank sourced from Morningstar. Number of funds starting the period is the number of share classes, within the respective Morningstar Category, with return histories as of the start of the 1-, 5-, 10-, or 15-year period.
2. Number of Ranked Investments is sourced from Morningstar for each category and is the number of share classes that were ranked as of the end of the 1-, 5-, 10-, or 15-year period.
3. Average Index Fund Placement is provided where index fund(s) with a Morningstar 1-, 5-, 10-, or 15-Year Total Return Absolute Category Rank exist in the category at the end of the period. The Average Index Fund Placement is the average, as determined by Dimensional, of the Morningstar 1-, 5-, 10-, or 15-Year Total Return Absolute Category Rank for index funds within the respective Morningstar category at the end of the period.
4. Prior to listing on June 14, 2021, the ETF operated as a mutual fund. The NAVs of the predecessor mutual fund are used for both NAV and market price performance from inception to listing.
5. Prior to listing on September 13, 2021, the ETF operated as a mutual fund. The NAVs of the predecessor mutual fund are used for both NAV and market price performance from inception to listing.

The Morningstar category data is provided at the individual fund share class level. Multiple share classes of a fund typically have a common portfolio but impose different expense structures. The table includes US-domiciled Dimensional equity funds ranked by Morningstar and available on or before 15 years prior to the end of the period. Morningstar uses NAV performance data for ETFs. **Funds may have experienced negative performance over the time period. Past performance is no guarantee of future results. Visit [us.dimensional.com](http://us.dimensional.com) for standardized performance information for Dimensional’s funds.**

# Data Appendix

## **US inflation**

The annual rate of change in the Consumer Price Index for All Urban Consumers (CPI-U, not seasonally adjusted) from the Bureau of Labor Statistics.

## **US government securities and long-term corporate bonds**

The returns to US government securities (one-month T-bills, five-year notes, and long-term bonds) and long-term corporate bonds are from Morningstar (previously from Ibbotson Associates).

## **Commodities**

Commodities are proxied by the Bloomberg Commodity Total Return Index, which is available starting from February 1991, so its annual return for 1991 is based on the available 11 months.

## **US equity portfolios and factors**

The US equity market is proxied by the Fama/French Total US market research index. The US industry portfolios are the 12 Fama/French industry portfolios. The US style portfolios (small-cap value and growth and large-cap value and growth) are from the Fama/French 6 portfolios sorted on size (market cap) and book-to-market equity. The US size and value premiums are proxied by the Fama/French size and value factors. The returns to all the above are from Ken French's data library:  
[https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html)

# Index Descriptions

**Fama/French Total US Market Research Index:** July 1926–present: Fama/French Total US Market Research Factor + One-Month US Treasury Bills. Source: Ken French Website.

**Fama/French US Value Research Index:** Provided by Fama/French from CRSP securities data. Includes the lower 30% in price-to-book of NYSE securities (plus NYSE Amex equivalents since July 1962 and Nasdaq equivalents since 1973).

**Fama/French US Growth Research Index:** Provided by Fama/French from CRSP securities data. Includes the higher 30% in price-to-book of NYSE securities (plus NYSE Amex equivalents since July 1962 and Nasdaq equivalents since 1973).

**Fama/French US Small Value Research Index:** Provided by Fama/French from CRSP securities data. Includes the lower 30% in price-to-book of NYSE securities (plus NYSE Amex equivalents since July 1962 and Nasdaq equivalents since 1973) that have smaller market capitalization than the median NYSE company.

**Fama/French US Large Growth Research Index:** Provided by Fama/French from CRSP securities data. Includes the higher 30% in price-to-book of NYSE securities (plus NYSE Amex equivalents since July 1962 and Nasdaq equivalents since 1973) that have larger market capitalization than the median NYSE company.

**Fama/French US High Profitability Index:** July 1963–present: Fama/French US High Profitability Index. Courtesy of Fama/French from CRSP and Compustat securities data. Includes all stocks in the upper 30% operating profitability range of NYSE eligible firms; rebalanced annually in June. OP for June of year  $t$  is annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by book equity for the last fiscal year end in  $t-1$ . Fama/French and multifactor data provided by Fama/French.

**Fama/French US Low Profitability Index:** July 1963–present: Fama/French US Low Profitability Index. Courtesy of Fama/French from CRSP and Compustat securities data. Includes all stocks in the lower 30% operating profitability range of NYSE eligible firms; rebalanced annually in June. OP for June of year  $t$  is annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by book equity for the last fiscal year end in  $t-1$ . Fama/French and multifactor data provided by Fama/French.

**Fama/French International Market Index:** January 1975–present: Fama/French International Market Index. Source: Ken French website. Simulated from MSCI and Bloomberg data.

**Fama/French International Value Index:** January 1975–present: Fama/French International Value Index. Simulated strategy of international developed countries with securities in the lower 30% price-to-book range. Source: Ken French website. Simulated from MSCI and Bloomberg data.

**Fama/French International Growth Index:** January 1975–present: Fama/French International Growth Index. Simulated strategy of international developed countries with securities in the higher 30% price-to-book range. Source: Ken French website. Simulated from MSCI and Bloomberg data.

**Fama/French International High Profitability Index:** July 1990–present: Fama/French International High Profitability Index. Courtesy of Fama/French from Bloomberg securities data. Includes stocks in the upper 30% operating profitability range in each region; companies weighted by float-adjusted market cap; rebalanced annually in June. OP for June of year  $t$  is annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by book equity for the last fiscal year end in  $t-1$ . Fama/French and multifactor data provided by Fama/French.

**Fama/French International Low Profitability Index:** July 1990–present: Courtesy of Fama/French from Bloomberg securities data. Includes stocks in the lower 30% operating profitability range in each region; companies weighted by float-adjusted market cap; rebalanced annually in June. OP for June of year  $t$  is annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by book equity for the last fiscal year end in  $t-1$ . Fama/French and multifactor data provided by Fama/French.

Results shown during periods prior to each index's index inception date do not represent actual returns of the respective index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

# Index Descriptions

**Fama/French Emerging Markets Index:** July 1989–present: Fama/French Emerging Markets Index. Courtesy of Fama/French from Bloomberg and IFC securities data. Companies weighted by float-adjusted market cap; rebalanced annually in June. Fama/French and multifactor data provided by Fama/French.

**Fama/French Emerging Markets Value Index:** July 1989–present: Fama/French Emerging Markets Value Index. Courtesy of Fama/French from Bloomberg and IFC securities data. Includes stocks in the upper 30% book-to-market range in each country; companies weighted by float-adjusted market cap; rebalanced annually in June. Fama/French and multifactor data provided by Fama/French.

**Fama/French Emerging Markets Growth Index:** July 1989–present: Fama/French Emerging Markets Growth Index. Courtesy of Fama/French from Bloomberg and IFC securities data. Includes stocks in the bottom 30% book-to-market range in each country; companies weighted by float-adjusted market cap; rebalanced annually in June. Fama/French and multifactor data provided by Fama/French.

**Fama/French Emerging Markets High Profitability Index:** July 1991–present: Fama/French Emerging Markets High Profitability Index. Courtesy of Fama/French from Bloomberg and IFC securities data. Includes stocks in the upper 30% operating profitability range in each country; companies weighted by float-adjusted market cap; rebalanced annually in June. OP for June of year  $t$  is annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by book equity for the last fiscal year end in  $t-1$ . Fama/French and multifactor data provided by Fama/French.

**Fama/French Emerging Markets Low Profitability Index:** July 1991–present: Fama/French Emerging Markets Low Profitability Index. Courtesy of Fama/French from Bloomberg and IFC securities data. Includes stocks in the lower 30% operating profitability range in each country; companies weighted by float-adjusted market cap; rebalanced annually in June. OP for June of year  $t$  is annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by book equity for the last fiscal year end in  $t-1$ . Fama/French and multifactor data provided by Fama/French.

Results shown during periods prior to each index's index inception date do not represent actual returns of the respective index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

# Index Descriptions

**Dimensional US Small Cap Index** was created by Dimensional in March 2007 and is compiled by Dimensional. It represents a market-capitalization-weighted index of securities of the smallest US companies whose market capitalization falls in the lowest 8% of the total market capitalization of the eligible market. The eligible market is composed of securities of US companies traded on the NYSE, NYSE MKT (formerly AMEX), and Nasdaq Global Market. Exclusions: non-US companies, REITs, UITs, and investment companies. From January 1975 to the present, the index excludes companies with the lowest profitability and highest relative price within the small cap universe. The index also excludes those companies with the highest asset growth within the small cap universe. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. Source: CRSP and Compustat. The index monthly returns are computed as the simple average of the monthly returns of 12 subindices, each one reconstituted once a year at the end of a different month of the year. The calculation methodology for the Dimensional US Small Cap Index was amended on January 1, 2014, to include profitability as a factor in selecting securities for inclusion in the index.

**Dimensional International Small Cap Index** was created by Dimensional in April 2008 and is compiled by Dimensional. July 1981–December 1993: It Includes non-US developed securities in the bottom 10% of market capitalization in each eligible country. All securities are market capitalization weighted. Each country is capped at 50%. Rebalanced semiannually. January 1994–present: Market-capitalization-weighted index of small company securities in the eligible markets, excluding those with the lowest profitability and highest relative price within their country's small cap universe. The index also excludes those companies with the highest asset growth within their country's small cap universe. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. The index monthly returns are computed as the simple average of the monthly returns of four subindices, each one reconstituted once a year at the end of a different quarter of the year. Prior to July 1981, the index is 50% UK and 50% Japan. The calculation methodology for the Dimensional International Small Cap Index was amended on January 1, 2014, to include profitability as a factor in selecting securities for inclusion in the index.

**Dimensional International Market Index** is compiled by Dimensional from Bloomberg data. Market capitalization-weighted index of all securities in the eligible markets. The index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of each quarter of the year. Maximum index weight of any one company is capped at 5%. Countries currently included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and United Kingdom. Exclusions: REITs and Investment Companies. The index has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to April 2008.

**Dimensional Emerging Markets Small Index** was created by Dimensional in April 2008 and is compiled by Dimensional. January 1989–December 1993: Fama/French Emerging Markets Small Cap Index. January 1994–present: Dimensional Emerging Markets Small Cap Index composition: Market-capitalization-weighted index of small company securities in the eligible markets, excluding those with the lowest profitability and highest relative price within their country's small cap universe. The index also excludes those companies with the highest asset growth within their country's small cap universe. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. The index monthly returns are computed as the simple average of the monthly returns of four subindices, each one reconstituted once a year at the end of a different quarter of the year. Source: Bloomberg. The calculation methodology for the Dimensional Emerging Markets Small Cap Index was amended on January 1, 2014, to include profitability as a factor in selecting securities for inclusion in the index.

# Cutting to the Core of Consistency: Appendix

Performance in different environments may differ and may include losses. Premiums can be defined and measured differently from what is used here. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

	LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM—EM VALUE (gross of fees)	
Number of Month When Value Outperform Growth		32
Number of Month When Small Outperform Large		46
Number of Month when Both Outperform		17



Aligned Investors

# Los Angeles City Employees' Retirement System

January 11, 2022



# Presenters



**Thomas Rozycki, CFA – Director of Research, Portfolio Manager**

Tom is the director of research for Aligned Investors, a Principal boutique. He is responsible for coordinating the research effort at Aligned Investors and also serves as portfolio manager for the team’s strategies. Tom joined the firm in 2001. He received a bachelor’s degree in finance from Drake University. Tom is a CFA charterholder and a member of the CFA Institute.



**Hans Vander Plaats, CFA – Managing Director, Client Portfolio Manager**

Hans is the managing director and client portfolio manager for Aligned Investors, a Principal boutique. He is responsible for overseeing client portfolio management and day-to-day business management for the team. In this role, Hans coordinates marketing, business development, and client relations activities. Hans joined the firm in 2012 after serving in multiple roles for AXA. He received a bachelor’s degree in finance and economics from Northwestern College. Hans is a CFA charterholder and a member of the CFA Institute.



**Paul Stover, CFA – Managing Director, Relationship Management**

Paul is a senior relationship manager for the US Institutional and Relationship Management group at Principal Global Investors (PGI). Paul has been with the firm since 2003 and is focused on building and leveraging relationships with institutional clients and serves as a liaison between institutional investors and portfolio managers. Prior to PGI, Paul was a manager at Grant Thornton, LLP where he was involved with compliance of municipal fixed-income bonds. He received an MBA from the University of Iowa and bachelor’s degree in finance from the University of Northern Iowa. Paul holds the Chartered Financial Analyst designation and is a member of the CFA Institute and Society of Iowa. He holds Series 3, 7, and 66 licenses.

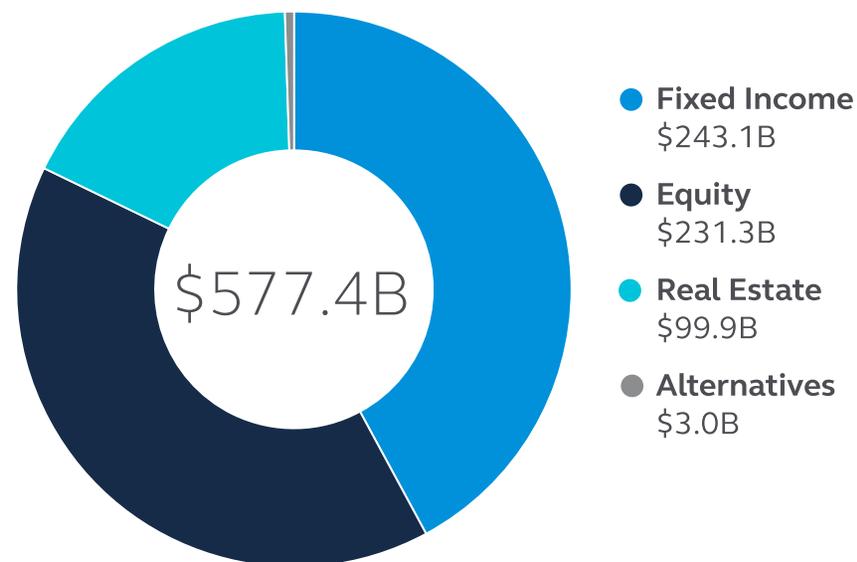
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A broad group of specialized investment boutiques, diverse set of asset classes, and comprehensive financial solutions.

Principal Global Investors was ranked the 27<sup>th</sup> largest manager of worldwide institutional assets, out of 479 managers profiled.<sup>1</sup>

## Principal Global Investors



As of 30 September 2021. See Important Information page for AUM description. Due to rounding, figures and percentages shown may not add to the totals or equal 100%.

<sup>1</sup>Managers ranked by total worldwide assets as of 31 December 2020 “Largest Money Managers,” PENSIONS & INVESTMENTS, 31 December 2020.

# Striving to position our clients for success

## Our culture

Teamwork

Client-centered

Empowered employees

## Our priorities

Long-term investing

Appropriate risks

Fundamental

Multi-asset solutions

# Principal Global Investors' commitment to ESG integration revolves around one key factor: **dedication to our clients' best interests**

<sup>1</sup>For further details please refer to the PRI Assessment Methodology, Principal Global Investors' full Assessment Report and Transparency Report, all of which is available upon request. <sup>2</sup>Source: 2020 GRESB Assessment. Data as of 31 December, 2019. Rating represents top 40% worldwide performance. <sup>3</sup>CDP Climate A list was established in 2011 and names the world's businesses leading on environmental performance <sup>4</sup>Awarded to Principal Real Estate Investors.

