



Investment Committee Agenda

REGULAR MEETING

TUESDAY, JULY 12, 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 July 12, 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# 160 360 6648

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. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for Services

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

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at ani.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 MEETINGS OF [MAY 10, 2022](#) AND [JUNE 14, 2022](#) AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [PRESENTATION BY GRANAHAN INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO](#)
- V. [SEMI-FINALISTS OF THE TRANSITION MANAGEMENT SERVICES REQUEST FOR PROPOSAL AND POSSIBLE COMMITTEE ACTION](#)
- VI. [UNIQUE INVESTMENT OPPORTUNITIES POLICY AND POSSIBLE COMMITTEE ACTION](#)
- VII. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO EQT EXETER INDUSTRIAL VALUE FUND VI, L.P. AND POSSIBLE COMMITTEE ACTION**
- VIII. OTHER BUSINESS
- IX. NEXT MEETING: The next Special meeting of the Investment Committee is scheduled for Thursday, July 14, 2022, at 9:00 a.m., and the next Regular meeting of the Investment Committee is scheduled for Tuesday, August 9, 2022, at 10:30 a.m., or immediately following the Board Meeting, at LACERS, 202 West 1st 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.
- X. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

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President: Vacant
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 Ghokassian

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

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- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. PRESENTATION BY GRANAHAN INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO
- V. SEMI-FINALISTS OF THE TRANSITION MANAGEMENT SERVICES REQUEST FOR PROPOSAL AND POSSIBLE COMMITTEE ACTION
- VI. UNIQUE INVESTMENT OPPORTUNITIES POLICY AND POSSIBLE COMMITTEE ACTION
- VII. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO EQT EXETER INDUSTRIAL VALUE FUND VI, L.P. AND POSSIBLE COMMITTEE ACTION**
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- X. 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 May 10, 2022 meeting was conducted via telephone and/or videoconferencing.

May 10, 2022

12:10 p.m.

PRESENT via Videoconferencing:	Chair:	left at 12:51 p.m. Sung Won Sohn
	Committee Member:	Elizabeth Lee Nilza R. Serrano
	Legal Counselor:	Joshua Geller
PRESENT at LACERS Office:	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

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 APRIL 12, 2022 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

- Updates on manager searches including: Private Credit Consulting list of semi-finalists to be presented in June 2022, Transition Manager list of semi-finalists to be presented in June 2022, and Passive Index Manager Finalist interviews planned for July 2022
- Unique Investment Opportunities Policy coming forth to the IC
- Emerging Investment Manager Policy: Staff is working with the real estate consultant to make this policy more inclusive without compromising on risk

IV

REAL ESTATE FISCAL YEAR 2022-23 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION – Wilkin Ly, Investment Officer III, Chae Hong, Partner, Felix Fels, Associate Partner, and Prashant Tewari, Partner, with The Townsend Group, presented and discussed this item with the Committee for 35 minutes. Committee Member Serrano moved approval, adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn -3; Nays, None.

Chair Sohn left the Meeting at 12:51 p.m.

V

INVESTMENT MANAGER CONTRACT WITH LAZARD ASSET MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Ellen Chen, Investment Officer II, presented and discussed this item to the Committee for 10 minutes. Committee Member Elizabeth Lee moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee and Co-Chair Serrano -2; Nays, None.

VI

INVESTMENT MANAGER CONTRACT WITH STATE STREET GLOBAL ADVISORS REGARDING THE MANAGEMENT OF A PASSIVE GLOBAL INDEX STRATEGY AND POSSIBLE COMMITTEE ACTION – Ellen Chen, Investment Officer II, presented and discussed this item to the Committee. Committee Member Elizabeth Lee moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee and Co-Chair Serrano -2; Nays, None.

VII

ADAPTIVE ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE COMMITTEE ACTION – James Wang, Investment Officer I, presented and discussed this item with the Committee. Committee Member Elizabeth Lee moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee and Co-Chair Serrano -2; Nays, None.

VIII

OTHER BUSINESS – Neil M. Guglielmo, General Manager, shared that the Budget & Finance Committee provided LACERS positive feedback on the budget submittal and support staff to look at investing locally.

IX

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, June 14, 2022, at 10:30 a.m. or immediately following the Board Meeting, at LACERS, 202 West 1st 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.

X

ADJOURNMENT – There being no further business before the Committee, Co-Chair Serrano adjourned the meeting at 1:10 p.m.

Nilza R. Serrano
Chair

Neil M. Guglielmo
Manager-Secretary

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

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June 14, 2022

11:26 a.m.

PRESENT via Videoconferencing:	Co-Chair:	Nilza R. Serrano
	Legal Counselor:	Joshua Geller
	Manager-Secretary:	Neil M. Guglielmo
PRESENT at LACERS Office:	Executive Assistant:	Ani Ghoukassian
ABSENT:	Chair	Sung Won Sohn
	Committee Member	Elizabeth Lee

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The only member of the Investment Committee who was in attendance to this meeting was Co-Chair Serrano. With the lack of a quorum, no action could be taken on any items discussed.

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** – Co-Chair Serrano 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 MAY 10, 2022 AND POSSIBLE COMMITTEE ACTION – There being no quorum for the meeting, this item was tabled for the next Investment Committee Meeting.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Bryan Fujita, Investment Officer III, discussed the following item:

- Investment Committee Meeting Forward Calendar

IV

SEMI-FINALISTS OF THE PRIVATE CREDIT CONSULTANT REQUEST FOR PROPOSAL AND POSSIBLE COMMITTEE ACTION – Robert King, Investment Officer II, presented and discussed this item with Co-Chair Serrano. There being no quorum for the meeting, no action was taken and the item will be presented to the full Board at a future meeting.

Co-Chair Serrano recessed the Regular Meeting at 11:37 a.m. to convene in closed session discussion.