## Commitment

- ESG working groups in place to ensure proper governance and oversight
- ESG integration occurs across all actively managed asset classes, with the approach determined by each investment group's process
- Signatory of the Principles for Responsible Investment (PRI) since 2010
- Industry leader in responsible real estate investing; unique Pillars of Responsible Property Investing sustainability platform
- Decades of experience managing client mandates with specific ESG requirements

## Recognition



Joined the United Nations Global Compact (January 2021)



"A+" score for Strategy & Governance and strong scores in PRI Assessment (2020)<sup>1</sup>



GRESB 4-Star rating, fifth consecutive year (2020)<sup>2</sup>



An eight-time CDP S&P 500 Climate Performance Leader (2020)<sup>3</sup>



2021 ENERGY STAR Partner of the Year winner for Sustained Excellence (2021)<sup>4</sup>

We offer strong ESG integration capabilities based on client needs

## OUR PHILOSOPHY



### **GOVERNANCE, ETHICS, AND RISK**

Our client-first focus is central to integrating ESG factors across our investment boutiques and asset classes. We empower our clients with choice and confidence and recognize there isn't a one-size-fits-all approach. So, we collaborate with our clients in a personal, customized way to determine what type of engagement and investments best support their values and goals.

### **FLEXIBLE APPROACH**

The ESG landscape is evolving. Our flexible approach to these issues allows us to offer options that follow a repeatable investment process while supporting client values and helping support their financial goals.

### **PORTFOLIO-SPECIFIC SUSTAINABILITY EFFORTS**

Our asset classes have sustainability programs specific to the risks and opportunities within their portfolio.

# Partnering with pension plans is a key strength of PGI



## Heritage

Liability management is at the core of our business

.....  
#1 service provider of DB pension plans<sup>1</sup>



## Experience

Over 180 public pension plan clients<sup>2</sup>

.....  
Over \$30 billion AUM<sup>2</sup> pension plan assets

.....  
Serving pension and institutional client since 1941, now in more than 65 markets



## Solutions

Robust asset allocation and actuarial resources

.....  
The 26<sup>th</sup> largest manager of U.S. client assets.<sup>3</sup>

<sup>1</sup>PLANSPONSOR Defined Benefit Administration Survey, May 2018

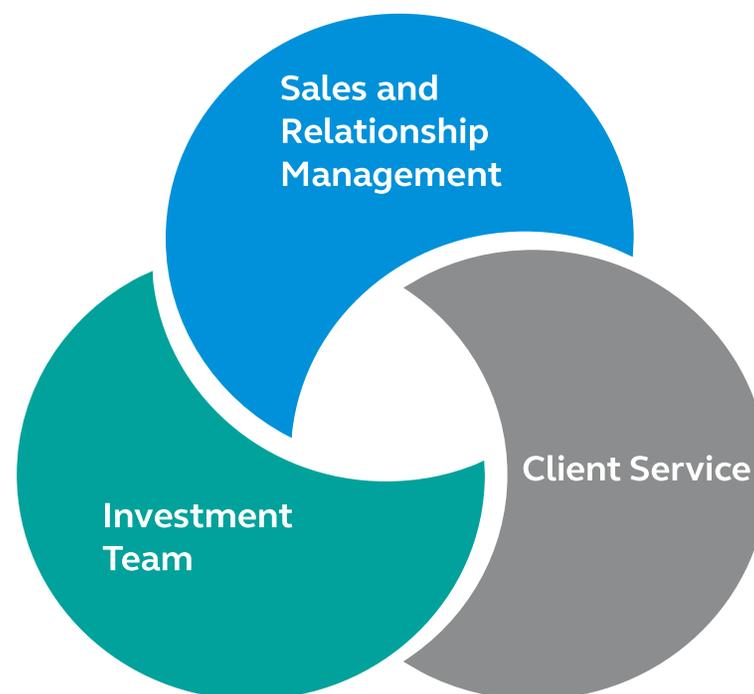
<sup>2</sup>Managers ranked by U.S. institutional tax-exempt assets manager internally as of December 31, 2018. "Largest Monday Managers," *Pensions & Investments*, May 27, 2019.

<sup>3</sup>As of June 30, 2021

<sup>3</sup>Managers ranked by total worldwide assets as of December 31, 2019. "Largest Money Managers", *PENSIONS & INVESTMENTS*, June 1, 2020

# Your team at Principal Global Investors & Aligned Investors

- **Client Advisor and Relationship Manager**  
*Paul Stover, CFA – Managing Director, Sr. Relationship Manager*
  - Primary point of contact with overall responsibility for client relationship and satisfaction
  - Provide relevant insight on the overall investment environment, bringing product knowledge and expertise across asset classes
  
- **Portfolio Manager and Investment Specialist**  
*Bill Nolin, CFA - Portfolio Manager*  
*Tom Rozycki, CFA - Portfolio Manager*  
*Hans Vander Plaats, CFA - Client Portfolio Specialist*
  - Deep knowledge of investment strategy and asset class
  - Serve as a resource providing portfolio guidance and capital market insights
  - Focus on implementing client investment mandates
  
- **Client Service Advisor**  
*Scott Kain – Sr. Client Service Advisor*
  - Executes and oversees administrative and operational aspects of the relationship
  - Fulfills reporting expectations



# Aligned Investors

- \$49.9 billion in assets under management
  - **MidCap**: 35,195 million
  - **Blue Chip**: 14,761 million
- Distinctive and consistent approach
  - **Distinctive**: focused on high-quality companies led by owner-operators
  - **Consistent**: Bill Nolin has been our lead portfolio manager since 1999
- Long-term, bottom-up, fundamental investors
- History of delivering outperformance with less risk

“

“Our belief in aligned incentives is so core to our way of investing that we would never be comfortable managing a strategy that did not involve that focus in some way.”

-- Bill Nolin, CFA  
Chief Investment Officer,  
Aligned Investors

”

## An equity boutique of Principal Global Investors

As of 30 September 2021

All assets under management figures shown in this document are gross figures, before fees, transaction costs and other expenses and may include leverage, unless otherwise noted. See Important Information page for AUM Description.

# The Aligned Investors team



**Bill Nolin, CFA**  
Chief Investment Officer & PM



**Tom Rozycki, CFA**  
Director of Research & PM



**Hans Vander Plaats, CFA**  
Managing Director & Client PM



**Valerie Jalon**  
Client PM

- Led by Bill Nolin since 1999; Tom Rozycki joined in 2001
- Analysts are generalists, with some developed areas of specialized expertise
- Paid on portfolio performance, and invested alongside clients
- Below the radar, on purpose: focused on investing and client service

Research	Position
Kevin McLean, CFA	Analyst
Nic Pape, CFA	Analyst
Austin Boaz	Analyst
Aaron Purcell	Analyst
Ben Lammers, CFA	Analyst
Zach Kacher	Analyst
Lisa Girion	Investigative Analyst

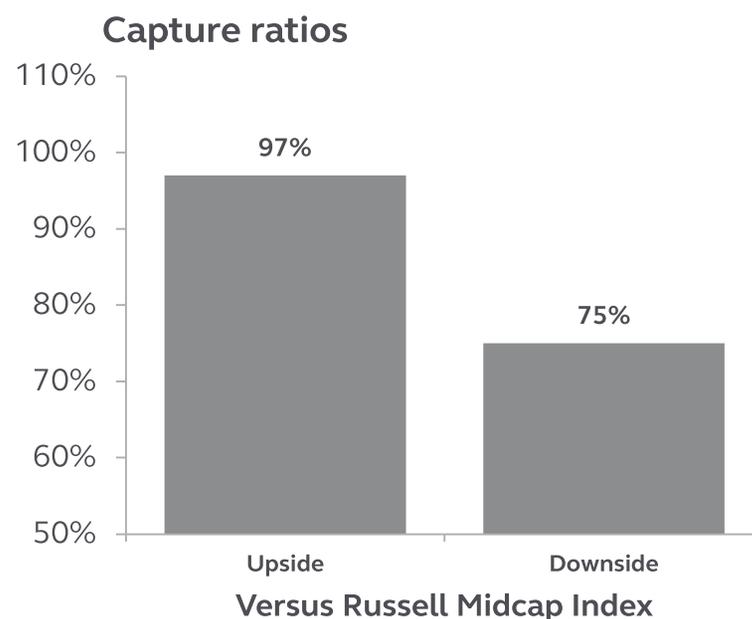
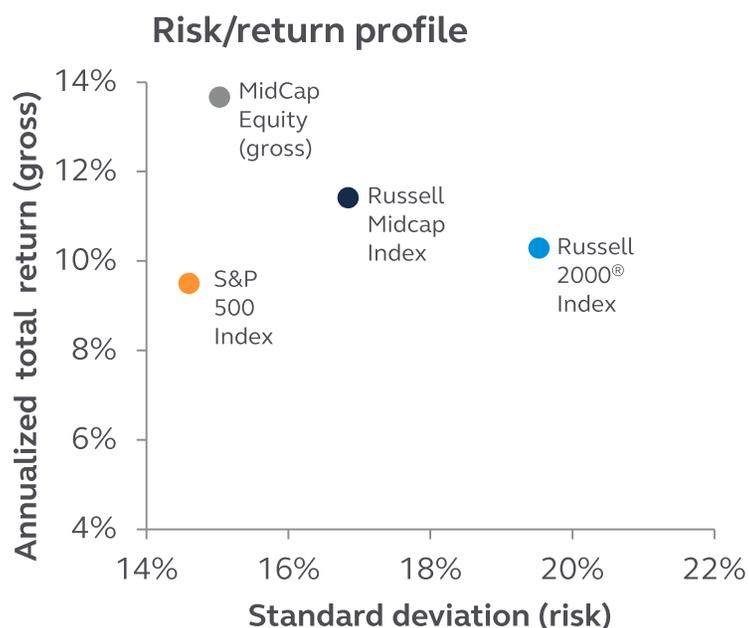
Management and Ops.	Position
Melinda Hanrahan	Head of Equities
Stacy McDermott	Primary Trader
Jose Leon	PM Associate
Heather Farrand	Business Manager

Aligned with our clients

# History of outperformance with less risk

## MidCap Equity

20 years as of 30 September 2021



## Better potential outcomes, especially when it counts

Capture ratios: Shows the relationship of the composite performance to the performance of an index during a specific timeframe, as a percentage of that index's positive (upside capture) and negative (downside capture) performance. Represents quarterly returns for both composite and index returns. Returns over one year are annualized. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Annualized total returns do not reflect deduction for advisory fees and consequently the actual return received by an investor will be less. Russell Investment Group is the source and owner of the trademarks, service marks & copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

# History of outperformance with less risk

## MidCap Equity

Since inception as of 30 September 2021

### Rolling 12-month performance

Index performance	Number of periods	Outperforming periods	Batting average	Average excess
>40%	15	0	0%	-8.26%
30-40%	18	4	22%	-1.97%
20-30%	37	15	41%	-0.63%
10-20%	76	50	66%	2.03%
<10%	101	94	93%	5.95%

versus Russell Midcap Index

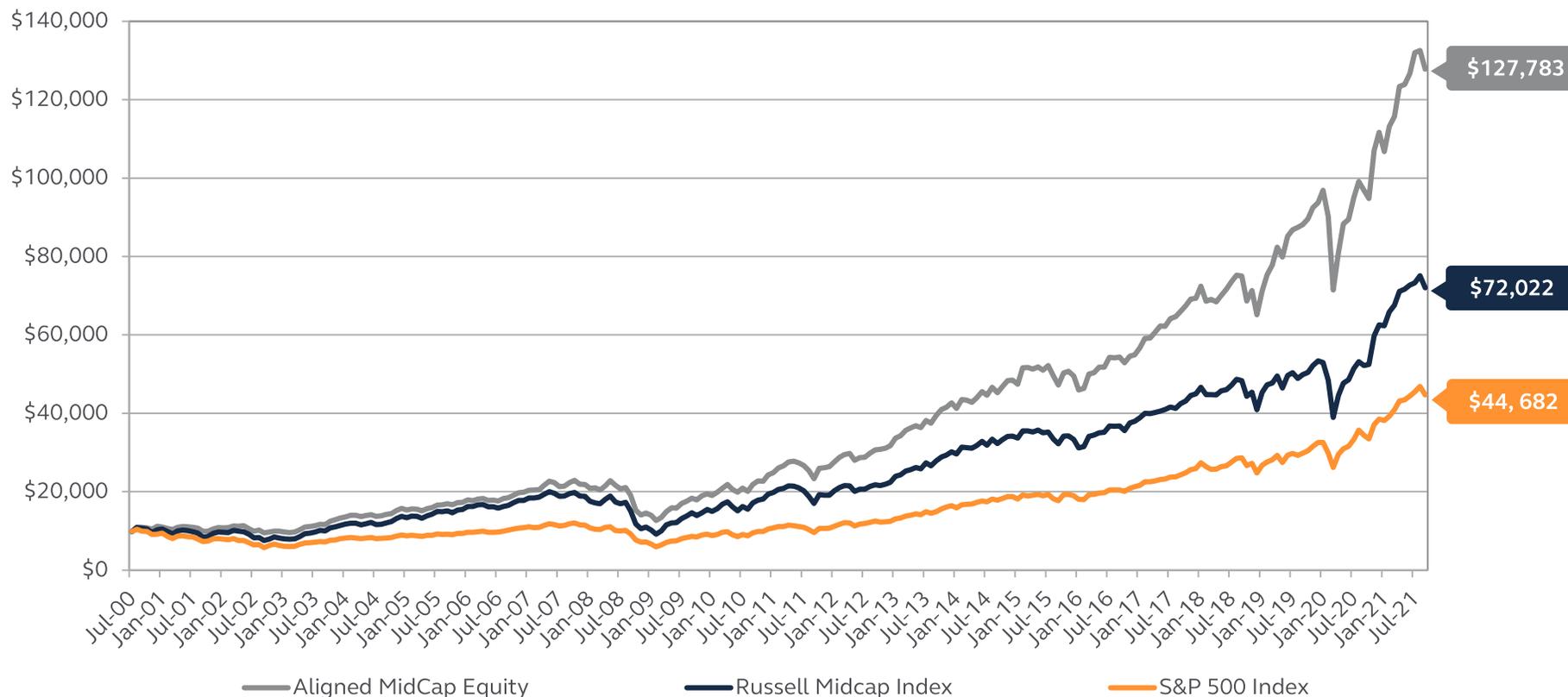
Source: PGI. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Annualized total returns do not reflect deduction for advisory fees and consequently the actual return received by an investor will be less. Russell Investment Group is the source and owner of the trademarks, service marks & copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

# Growing wealth over the long-term

## MidCap Equity

As of 30 September 2021

Growth of \$10,000

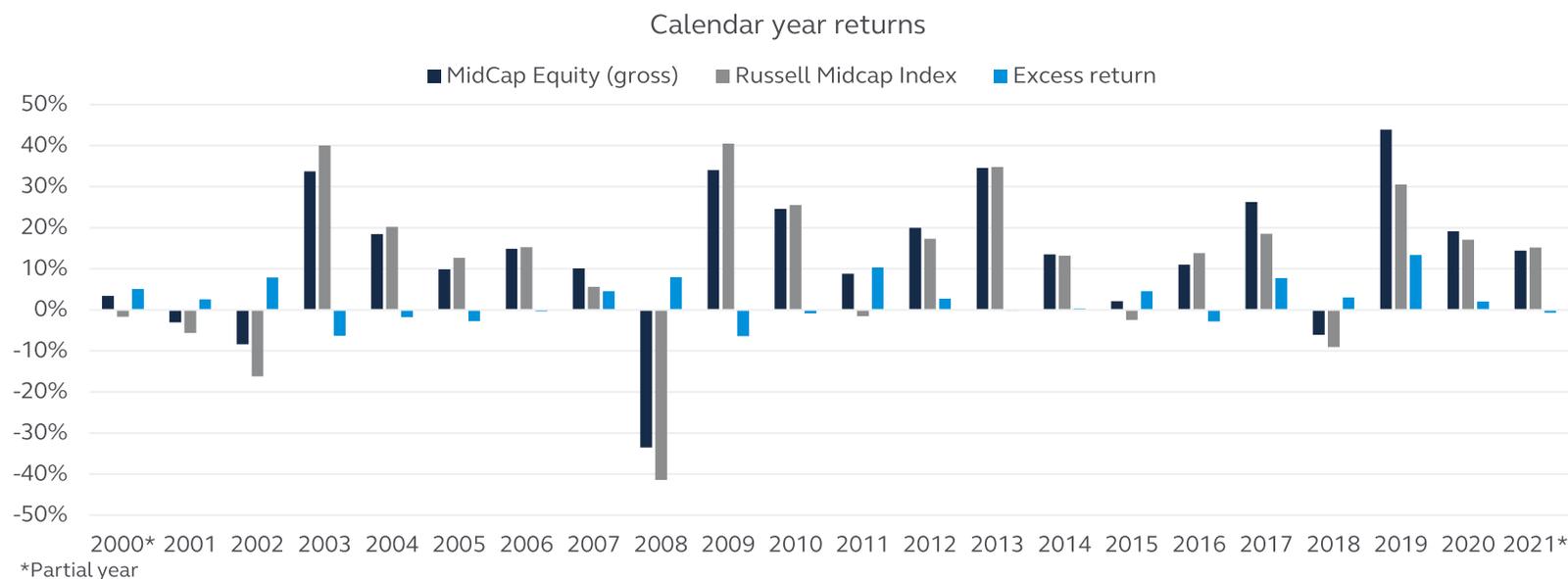


Returns over one year are annualized. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Annualized total returns do not reflect deduction for advisory fees and consequently the actual return received by an investor will be less. Russell Investment Group is the source and owner of the trademarks, service marks & copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group. Index shown for comparison purposes only. It is not possible to invest directly in an index.

# Performance summary

Composite performance as of 30 September 2021

	Three months	Year-to-date	One year	Three years	Five years	Ten years	Fifteen years	Twenty years
<b>MidCap Equity (gross)</b>	<b>0.86%</b>	<b>14.45%</b>	<b>31.89%</b>	<b>19.41%</b>	<b>18.64%</b>	<b>18.53%</b>	<b>13.74%</b>	<b>13.66%</b>
Russell Midcap Index	-0.93%	15.17%	38.11%	14.20%	14.38%	15.51%	10.30%	11.41%
<b>Excess return</b>	<b>1.79%</b>	<b>-0.72%</b>	<b>-6.22%</b>	<b>5.21%</b>	<b>4.26%</b>	<b>3.02%</b>	<b>3.44%</b>	<b>2.25%</b>



Returns over one year are annualized. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Please refer to the accompanying notes to performance for additional disclosures and important information. Russell Investment Group is the source and owner of the trademarks, service marks & copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

# Performance summary

Performance as of 30 September 2021

	Three months	Year to date	One year	Three years	Five years	Since inception*
<b>LACERS (Gross)</b>	<b>1.20%</b>	<b>15.09%</b>	<b>32.94%</b>	<b>20.01%</b>	<b>19.09%</b>	<b>15.92%</b>
Russell Midcap Index	-0.93%	15.17%	38.11%	14.20%	14.38%	11.61%
<b>Excess Return</b>	<b>2.13%</b>	<b>-0.08%</b>	<b>-5.17%</b>	<b>5.81%</b>	<b>4.71%</b>	<b>4.31%</b>
<b>LACERS (Net)</b>	<b>1.12%</b>	<b>14.81%</b>	<b>32.50%</b>	<b>19.59%</b>	<b>18.65%</b>	<b>15.49%</b>

Portfolio market value: USD\$319,914,580.34

\*Inception Date: July 23 2014

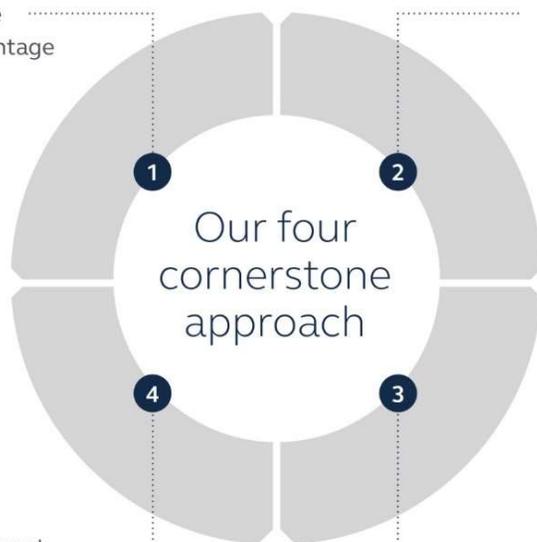
Periods greater than one year are annualized. Past performance is not indicative of future performance. All performance figures include dividends and income. Net returns reflect the deduction of management fees.

Returns over one year are annualized. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Please refer to the accompanying notes to performance for additional disclosures and important information. Russell Investment Group is the source and owner of the trademarks, service marks & copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

# High-quality companies led by owner-operators

High-quality businesses  
with a sustainable  
competitive advantage

Businesses with **owner-  
operator** management  
or culture



Focused on risk  
**reduction** throughout  
the entire process

**Valuation discipline**  
builds in a margin  
of safety

- Long horizon (5-10 years) shapes what we look for
- All efforts focused on fundamental analysis of individual companies
- Quality companies, led by owner-operators, trading at a discount

## Clear, common sense approach

# Sustainable competitive advantage

## Porter's Analysis



### Competitive rivalry

- Number of competitors
- Relative size of competitors
- Niche/quality differences
- Exit barriers

### Power of buyer

- Number of buyers
- Switching costs
- Brand
- Price elasticity

### Power of suppliers

- Number of suppliers
- Ability to substitute
- Switching costs
- Size of suppliers

### Substitutes

- Relative price of substitute
- Relative quality of substitute
- Switching cost to buyer

### Barriers to entry

- Economies of scale
- Switching costs of buyer
- Capital requirements
- Cost advantages
- Distribution advantages

Quality businesses with wide economic moats

# Advantages of owner-operators

## How they operate the business

- Passionate
- Low expenses
- Knowledge that leads to innovation

## How they allocate capital

- Counter-cyclical
- Interests aligned with shareholders
- Long-term perspective

“

“I’ve been in the top 5% of my age cohort all my life in understanding the power of incentives, and all my life I’ve underestimated it.”

– Charlie Munger, vice chairman of Berkshire Hathaway

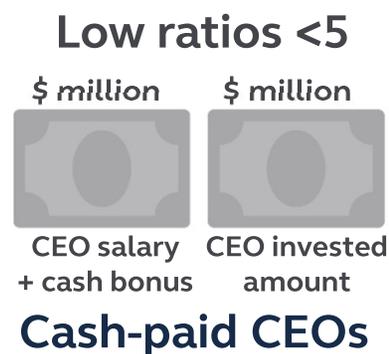
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## Aligned incentives matter for long-term investors

The quote contained within is for representation purposes only and is not related to any investment decision.

# Aligned ratio

- The “aligned ratio” compares a CEO’s ownership stake in the business to their annual pay
- Most CEOs have low (<5) aligned ratios
- Owner-operators have high (>30) aligned ratios



The higher the ratio, the more aligned the CEO

## Owner-operator focus

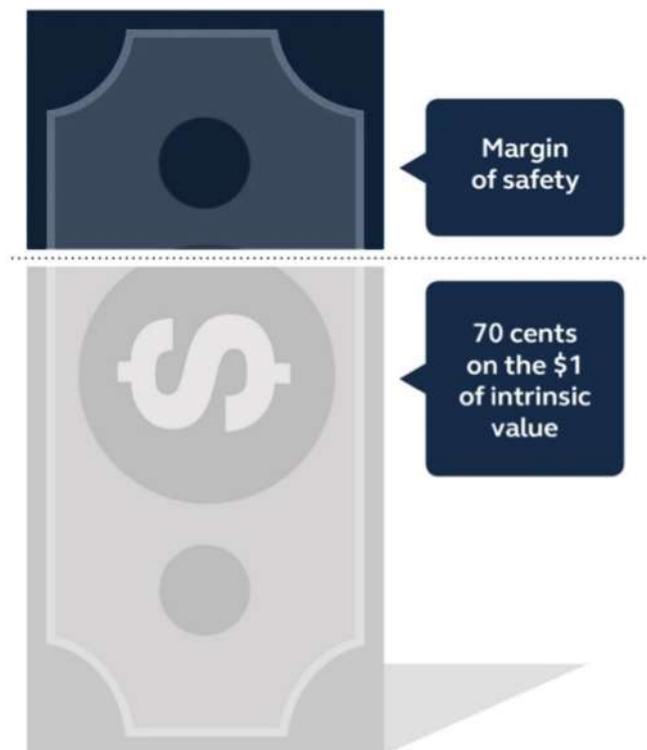


Buckets 1 and 2 typically make up 75%+ of our portfolios

The owner-operator analysis assigns companies into one of the three buckets and is based upon the subjective review of a combination of proprietary research and publicly available information at the time of the publication. This analysis is for informational purposes only and demonstrates one of the many steps in the research process related to this strategy. The final decision on which bucket a company ultimately is allocated to is subjective, and based solely upon the views of the research team. The allocations to the buckets represented in this slide may change over time and are not a component of the individual guidelines of the strategy.

# Valuation discipline

\$1 of intrinsic value

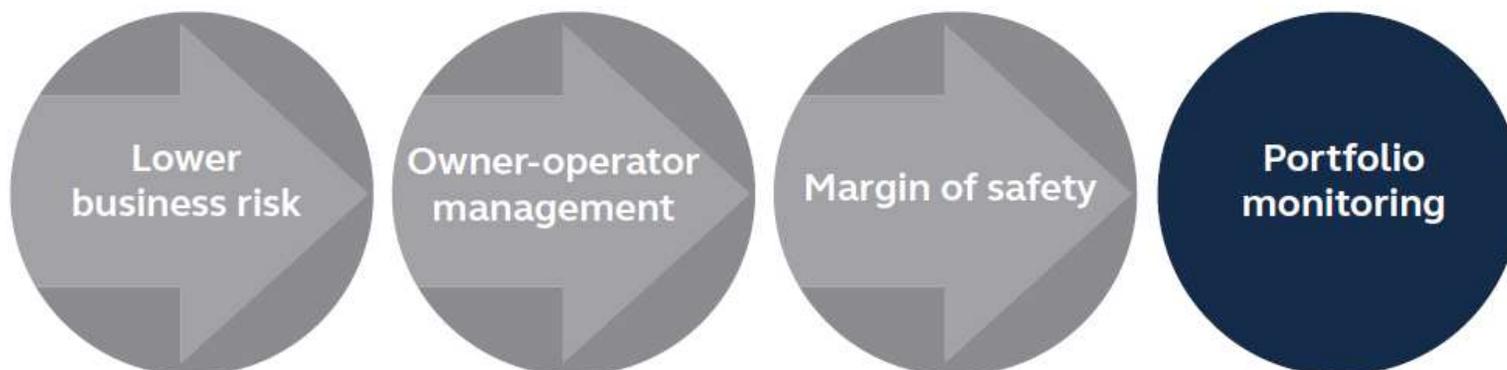


- Based on our fundamental understanding of the business
- Discounted cash flow analysis
- Looking to add new holdings at a 30% discount to our estimate
- Valuation discipline is a primary reason for trimming and adding to positions

## Creating a margin of safety

Margin of safety is a principle of investing in which an investor only purchases securities when the market price is significantly below intrinsic value.

## Risk reduction



Monitoring for “early warning signals” of fundamental change, such as:

- Eroding barriers to entry
- Emergence of new competitor
- Disruptive technology
- Regulatory change
- Questionable allocation of capital
- Change in accounting methodology

Our entire process is built to reduce risk

# Portfolio guidelines

## LACERS MidCap Constrained Equity

- High conviction, yet sensibly diversified exposure to the U.S. mid-cap equity universe
- No style extremes or excessive concentration in one sector
- Long-term investment focus results in relatively low portfolio turnover

<b>Sector</b>	± 20%
<b>Industry</b>	± 20%
<b>Individual stock weights</b>	± 5%
<b>Number of holdings</b>	70-120
<b>Expected turnover</b>	15-40%
<b>Cash</b>	<5%
<b>Tracking error range</b>	5% - 6%

**+/-30% of the weighted average market capitalization of the Russell Midcap Index, as defined by Bloomberg and Russell.**

# Top 20 holdings

## LACERS

As of 30 September 2021

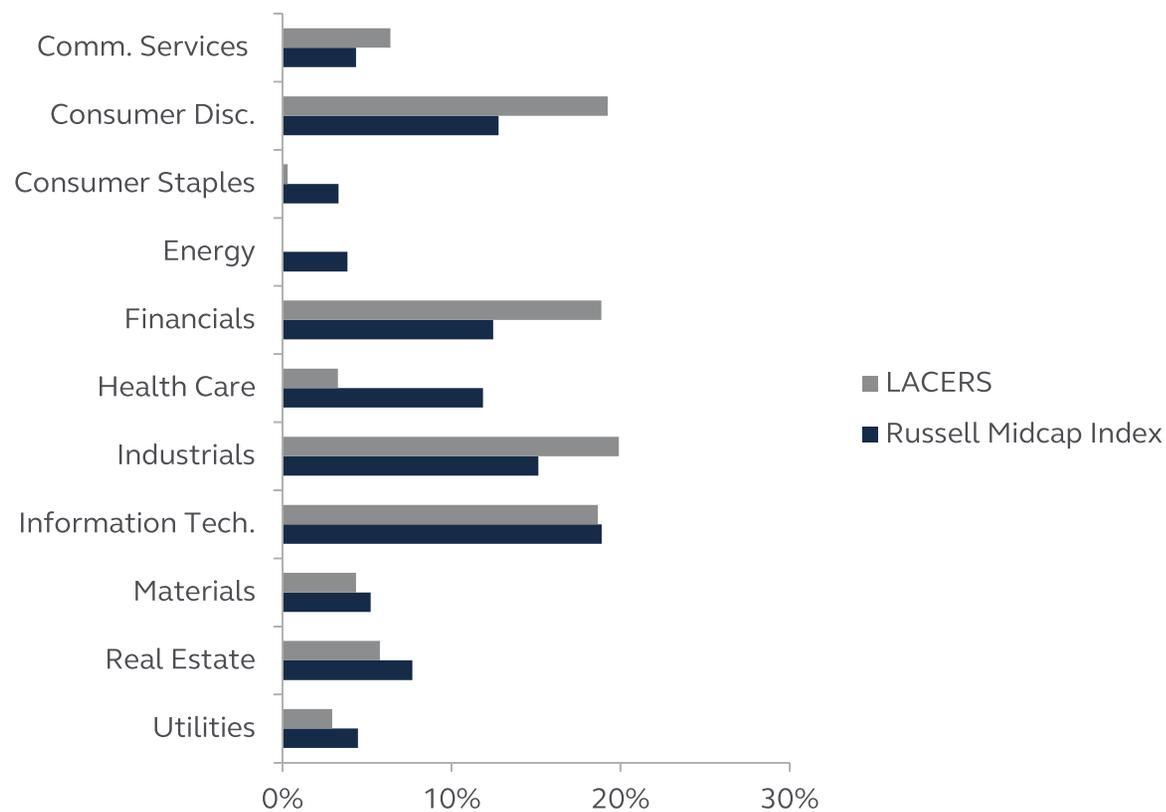
Company	Portfolio weight %		
TransDigm	4.0	O'Reilly Automotive	2.8
CoStar Group	3.8	Markel	2.6
Carmax	3.3	Vulcan Materials	2.4
Brookfield Asset Management	3.2	Black Knight	2.2
Liberty Broadband	3.2	Brookfield Infrastructure	2.1
Copart	3.2	Guidewire Software	2.1
KKR & Co.	3.0	Live Nation Entertainment	2.1
Tyler Technologies	2.9	Wix.com	2.0
SBA Communications	2.9	VeriSign	1.9
Hilton Worldwide Holdings	2.8	Vail Resorts	1.8
		<b>% of portfolio</b>	<b>54.4</b>

It should not be assumed that securities identified above will prove to be profitable. Any reference to a specific security does not constitute a recommendation to buy, sell or hold such security. Top 20 largest holdings by weight may not reflect current holdings.

# Sector weights

## LACERS

As of 30 September 2021



It should not be assumed that securities identified above will prove to be profitable. Any reference to a specific security does not constitute a recommendation to buy, sell or hold such security.

# Portfolio statistics

## LACERS

As of 30 September 2021

	MidCap	Russell Midcap <sup>®</sup>
Market cap (wgt. avg.) - billions	\$29.1	\$22.9
Number of holdings	80	830
Active share	88.6	--
Turnover – last twelve months	17.5%	--
Sharpe ratio – since inception	0.94	0.70
Sortino ratio – since inception	1.44	0.99
Information ratio – since inception	0.88	--

Source: FactSet

Inception is 23 July 2014. Reported FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

# Performance attribution

## LACERS

three months as of 30 September 2021

### Attribution analysis

	Portfolio weight	Portfolio return	Benchmark weight	Benchmark return	Allocation effect	Selection + interaction	Total effect
Communication Services	6.23	2.65	4.50	-13.56	-0.19	1.01	0.83
Consumer Discretionary	18.55	1.89	12.80	-2.40	-0.08	0.79	0.71
Industrials	19.97	1.36	15.43	-2.35	-0.06	0.74	0.68
Financials	19.41	5.57	12.04	3.60	0.32	0.36	0.68
Consumer Staples	0.37	-9.64	3.34	-5.18	0.13	-0.02	0.11
Real Estate	5.79	4.87	7.64	2.45	-0.06	0.13	0.07
Utilities	2.60	-0.45	4.58	-0.39	-0.03	0.04	0.01
Materials	4.35	-3.39	5.37	-2.94	0.02	-0.02	0.00
Energy	--	--	3.47	0.15	-0.03	--	-0.03
Health Care	3.55	0.17	11.98	0.85	-0.14	-0.01	-0.15
Information Technology	18.87	-4.02	18.84	0.36	0.02	-0.80	-0.78
Cash	0.30	0.01	--	--	0.01	--	0.01
<b>Total</b>	<b>100.00</b>	<b>1.20</b>	<b>100.00</b>	<b>-0.92</b>	<b>-0.09</b>	<b>2.22</b>	<b>2.12</b>

Source: FactSet

Benchmark is the Russell Midcap Index. Past performance does not guarantee future results. Due to rounding, the sum may not equal the total shown.

# Performance contribution

## LACERS

three months as of 30 September 2021

### Top five contributors

Credit Acceptance  
Gartner  
Hilton Worldwide Holdings  
O'Reilly Automotive  
CBRE Group

Portfolio weight                      Total contribution

1.45	0.38
1.48	0.35
2.64	0.24
2.72	0.21
1.49	0.19

### Top five detractors

Wix.com  
VeriSign  
Black Knight  
TransDigm Group  
Roper Technologies

2.30	-0.86
2.07	-0.20
2.24	-0.15
3.95	-0.13
1.80	-0.08

Source: FactSet

Past performance does not guarantee future results. Contributors and detractors do not represent all of the securities purchased, sold or recommended for advisory clients during the year. A list of recommendations made, and every holding's contribution to the representative account for the MidCap Equity strategy during the past twelve months is available upon request. It should not be assumed that recommendations made in the future will be profitable or equal the performance of the securities listed.

# Portfolio position changes

## LACERS

three months as of 30 September 2021

### Top five positive changes

	Sector	Previous weight	Current weight	Weight movement
Brookfield Infrastructure	Utilities	1.2	2.1	0.9
Etsy	Consumer Disc.	0.2	0.9	0.6
Tyler Technologies	Information Tech.	2.3	2.9	0.6
CoStar Group	Industrials	3.4	3.8	0.4
Cadence Design Systems	Information Tech.	--	0.4	0.4
<b>Total</b>		<b>7.1</b>	<b>10.1</b>	<b>2.9</b>

### Top five negative changes

Fidelity National	Financials	1.0	0.4	-0.6
Wix.com	Information Tech.	2.5	2.0	-0.5
Gartner	Information Tech.	1.6	1.3	-0.3
VeriSign	Information Tech.	2.2	1.9	-0.3
Credit Acceptance	Financials	1.5	1.2	-0.3
<b>Total</b>		<b>8.8</b>	<b>6.9</b>	<b>-2.0</b>

Source: FactSet

Due to rounding, the sum may not equal the total shown. This excludes minimal security positions that the investment adviser deems of insignificant or no material impact on the portfolio. It should not be assumed that securities identified above will prove to be profitable. Any reference to a specific security does not constitute a recommendation to buy, sell or hold such security. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions.

# Performance attribution

## LACERS

year to date as of 30 September 2021

### Attribution analysis

	Portfolio weight	Portfolio return	Benchmark weight	Benchmark return	Allocation effect	Selection + interaction	Total effect
Financials	19.41	28.66	11.87	29.32	0.97	-0.20	0.77
Consumer Discretionary	18.18	21.17	12.22	17.26	0.17	0.59	0.76
Communication Services	6.41	15.52	4.84	-1.96	-0.17	0.88	0.71
Health Care	3.41	24.17	12.27	12.81	0.31	0.38	0.68
Utilities	2.10	2.47	4.69	3.15	0.42	0.02	0.44
Consumer Staples	0.48	-14.42	3.54	2.12	0.43	-0.08	0.35
Materials	4.52	21.49	5.67	16.50	0.01	0.24	0.25
Real Estate	6.24	29.43	7.29	26.28	-0.05	0.15	0.10
Energy	--	--	3.13	49.79	-0.80	--	-0.80
Information Technology	19.08	1.80	19.05	10.37	0.08	-1.70	-1.62
Industrials	19.82	5.67	15.42	13.91	-0.05	-1.72	-1.77
Cash	0.35	0.03	--	--	-0.04	--	-0.04
<b>Total</b>	<b>100.00</b>	<b>15.01</b>	<b>100.00</b>	<b>15.18</b>	<b>1.29</b>	<b>1.45</b>	<b>-0.17</b>

Source: FactSet

Benchmark is the Russell Midcap Index. Past performance does not guarantee future results. Due to rounding, the sum may not equal the total shown.

# Performance contribution

## LACERS

year to date as of 30 September 2021

### Top five contributors

Gartner  
KKR & Co.  
CarMax  
Brookfield Asset Management  
CBRE Group

Portfolio weight                      Total contribution

1.88	1.28
2.76	1.19
3.44	1.12
3.34	1.01
1.90	0.97

### Top five detractors

Black Knight  
Wix.com  
Guidewire Software  
Brookfield Renewable  
ANSYS

2.36	-0.53
2.15	-0.50
1.78	-0.17
0.71	-0.14
1.89	-0.12

Source: FactSet

Past performance does not guarantee future results. Contributors and detractors do not represent all of the securities purchased, sold or recommended for advisory clients during the year. A list of recommendations made, and every holding's contribution to the representative account for the MidCap Equity strategy during the past twelve months is available upon request. It should not be assumed that recommendations made in the future will be profitable or equal the performance of the securities listed.

# Portfolio position changes

## LACERS

year to date as of 30 September 2021

### Top five positive changes

	Sector	Previous weight	Current weight	Weight movement
Tyler Technologies	Information Tech.	0.9	2.9	1.9
CoStar Group	Industrials	2.2	3.8	1.6
Brookfield Infrastructure	Utilities	0.9	2.1	1.2
Etsy	Consumer Disc.	--	0.9	0.9
Dollar General	Consumer Disc.	0.3	1.1	0.8
<b>Total</b>		<b>4.3</b>	<b>10.8</b>	<b>6.4</b>

### Top five negative changes

RealPage	Information Tech.	1.5	--	-1.5
Motorola Solutions	Information Tech.	1.2	--	-1.2
IHS Markit	Industrials	1.5	0.5	-1.0
Fidelity National Financial	Financials	1.3	0.4	-0.9
Liberty Media Corp. Liberty SiriusXM	Comm. Services	1.0	0.1	-0.9
<b>Total</b>		<b>6.4</b>	<b>0.9</b>	<b>-5.5</b>

Source: FactSet

Due to rounding, the sum may not equal the total shown. This excludes minimal security positions that the investment adviser deems of insignificant or no material impact on the portfolio. It should not be assumed that securities identified above will prove to be profitable. Any reference to a specific security does not constitute a recommendation to buy, sell or hold such security. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions.

# Choosing Aligned Investors

- Distinctive and consistent philosophy and process
- Focused on risk-adjusted returns over full market cycles
- Aligned with clients through investments of personal money in our strategies
- Demonstrated history of success



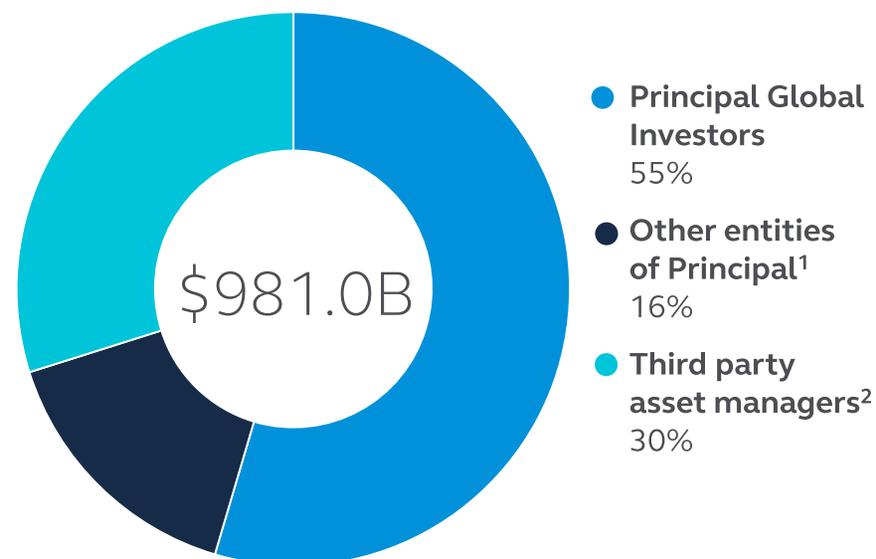
# Benefit from the strength and diversity of our parent company, Principal®

Principal is a global investment management leader offering asset management, retirement services, and insurance solutions to institutional clients, businesses, and individuals.

.....  
Founded in 1879 and a member of the Fortune 500®; Nasdaq listed (PFG).  
.....

.....  
Serving pension and institutional clients since 1941, now in more than 71 markets.  
.....

## Principal Financial Group

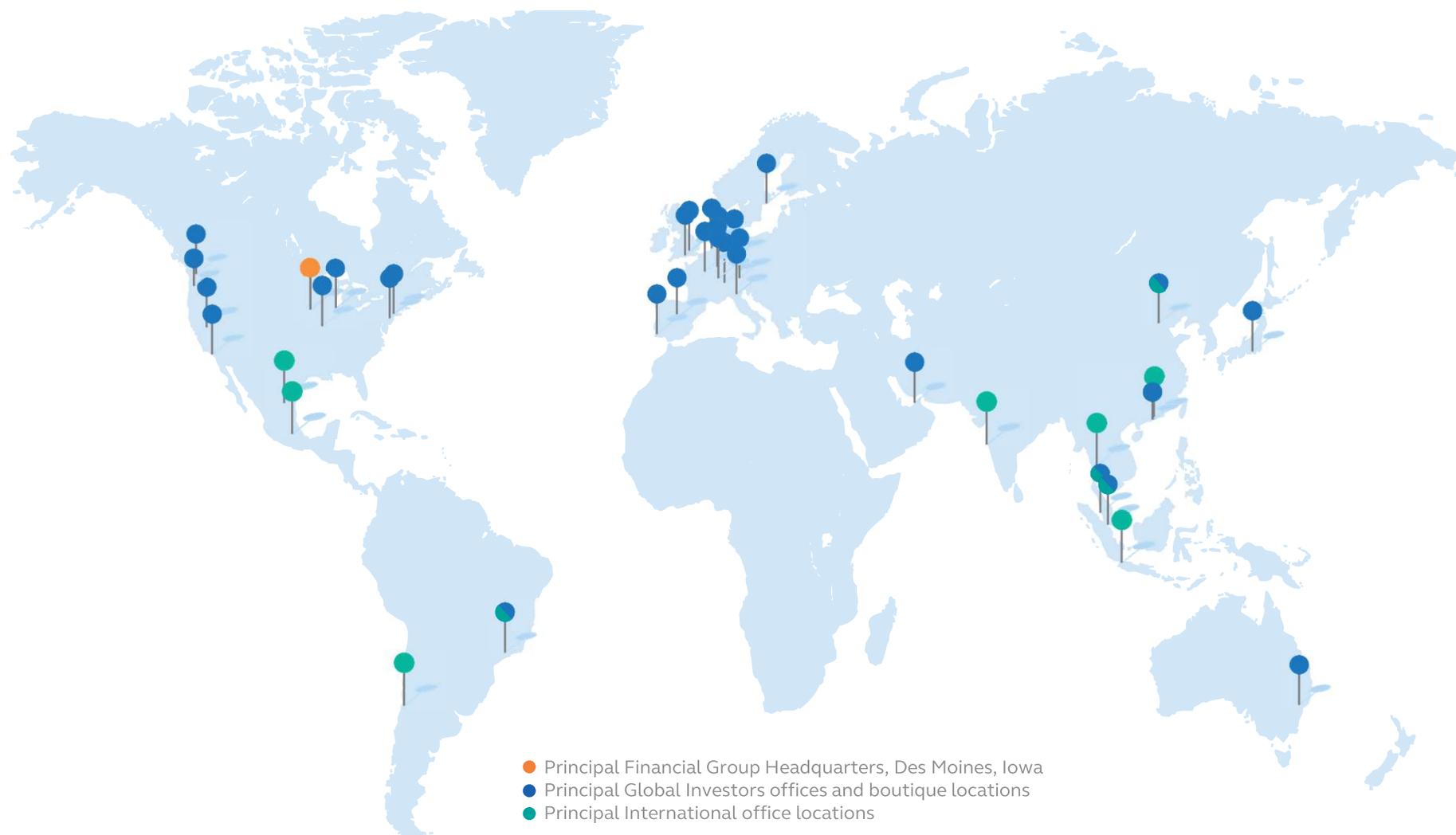


As of 30 September 2021. See Important Information page for AUM description. Due to rounding, figures and percentages shown may not add to the totals or equal 100%.

<sup>1</sup>Other asset management entities of Principal Financial Group includes Principal Bank, assets managed by segments of the insurance company and sub-advised assets within the Retirement and Income Solutions (RIS) segment.

<sup>2</sup>Unaffiliated sub-advisors.

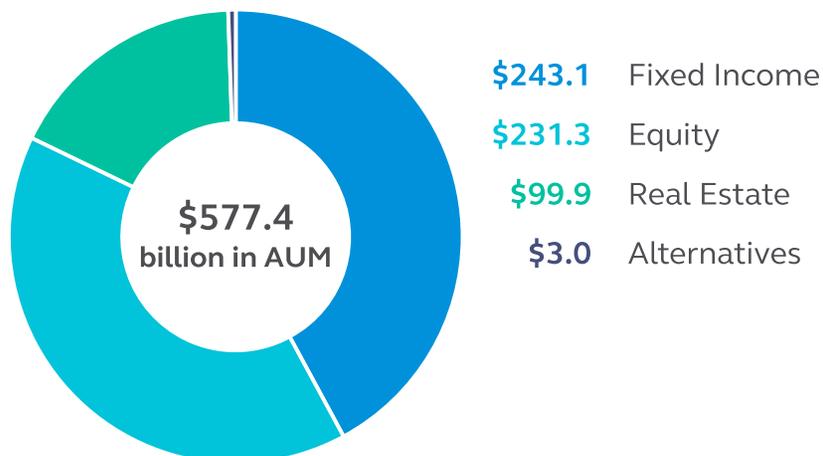
## Located in major markets for on-the-ground access



## Depth of resources and support

### Principal Global Investors

- Network of specialized investment teams spanning a broad array of asset classes and strategies
- Relationship management and operations personnel in major financial centers around the world
- Diverse client base of institutional, professional and individual investors



As of 30 September 2021.  
See Important Information page for AUM Description. Pensions & Investments, “The Best Places to Work in Money Management with 1,000 or more employees”, 12/14/2020. Due to rounding, figures may not add up to totals or equal 100%.



### Principal Financial Group

- A global asset management and retirement services leader
- Serving U.S. retirement plans since 1941, international clients since 1990
- Member of the Fortune 500®; Nasdaq listed

# Representative PGI Client List

As of 30 September 2021

City of Austin Employees' Retirement System

City of Fresno Retirement Systems

City of Jacksonville General Retirement System

City of Knoxville Employees' Pension System

New Mexico Public Employees Retirement Association

Sacramento County Employees Retirement System

San Joaquin County Employees Retirement Association

# Notes to performance



# Index descriptions

**Standard & Poor's (S&P) 500 Index** is market-value-weighted index composed of 500 common stocks from a wide range of industries that are traded on the New York Stock Exchange, the American Stock Exchange, and the NASDAQ. An investor may not invest in this index.

## Source Disclosures

Russell Investment Group is the source and owner of the trademarks, service marks & copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

# Attribution disclosures

Return-based performance attribution is calculated using FactSet and will result in differences from official performance results generated through our portfolio accounting and performance measurement systems. These differences are generally minor over short time periods but can compound over longer time horizons, and have the potential to be greater during periods of market volatility. Differentials in performance can be particularly significant for periods over 12 months. While the attribution data can provide a high level perspective on the proportional sources of value added, such as the relative contribution of stock selection versus sector allocation, the nominal returns generated by the attribution will differ from those of the official portfolio results. If the country chart contains an Other category, a supplemental chart will be provided.

# Annual disclosure presentation

## Aligned Investors

The information in this document should not be construed as investment advice or a recommendation for the purchase or sale of any security. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. The value of investments and the income from them may fall as well as rise. The information in this document derived from sources other than Principal Global Investors or its affiliates is believed to be reliable; however we do not independently verify or guarantee its accuracy or validity.

Aligned Investors (The "Firm") is an autonomous investment group within Principal Global Investors that utilizes a completely fundamental, long-term bottom-up approach. The name Aligned Investors highlights the group's conviction in the power of aligned incentives. This focus is expressed in the investment process through a distinctive preference for owner-operators. Prior to January 1, 2015 Aligned was defined as an equity investment management group of Principal Global Equities and Principal Global Investors. This change was made to hold Aligned out as a distinct firm from Principal Global Equities.

Aligned Investors claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Aligned Investors has been independently verified for the periods April 1, 2000, through June 30, 2020. A copy of the verification report(s) is/are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein

The Firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the Firm. Performance results reflect total returns including income and market value changes. Accrued Accounting is used for securities that accrue income. Performance results are time-weighted rates of return, net of commissions and transaction costs. No alterations of composites as presented here have occurred because of changes in personnel or other reasons at any time. Monthly and quarterly composite calculations have been appropriately weighted by the size of each portfolio based on beginning market values. Annual and multiyear cumulative annualized composite returns are obtained by linking monthly composite results.

Unless otherwise noted, the U.S. Dollar is the currency used to express performance. Returns include the reinvestment of all income. Returns from all securities, including cash reserves and equivalents and/or convertible/preferred securities held within equity portfolios are included in performance calculations. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. If applicable, the annual composite dispersion presented is an asset-weighted standard deviation calculated based on gross returns for the accounts in the composite the entire year. The three-year annualized standard deviation is calculated based on the 36 monthly gross returns of the composite and the benchmark.

Effective March 2021, composite net performance is calculated using the highest applicable fee as shown in the composite fee schedule. Prior to March 2021, composite net returns were derived based the aggregation of underlying portfolios net returns that were either calculated by applying actual client fees for non-affiliated clients or a model tiered fee schedule for affiliated clients, unless otherwise noted. Composite net returns after January 1, 2011, are inclusive of performance-based fees (where applicable). Performance-based fees are accounted for on a cash basis. Prior to January 2003 certain commingled funds which returns may be utilized in a Composite's performance track record had net returns that reflected a deduction for administrative fees in addition to direct trading expenses and investment management fees. Therefore, the average fees will be higher during these time periods.

The index benchmarks are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the portfolios included in the composites. Representative portfolios utilized to illustrate portfolio characteristics are selected on non-performance-based criteria including account restrictions, size that is representative of strategy, length of time under advisor's management and affiliation.

Unless otherwise noted, for all international, global and regional portfolios, index performance is presented net of all foreign withholding taxes. Composite withholding taxes may vary according to the investor's domicile and reflect actual taxes incurred. Information regarding the benchmark, including the percentage of the composite invested in countries or regions not included in the benchmark, is available upon request. Returns include the effect of foreign currency exchange rates. In some cases regional composites and indices are reflected gross of withholding taxes on dividends. This is done to reflect the primary return methodology of the index.

The information in this document contains general information only on investment matters and should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The general information it contains does not take account of any investor's investment objectives, particular needs or financial situation, nor should it be relied upon in any way as a forecast or guarantee of future events regarding a particular investment or the markets in general. All expressions of opinion and predictions in this document are subject to change without notice.

Subject to any contrary provisions of applicable law, no company in the Aligned Investors nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way (including by reason of negligence) for errors or omissions in this document.

# Annual disclosure presentation

## MidCap Equity (USD)

Year End	Total Firm Assets (USD)		Composite Assets	Number of Accounts	Annual Performance Results (USD)					
	AUA* (millions)	AUM (millions)	USD (millions)		Gross Annual Return	Net Annual Return	Annual Benchmark	Composite Dispersion	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev
2020	44,646	38,490	25,771	13	19.14%	18.60%	17.10%	0.07%	21.52	21.82
2019	32,317	28,671	21,697	13	43.88%	43.23%	30.54%	0.02%	12.28	12.89
2018	21,946	19,799	15,475	10	-6.06%	-6.49%	-9.06%	0.02%	12.14	11.98
2017	24,454	22,495	18,772	10	26.24%	25.67%	18.52%	0.02%	11.28	10.36
2016	18,487	17,234	14,738	10	11.00%	10.49%	13.80%	0.02%	12.27	11.55
2015	16,476	15,667	13,618	11	2.13%	1.67%	-2.44%	0.03%	11.44	10.85
2014	14,138	13,689	12,458	12	13.51%	13.00%	13.22%	0.05%	9.43	10.14
2013	11,733	11,420	10,621	12	34.59%	33.98%	34.76%	N/A	12.09	14.03
2012	6,278	6,262	6,029	<=5	19.99%	19.44%	17.28%	N/A	14.29	17.20
2011	3,955	3,955	3,876	<=5	8.79%	8.29%	-1.55%	N/A	17.22	21.55

\* Supplemental Information, Assets Under Advisement (AUA) includes both actual assets managed by the firm and assets under advisement.

N/A - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year or not having enough data during the time period in question.

**COMPOSITE-** The MidCap Equity composite contains fully discretionary portfolios that invest in the equity securities of mid-capitalization companies primarily in the U.S. The investment strategy emphasizes high quality businesses with sustainable competitive advantages, utilizing a long term, fundamental approach. The composite is measured against the Russell Midcap Index. The composite was created on January 01, 1997. The composite inception date is April 01, 2000. The composite name changed from U.S. Mid-Cap Equity to MidCap Equity effective November 30, 2015.

**BENCHMARK-** The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. In reports issued prior to January 1, 2001, the S&P 500 Index was used for comparison purposes. The benchmark was changed to be more representative of the composite strategy. Information regarding the comparison to the benchmarks is available upon request.

**PERFORMANCE-** Returns are presented gross and net of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees presented. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

**SIGNIFICANT CASHFLOW-** Effective February 1, 2013, the composite significant cash flow policy requires the temporary removal of any portfolio incurring a single client initiated significant cash inflow or outflow of 40% of the portfolio's NAV on any one day during the month in review. Effective January 1, 2010, this composite did not have a significant cash flow policy. Prior to the change, as of April 1, 2003, the composite significant cash flow policy required the temporary removal of any portfolio incurring a single client initiated significant cash inflow or outflow of 33% of the portfolio's NAV on any one day during the month in review. As of January 1, 2006, the cash flow policy was only effective when the composite includes two or more portfolios. The temporary removal of such an account occurs at the beginning of the month in which the single significant cash flow occurs and the account re-enters the composite the month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request.

**FEES-** The standard applicable MidCap Equity asset management (USD) fee schedule is 0.60% on the first \$50 million, 0.55% on the next \$50 million, and 0.45% on all thereafter. Actual investment advisory fees incurred by clients may vary.

# Important information

Past performance is no guarantee of future. Investing involves risk, including possible loss of principal.

This material covers general information only and does not take account of any investor's investment objectives or financial situation and should not be construed as specific investment advice, a recommendation, or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general. The opinions and predictions expressed are subject to change without prior notice. The information presented has been derived from sources believed to be accurate; however, we do not independently verify or guarantee its accuracy or validity. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security, nor an indication that the investment manager or its affiliates has recommended a specific security for any client account. Subject to any contrary provisions of applicable law, the investment manager and its affiliates, and their officers, directors, employees, agents, disclaim any express or implied warranty of reliability or accuracy and any responsibility arising in any way (including by reason of negligence) for errors or omissions in the information or data provided.

All figures shown in this document are in U.S. dollars unless otherwise noted. All assets under management figures shown in this document are gross figures, before fees, transaction costs and other expenses and may include leverage, unless otherwise noted. Assets under management may include model-only assets managed by the firm, where the firm has no control as to whether investment recommendations are accepted, or the firm does not have trading authority over the assets.

Return-based performance attribution is calculated using FactSet and will result in differences from official performance results generated through our portfolio accounting and performance measurement systems. These differences are generally minor over short time periods but can compound over longer time horizons, and have the potential to be greater during periods of market volatility. Differentials in performance can be particularly significant for periods over 12 months. While the attribution data can provide a high level perspective on the proportional sources of value added, such as the relative contribution of stock selection versus sector allocation, the nominal returns generated by the attribution will differ from those of the official portfolio results. If the country chart contains an Other category, a supplemental chart will be provided.

Composite performance returns shown are gross returns, unless otherwise stated, and are before fees, transaction costs and other expenses. Actual returns to an investor will be reduced by investment advisory fees and other expenses that may be incurred in the management of an account which will have a material impact on the returns an investor would receive over time. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) annual fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, & (d) 1.00% annual investment advisory fee would be \$10,800 in the first year, & cumulative effects of \$62,008 over five years & \$148,655 over ten years. Additional information regarding the policies for calculating & reporting returns is available upon request. Principal Global Investors advisory fees are disclosed in the firms form ADV, Part 2A.

The two methods of calculating performance of the composite and the index may not be identical. Indices are unmanaged and do not consider fees, expenses and transaction costs are not available for direct investment.

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Aligned Investors is a specialized investment management group within Principal Global Investors.

MM9473-21 | 10/2021 | 1870395-022022



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

**MEETING: JANUARY 11, 2022**  
**ITEM: VI**

*Neil M. Guglielmo*

**SUBJECT: SEMI-FINALISTS OF THE REAL ESTATE CONSULTANT REQUEST FOR PROPOSAL AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Committee concur with staff's recommendation to advance Townsend Holdings LLC and Stepstone Group Real Estate LP as semi-finalists for the Real Estate Consultant search.

**Executive Summary**

The Board-approved request for proposal (RFP) for a real estate consultant opened on September 8, 2021, and closed on November 8, 2021. A total of six proposals were received, all of which met the minimum qualifications and were evaluated by staff. Townsend Holdings LLC and Stepstone Group Real Estate LP are recommended to advance as semi-finalists.

**Discussion**

*Background*

Townsend Holdings LLC has served as LACERS' Real Estate Consultant since April 1, 2014. On August 24, 2021, the Board authorized a Real Estate Consultant Request for Proposal (RFP) to test the marketplace for real estate consulting services.

The search opened on September 8, 2021, and closed on November 8, 2021. The RFP was published on LACERS' website and advertised in the print and online editions of Pensions & Investments and Emerging Manager Monthly. The RFP was also advertised online through the following organizations: Association of Asian American Investment Managers, National Association of Investment Companies, National Association of Securities Professionals, and New America Alliance. Further, the RFP was emailed to all contacts within the LACERS Investment RFP/RFI Notification System database.

*Search Results*

Six firms responded to the RFP and all six firms met the minimum qualifications required to participate in the search:

- Aksia, LLC
- ORG Portfolio Management LLC

- RCLCO Fund Advisors (RFA)
- R.V. Kuhns & Associates, Inc.
- Stepstone Group Real Estate LP
- Townsend Holdings LLC

*Evaluation Criteria and Recommendation*

Staff evaluated the six firms based on the following methodology stated in the RFP:

Criteria	Weight
Ability of firm to provide the services referred to in this RFP	35%
Experience, depth, and strength of firm and consulting team assigned to LACERS	25%
Soundness of investment philosophy and approach to meeting LACERS needs	30%
Fee proposal	10%

The attached evaluation report (Attachment 1) provides a summary of staff’s analysis. Staff developed a scoring matrix using the criteria listed above to rate each proposal. A score between 0 (lowest score) and 100 (highest score) was assigned to each criterion. These scores were then averaged using the weights identified in the matrix to derive a total score for each proposal. Appendix B of the report provides further details on the scoring matrix and examples of factors considered for each criterion. Based on the evaluation and the resulting scores, there is a natural break in scores between the two highest scoring firms and the remaining four firms. Staff recommends the following two firms as semi-finalists:

- Townsend Holdings LLC
- Stepstone Group Real Estate LP

Attachment 2 provides an overview of the consultant team for each firm.

Should the Committee approve the proposed semi-finalist firms, staff will conduct additional due diligence, inclusive of on-site visits and reference checks. Upon completion of this assessment, the Committee shall interview qualifying semi-finalist firms and select finalist firm(s) for Board Interview, consistent with the process approved by the Board on August 24, 2021.

**Strategic Plan Impact Statement**

The real estate consultant assists LACERS in building a diversified private real estate portfolio to help the fund optimize long-term risk adjusted returns (Goal IV). Implementing a competitive bidding process by issuing an RFP is in line with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Eduardo Park, Investment Officer II, Investment Division

NMG/RJ/BF/WL/EP:rm

Attachments:       1) Evaluation Report – Real Estate Consultant Request for Proposal  
                          2) Consultant Overview Matrix



# REAL ESTATE CONSULTANT REQUEST FOR PROPOSAL EVALUATION REPORT

Investment Committee  
January 11, 2022



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## RESPONDENT LIST AND LOCATION

Proposed semi-finalists are highlighted in yellow.

	<b>Firm Name</b>	<b>Service Office</b>	<b>Headquarters</b>
1.	Aksia LLC	Chicago, IL & Los Angeles, CA	New York, NY
2.	ORG Portfolio Management LLC	Cleveland, OH	Cleveland, OH
3.	RCLCO Fund Advisors	Los Angeles, CA	Los Angeles, CA
4.	R.V. Kuhns & Associates, Inc.	Portland, OR	Portland, OR
5.	StepStone Group Real Estate LP	La Jolla, CA	La Jolla, CA
6.	Townsend Holdings LLC	San Francisco, CA	Cleveland, OH

### SERVICING OFFICE LOCATIONS





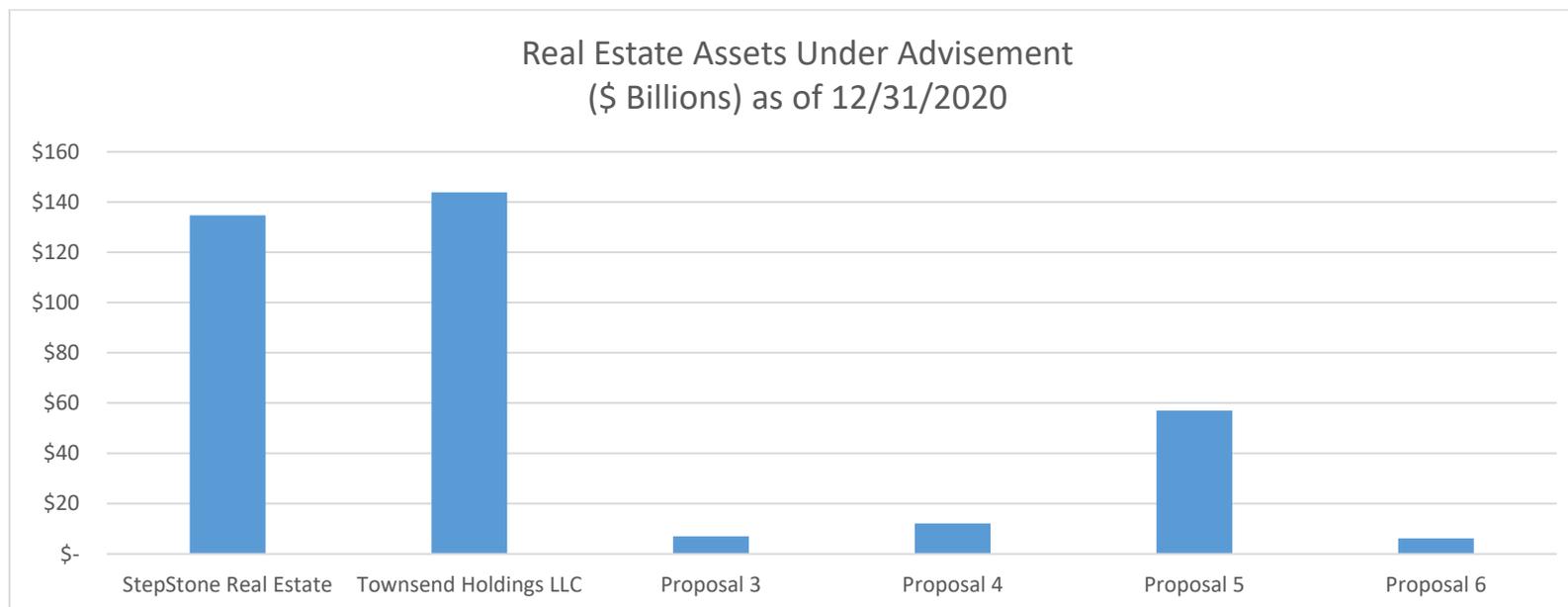
**EVALUATION SCORING SHEET**  
 Proposed semi-finalists are highlighted in yellow.

<b>Criteria</b>	<b>Weight</b>	<b>StepStone Group Real Estate LP</b>	<b>Townsend Holdings LLC</b>	<b>Proposal 3</b>	<b>Proposal 4</b>	<b>Proposal 5</b>	<b>Proposal 6</b>
Ability of firm to provide the services referred to in this RFP.	35%	90	91	77	77	81	79
Consultant Team assigned to LACERS' account and its depth, breadth, and experience.	25%	86	88	82	84	82	75
Soundness of investment philosophy and approach to meeting LACERS' needs.	30%	90	91	83	81	83	81
Fee proposal	10%	90	97	70	64	86	80
<b>Total Score *</b>	<b>100%</b>	<b>89</b>	<b>91</b>	<b>79</b>	<b>79</b>	<b>82</b>	<b>79</b>

\* Due to rounding, numbers presented may not add up precisely to the total score

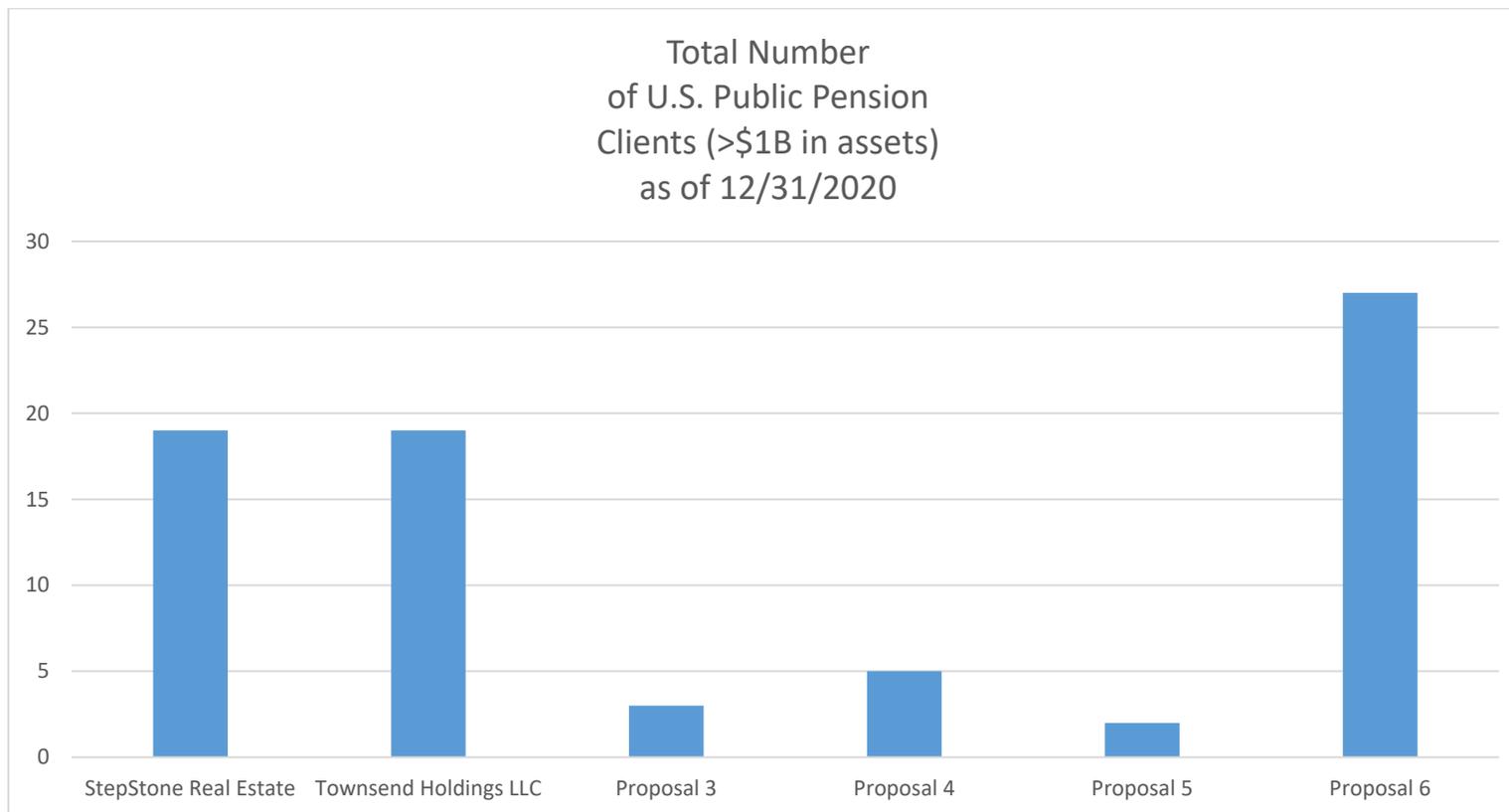


## CONSULTANT FIRM PROFILE



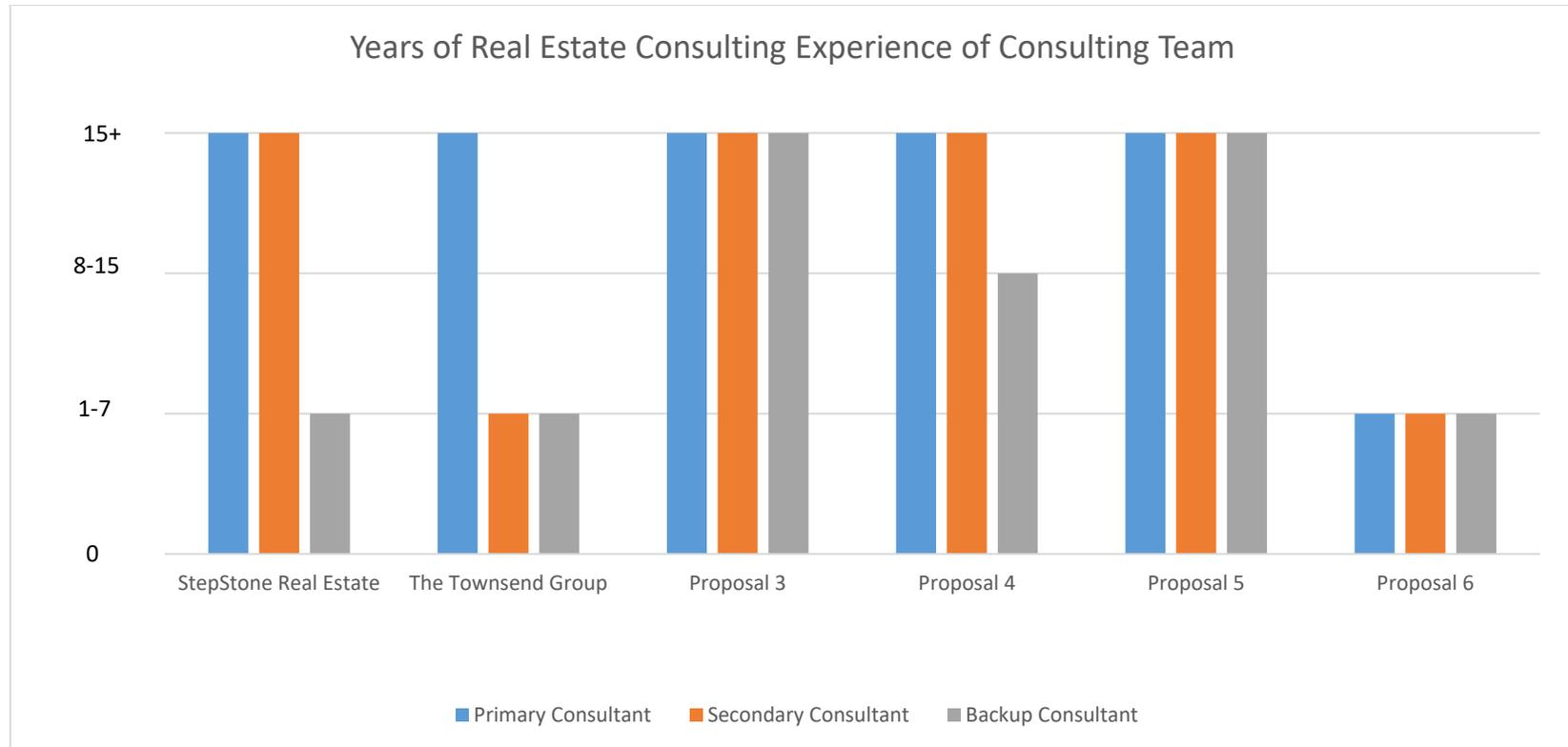


### CONSULTANT FIRM PROFILE (cont.)



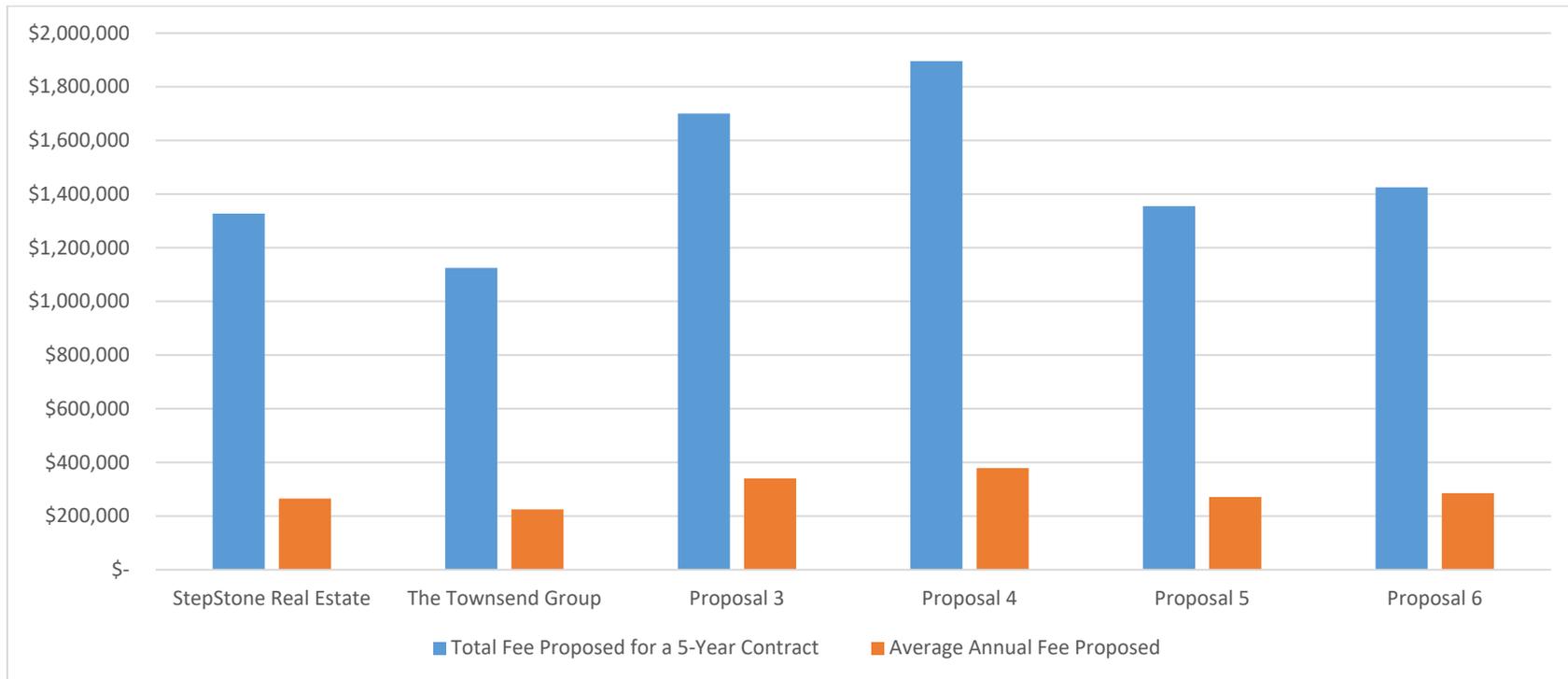


## PROPOSED CONSULTING TEAM PROFILE





### FULL-RETAINER TOTAL AND AVERAGE ANNUAL FEE PROPOSED





## APPENDIX A

### CONSULTING SCOPE OF SERVICES REQUESTED IN THE RFP

#### 1. GENERAL

- 1.1. Assist the Board and Staff in the development of an appropriately structured real estate investment program, including the establishment of investment objectives, strategies, risk management, and performance/benchmark standards. Provide recommendations and submit an annual plan on how your firm will help LACERS achieve its Emerging Manager real estate commitment and exposure goals. Services may also include providing advice on domestic and international infrastructure.
- 1.2. Develop and/or review the Board's real estate investments policies, Emerging Investment Manager Policy, guidelines, and strategic investment plan on an annual basis and make recommendations for modifications, as necessary.
- 1.3. Provide investment research and publications on real estate market conditions and opportunities.
- 1.4. Provide educational and/or training sessions on real estate and infrastructure investing to the Board and staff as requested.
- 1.5. Expected to attend regularly scheduled Board and Investment Committee meetings and other meetings as requested by the Board and/or staff at the Consultant's expense.
- 1.6. Present the performance of the real estate investment program to the Board (currently on a semi-annual basis) as soon as practicable for the second quarter and the fourth quarter of each calendar year. The Board retains the rights to change the frequency of performance reporting.
- 1.7. Available at anytime to answer ad-hoc questions, either by phone or by email.
- 1.8. Conduct special projects or other activities as requested by the Board and/or staff.
- 1.9. Coordinate and communicate with the broader LACERS organization and other LACERS consultants and advisors as appropriate to ensure effective administration of the real estate investment program.
- 1.10. Provide periodic ad-hoc research and analysis pertaining to LACERS headquarters.

#### 2. INVESTMENT SOURCING AND SELECTION

- 2.1. Develop a structured, on-going process to screen the global universe of available real estate investments in the U.S. and non-U.S. (for both open and closed end real estate investment funds) and identify those opportunities which are consistent with LACERS' real estate policy and real estate strategic investment plan; provide monthly reports to LACERS staff summarizing screening activity.



- 2.2. Evaluate prospective investments, including those that may be sourced by staff. If appropriate, engage in comprehensive due diligence that may include general partner site visits and background and reference checking. Consultant will utilize the manager search procedure approved in the real estate policy.
- 2.3. Present investment recommendation reports to the Investment Committee, Board, and staff. Reports shall include, but not be limited to, full results of the Consultant's comprehensive due diligence, strategic considerations, partnership reviews, commitment amount, fees, and how the investments complement and/or fit into the overall real estate portfolio.
- 2.4. Provide assistance to staff and the Board's legal counsel to negotiate, in the best interests of LACERS, relevant fees and investment terms. The Board acknowledges that the Consultant is not providing any legal advice or consultation; the Board shall look solely to its legal counsel for such advice or consultation.

### **3. PORTFOLIO MANAGEMENT AND PERFORMANCE MEASUREMENT**

- 3.1. Provide on-going monitoring and regular updates/assessments of relevant operational and/or strategic changes with investment managers, including, but not limited to, performance, organization, ownership, investment products, and disclosure issues. The Board shall retain the exclusive right to engage or terminate managers.
- 3.2. Ensure that investment managers comply with the terms of their contracts.
- 3.3. Notify the Board of any identified material issues that may impact investment performance and recommend a course of action to enhance returns or mitigate risk.
- 3.4. Assist and advise staff with work-out situations, breaches or violations of limited partnership and side letter provisions, and fund dissolutions as may arise.
- 3.5. Maintain information on portfolio exposure to vintage years, strategies (core, value-add, and opportunistic), property types, geographic diversification, and leverage by portfolio type.
- 3.6. Maintain historical information on all cash flow, net asset values, commitments (total, funded, and unfunded), fee payments, cost basis and returns on each investment.
- 3.7. Calculate performance metrics including IRR and multiple calculations measured against performance benchmarks.
- 3.8. Review capital calls and distribution notices.
- 3.9. Prepare quarterly performance reports for the total portfolio. The reports shall include, at a minimum: market overview and outlook, allocation breakdown by geography, strategy, property type and leverage, update on each fund, listing of each fund by strategy, date of commitment to each fund, commitment amount to each fund, drawdown amounts by fund, outstanding commitment by fund, distribution amounts by fund, fund net asset values, and IRR and multiples of each fund.



- 3.10. Provide on-line, real-time client access to review cash flows and performance data by individual investment, strategy, and portfolio type.
- 3.11. Provide assistance with compiling appropriate information to satisfy public information requests or public reporting requirements in accordance with applicable state laws, including, without limitation, Cal. Govt. Code §6254.26(b) and Cal. Govt. Code §7514.7.
- 3.12. Provide market value, performance reconciliation and in-depth reporting, and verification of management fees and expenses.



## APPENDIX B

### SCORING CRITERIA FACTORS

#### 1. ORGANIZATION (35%)

- a. Experience consulting to public pension plans
- b. Robust organization and complete build-out of all functional areas including consultant teams, research, compliance, back-office, reporting, technology, business continuity, etc.
- c. Adequate staffing commensurate with organizational size and client base
- d. Scope of services that meet or exceed LACERS' needs and expectations as outlined in Scope of Services
- e. Organizational and client stability
- f. Research Team
  - i. Experienced and well-resourced
  - ii. Accessible to LACERS staff
  - iii. Robust and can deliver research on a timely basis
  - iv. Comprehensive and thorough content
- g. Deal sourcing capabilities and due diligence
- h. Reports
  - i. Quality, usefulness, and frequency of research papers
  - ii. Quarterly performance and supplemental exhibits
  - iii. Depth, completeness, and credibility
- i. Recommendations
  - i. Customized based on client needs
  - ii. Defensible and sufficiently supported
  - iii. Clarity, convincing, strong substantiation
  - iv. Compliant to client investment policy and strategy
- j. Presence of a reasonable allocation policy
- k. Manages conflicts of interest
- l. Ability to ensure compliance and regulatory matters are adhered to

#### 2. CONSULTANT TEAM (25%)

- a. Seasoned Primary, Secondary, and Back-up Consultants with robust work experience and comprehensive investment market knowledge
- b. Appropriate academic credentials and certifications
- c. Level of attention and accessibility to LACERS Board, Investment Committee, and staff
- d. Experience with similar public pension plans and working with Boards and Investment Committees



**3. INVESTMENT PHILOSOPHY AND APPROACH (30%)**

- a. Articulation of investment and consulting beliefs
- b. Understands role as a fiduciary to LACERS
- c. Demonstration of industry and thought leadership
- d. Visionary, innovative; sensitive to recalibrated market norms; seeks and explores all sources of alpha opportunities
- e. Flexibility in approach to achieving client goals and objectives
- f. Addresses and articulates investment risk factors in recommendations
- g. Sound investment manager selection process and due diligence
- h. Investment manager monitoring
- i. Sensitive to client's investment management expenses
- j. Development of appropriate investment policy and annual strategic plan

**4. FEE PROPOSAL (10%)**





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

**MEETING: JANUARY 11, 2022**  
**ITEM: VII**

*Neil M. Guglielmo*

**SUBJECT: GENERAL FUND CONSULTANT CONTRACT WITH NEPC, LLC AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Committee recommend to the Board a five-year contract renewal with NEPC, LLC for general fund consulting services.

**Executive Summary**

NEPC, LLC (NEPC) has served as LACERS general fund consultant since July 1, 2017 and the current contract expires on June 30, 2022. Since inception of the contract, NEPC has provided value-added consulting services to LACERS; their investment recommendations have been developed thoughtfully based on a solid understanding of LACERS objectives and Investment Policy. Staff is satisfied with NEPC’s services and recommends a five-year contract renewal for general fund consulting services.

**Discussion**

*Background*

NEPC provides general fund consulting services to LACERS. The Board hired NEPC through the 2016-2017 General Fund Consultant search process and authorized a five-year contract with NEPC on May 23, 2017. The contract became effective on July 1, 2017 and expires on June 30, 2022. Since inception, LACERS has paid a total of \$2,001,000 in fees to NEPC.

*Organization*

NEPC is a full-service, investment consulting firm and is employee-owned by 46 partners. The firm was founded in 1986 in Boston, has seven regional offices across the United States, and employs over 330 investment professionals including a research team of 59 professionals. NEPC advises on over \$1.4 trillion of client assets and generates 100% of revenue from advisory and discretionary consulting services.

*Primary Consulting Team Assigned to LACERS*

LACERS primary consulting team currently consists of three professionals who have worked with LACERS since the time of NEPC’s hire: Carolyn Smith, Partner, Kevin Novak, Senior Consultant and Michael Malchenko, Senior Consulting Specialist. A fourth professional, Don Stracke, Senior

Consultant, had been assigned as a secondary consultant at the time the Board hired NEPC, but he is no longer a member of the LACERS consulting team. Due to scheduling conflicts with LACERS Board and Investment Committee meetings, Mr. Stracke has not been involved with the LACERS account since late 2017. Mr. Novak has effectively filled the role of secondary consultant since contract inception. Despite this minor change, the current consulting team has proven to be professional and technically well suited to advise on the complexity of LACERS investment matters. Staff is satisfied with the level of service provided by the current team.

*Consulting Approach and Accomplishments*

NEPC’s consulting approach is research-driven and centered on building a customized and diversified portfolio for LACERS, utilizing goals-based asset allocation to optimize LACERS’ risk-adjusted returns. Since being hired, NEPC’s has provided value-added services to LACERS including:

- Performing two asset allocation studies and risk budgeting analyses in 2018 and 2021
- Assisting with LACERS Investment Policy review and developing new policies
- Assisting with seven investment manager searches to implement the Board-approved asset allocation policy
- Conducting multiple public markets manager due diligence meetings alongside staff
- Advising on numerous contract recommendations for existing LACERS managers
- Providing Board and staff with investment education on topics such as active versus passive management, private credit, tactical asset allocation, emerging managers, and ESG
- Participating in LACERS initiatives such as the Emerging Manager Symposium

NEPC’s recommendations and deliverables have been developed thoughtfully based on a solid understanding of LACERS objectives and Investment Policy. Accordingly, staff recommends a five-year contract renewal with NEPC.

*Fees*

The current contract with NEPC specifies the following fee structure:

Year 1:	\$450,000
Year 2:	\$450,000
Year 3:	\$450,000
Year 4:	\$465,000
Year 5:	<u>\$465,000</u>
Total Fees:	\$2,280,000

For the next five-year contract term, NEPC has proposed a similar graduated fee schedule with increases after successive three-year periods as follows:

Year 6:	\$465,000
Year 7:	\$485,000
Year 8:	\$485,000
Year 9:	\$485,000
Year10:	<u>\$510,000</u>
Total Fees:	\$2,430,000

## **Strategic Plan Impact Statement**

A contract renewal with NEPC, LLC will assist the fund in maintaining a diversified portfolio, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the consultant's profile, approach, and fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared by: Barbara Sandoval, Investment Officer II, Investment Division

NMG/RJ/BF/BS:rm



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



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

**MEETING: JANUARY 11, 2022**  
**ITEM: VIII**

*Neil M. Guglielmo*

**SUBJECT: PRIVATE EQUITY BENCHMARK CHANGE AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Committee recommend that the Board approve a change of the Private Equity benchmark from the current Russell 3000 Index plus 300 basis points to the Cambridge Associates Global Private Equity and Venture Capital Index.

**Executive Summary**

This report provides updated information regarding the Private Equity (PE) benchmark and implementation since the Committee meeting of July 13, 2021.

**Discussion**

*Background*

The Board requested that staff and LACERS' consultants conduct a thorough review of industry best practices for private equity benchmarking. In coordination with staff, NEPC, LLC (NEPC), LACERS' general fund consultant, worked jointly with Aksia TorreyCove Partners LLC (Aksia), LACERS' private equity consultant, to review the effectiveness of LACERS' current benchmark, identify potential alternative approaches, and make recommendations for any necessary changes.

NEPC and Aksia recommended that LACERS change the public market-based benchmark for the PE portfolio to the Cambridge Associates (CA) US All PE benchmark. On February 9, 2021, the Committee considered and concurred with staff's proposal to change the PE portfolio benchmark from the current Russell 3000 Index plus 300 basis points to the CA US All PE Index.

On July 13, 2021, staff provided an update to the Committee with additional information on implementation of the benchmark (Attachment 2). After further consideration of the global nature of the portfolio and available benchmarking products from CA, NEPC and Aksia amended the benchmark change recommendation to the CA Global Private Equity and Venture Capital Index (CA Global PE and VC Index), which consisted of 4,820 buyout, growth, and venture capital funds with total capitalization of \$3.2 trillion. Staff also provided updates on the annual cost of the benchmark, as well as steps to implement this change.

After consideration, the Committee tabled the recommendation to change the benchmark. The Committee expressed concerns about the timing of the benchmark change, and whether this could be perceived as being related to underperformance of the portfolio relative to the existing public market-based benchmark. The Committee also expressed a desire to explore other publicly available benchmarks with similar correlation to the PE portfolio as the CA Global PE and VC Index.

#### *PE Portfolio Performance Update*

Recent quarterly performance reports prepared by NEPC indicate that the PE portfolio sharply outperformed its current benchmark, the Russell 3000 Index plus 300 basis points.

<b>Portfolio Performance Report Date</b>	<b>PE Portfolio 3 month return</b>	<b>PE Benchmark 3 month return</b>	<b>Excess Performance</b>
March 31, 2021	12.21%	7.12%	+5.09%
June 30, 2021	13.83%	9.02%	+4.81%
September 30, 2021	12.22%	0.64%	+11.58%

NEPC also reported in the quarterly portfolio performance report as of September 30, 2021 (presented at the December 14, 2021 Board meeting) that the LACERS PE portfolio delivered returns of 56.79% over a one-year period, exceeding benchmark one-year returns by 21.05%. While this strong performance is favorable for the LACERS total portfolio, it also provides further evidence of the limitations of the current benchmark. As described in the July 13, 2021 presentation, staff believe that the current benchmark is inconsistent with best practices for measuring PE performance. The Russell 3000 Index has significant and increasing mismatches with the LACERS PE portfolio in terms of geography and industry classification, and volatility in the public markets has reduced the effectiveness of comparisons with this benchmark.

#### *Alternative Approaches*

Staff were unable to identify public market benchmarks that display similar or stronger correlations with the PE portfolio than the recommended CA Global PE and VC Index.

#### *Cambridge Global Private Equity and Venture Capital Index*

NEPC and Aksia determined that the CA Global PE and VC Index is better aligned with the current and future exposure of the portfolio, and are recommending that the Committee consider the use of this benchmark instead of the CA US All PE Index. NEPC provided an updated attachment that compares the performance of the proposed benchmark to LACERS' current benchmark and to the performance of LACERS' portfolio (Attachment 1). This proposed benchmark is subject to an annual \$5,000 single CA benchmark licensing fee. Staff concurs with this recommendation and is requesting that the Committee recommend this benchmark for approval to the Board.

#### *Implementation of Benchmark*

Staff recommend that the new benchmark become effective January 1, 2022. Performance comparisons for time periods before this date will remain against the prior benchmark of the Russell 3000 Index plus 300 basis points, and performance periods that extend across this date (such as a one year, three year, or five year periods) will use a time weighted blend of the CA Global PE and VC Index and the prior Russell 3000 Index plus 300 basis points benchmark.

If the Committee concurs with this recommendation, a report will be presented to the Board for approval of this benchmark change. Staff will return to the Committee and Board at future meetings with administrative edits to the LACERS Investment Policy Manual to formalize the benchmark change. Staff will also initiate the contracting process for the benchmark with CA's benchmark provider, IHS Markit, Ltd., and will work with Northern Trust Corporation, Aksia, and NEPC to make necessary changes to performance reporting for the portfolio.

### **Strategic Plan Impact Statement**

Revising the Private Equity benchmark aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV), to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V), and to maximize organizational effectiveness and efficiency (Goal VI).

Prepared By: Robert King, Investment Officer II, Investment Division

NMG/RJ/BF/WL/RK:jp

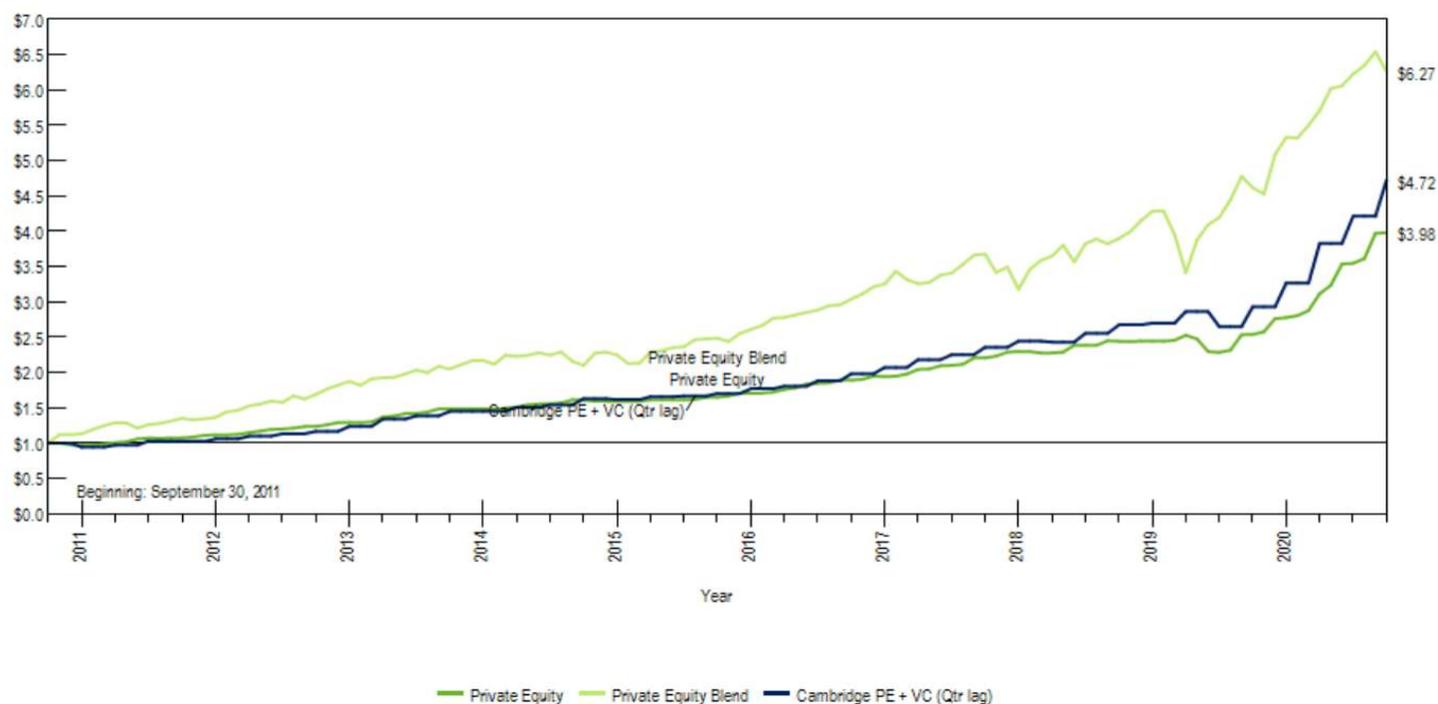
Attachments:           1. NEPC Private Equity Performance Summary  
                              2. Investment Committee Report dated July 13, 2021

# PRIVATE EQUITY PERFORMANCE

## AS OF SEPTEMBER 30, 2021

	Market Value(\$)	3 Mo(%)	1 Yr(%)	3 Yrs(%)	5 Yrs(%)	10 Yrs(%)
Private Equity	3,386,441,112	12.22	56.79	21.73	19.27	14.81
Private Equity Blend		0.64	35.74	19.44	20.31	20.14
Cambridge Private Equity Index 1 Quarter Lagged		12.08	61.27	25.88	22.30	15.64

**Growth of a Dollar**  
**10 Years Ending September 30, 2021**



Note: **Private Equity Blend** is the LACERS private equity custom benchmark and is comprised of:  
 Russell 3000 + 3%: February 1, 2012 – current  
 Russell 3000 + 4%: Inception – January 31, 2012



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



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

**MEETING: JULY 13, 2021**  
**ITEM: IV**

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**SUBJECT: CONTINUED DISCUSSION OF PRIVATE EQUITY BENCHMARK AND POSSIBLE COMMITTEE ACTION**

**ACTION:**  **CLOSED:**  **CONSENT:**  **RECEIVE & FILE:**

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### **Recommendation**

That the Investment Committee recommend that the Board approve a change of the Private Equity Benchmark from the current Russell 3000 Index plus 300 basis points to the Cambridge Associates Global Private Equity and Venture Capital Index.

### **Executive Summary**

This report provides updated information regarding the Private Equity (PE) benchmark and implementation since the Committee meeting of February 9, 2021.

### **Discussion**

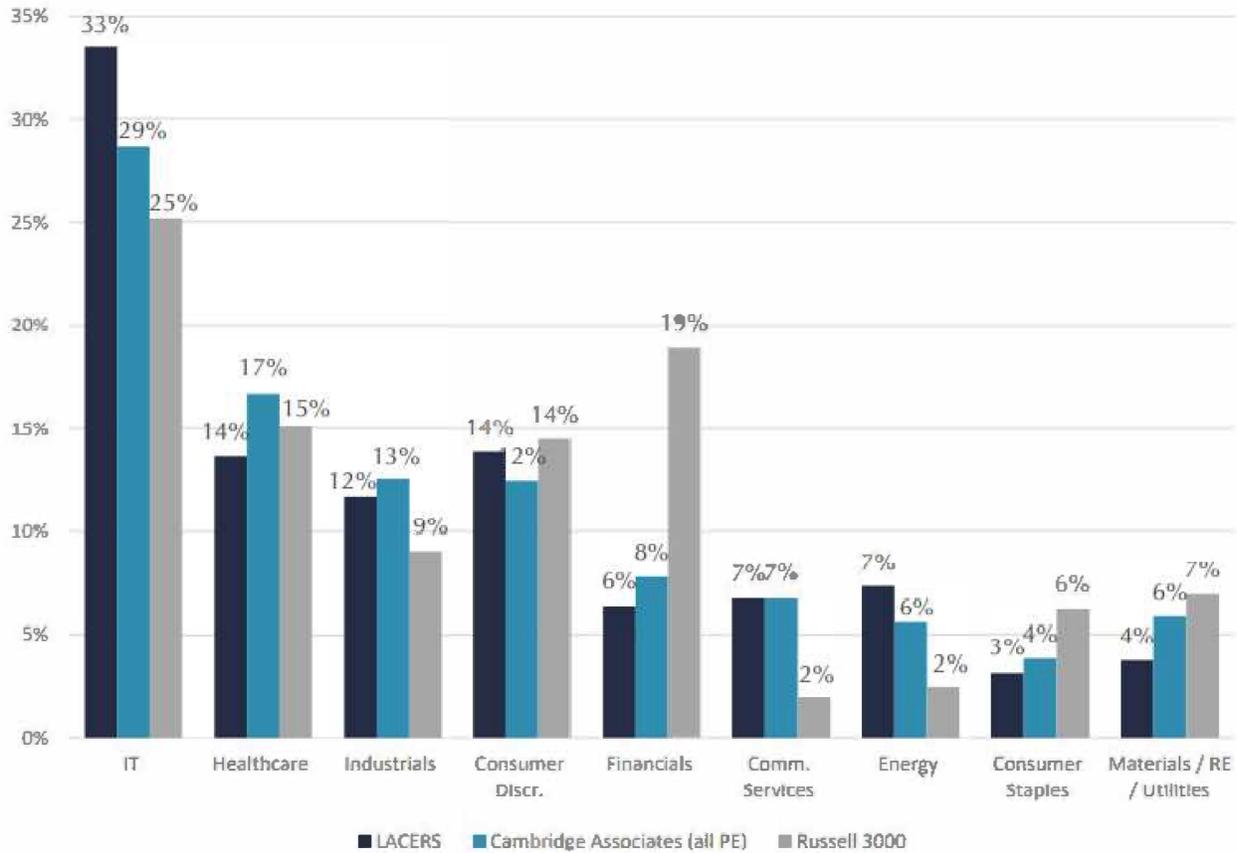
#### *Benchmark Background*

Benchmarks are tools for assessing and comparing the risks and returns of a portfolio to identify opportunities for improving risk-adjusted returns. LACERS' current PE benchmark, the Russell 3000 Index plus 300 basis points, has significant mismatches with the PE portfolio in terms of geography, industry classification, and volatility that have been increasing over time, reducing the effectiveness of benchmark comparisons.

LACERS' PE portfolio is increasingly global in nature, with 23% of exposure outside of North America, while the Russell 3000 Index is U.S. focused. This mismatch is expected to grow as additional private equity commitments are made in Europe and Asia.

The PE portfolio also has significant mismatches with the Russell 3000 Index in terms of industry concentrations. For example, the Russell 3000 Index includes 19% of exposure to financials while LACERS' PE portfolio has only 6% exposure to this industry. LACERS' PE consultant, Aksia TorreyCove Partners LLC (Aksia), presented the following chart to the Board as part of the 2021 Strategic Plan presentation on November 24, 2020 showing industry concentration mismatches between the Russell 3000 and LACERS' portfolio:

### LACERS Sector Exposure vs. Benchmarks



The public markets have also been recently subject to significant volatility. Analysis by LACERS’ general fund consultant, NEPC, LLC (NEPC), indicated that the quarterly difference between the PE portfolio and the public market benchmark ranged from positive 23.7% to negative 32.4%. NEPC also noted that the mismatch between the total plan and policy index can be largely attributed to the mismatch in the PE benchmark.

#### *Review of Industry Best Practices and Consultant Recommendations*

Due to these ongoing mismatches between LACERS’ PE investments and LACERS’ existing PE benchmark, the Board requested that staff and LACERS’ consultants conduct a thorough review of industry best practices for private equity benchmarking. In coordination with staff, NEPC worked jointly with Aksia to review the effectiveness of LACERS’ current benchmark, identify potential alternative approaches, and make recommendations for any necessary changes.

NEPC and Aksia recommended that LACERS change the public market-based benchmark for the PE Portfolio to the Cambridge Associates (CA) US All PE benchmark. On February 9, 2021, the Committee considered and concurred with staff’s proposal to change the Private Equity benchmark from the current Russell 3000 Index plus 300 basis points to the CA US All PE Index (Attachment 2). Since that Committee meeting, additional information has come to the attention of staff regarding the distribution of CA benchmarks and alternative CA PE benchmarks given the increase in PE policy target sizing and discussions with the private equity consultant on the future of geographical diversification.

### *Benchmark Licensing*

CA changed the licensing requirements for using their PE benchmarks in February 2021. While these benchmarks had previously been available free of charge on the CA website, starting with the third quarter of 2020 a license through CA's vendor IHS Markit Ltd. is required to use the benchmark.

Staff worked with Northern Trust Corporation (Northern Trust), LACERS' custodian bank, NEPC, and Aksia to determine if additional licenses may be required in order for LACERS to use the CA PE benchmark. While NEPC and Aksia have existing licenses that allow them to monitor the performance of LACERS' portfolio relative to the CA benchmark, additional licensing is required for both LACERS and Northern Trust.

After discussions with representatives from CA and IHS Markit, Ltd., a one-year license for a single CA benchmark for LACERS' intended purpose will cost \$5,000. Sufficient funds have been appropriated in the Fiscal Year 2021-22 budget to cover the cost of the license. Northern Trust has also recently completed the necessary licensing for the benchmark.

### *Reconsideration of PE Benchmark*

Staff held additional discussions with NEPC and Aksia to determine whether the U.S. focused Cambridge Associates US All PE Index was the most appropriate benchmark given LACERS' current and planned level of international exposure in the portfolio.

The 2021 PE Strategic Plan, which was approved by the Board on November 24, 2020, noted that the portfolio's exposure by geography as of June 30, 2020 was 77% in North America. The tactical investment recommendations in the Strategic Plan also called for selectively adding exposure internationally, primarily in Europe and Asia, which will further decrease the allocation to North America and will result in a growing mismatch with the U.S. focused benchmark.

An alternative to the CA US All PE index is the CA Global Private Equity and Venture Capital Index (CA Global PE and VC Index), which consists of 4,820 buyout, growth, and venture capital funds with total capitalization of \$3.2 trillion. Of this exposure, 64% of total net asset value are to funds that have at least two-thirds of their portfolio's geographically concentrated in the U.S. The data from the CA benchmarks is lagged by one quarter as a result of the timelines required for the underlying funds to gather financial information from their portfolio company investments.

NEPC and Aksia determined that the Cambridge Global PE and VC Index is better aligned with the current and future exposure of the portfolio, and are recommending that the Committee consider the use of this benchmark instead of the Cambridge US All PE Index. NEPC provided an attachment that compares the performance of the proposed benchmark to LACERS' current benchmark and to the performance of LACERS' portfolio (Attachment 1). This proposed benchmark is subject to the same annual \$5,000 single CA benchmark licensing fee as described earlier in this report. Staff concurs with this recommendation and is requesting that the Committee recommend this benchmark for approval to the Board.

### *Implementation of Benchmark*

NEPC and Northern Trust have recommended that the new benchmark become effective January 1, 2021. Performance comparisons for time periods before this date will remain against the prior benchmark of the Russell 3000 Index plus 300 basis points, and performance periods that extend

across this date (such as a one year, three year, or five year) will use a time weighted blend of the Cambridge Global PE Index and the prior Russell 3000 Index plus 300 basis points benchmark. Staff concurs with this recommendation.

If the Committee concurs with this recommendation, a report will be presented to the Board for approval of this benchmark change. Staff will return to the Committee and Board at future meetings with administrative edits to the LACERS Investment Policy Manual to formalize the benchmark change. Staff will also initiate the contracting process with IHS Markit and work with Northern Trust, Aksia, and NEPC to make necessary changes to performance reporting for the portfolio.

### **Strategic Alignment**

Revising the Private Equity benchmark aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV), to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V), and to maximize organizational effectiveness and efficiency (Goal VI).

Prepared By: Robert King, Investment Officer I, Investment Division

NMG/RJ/BF/WL/RK:jp

Attachments:           1. NEPC Private Equity Performance Summary  
                              2. NEPC Analysis of Private Equity Benchmark from February 9, 2021 Meeting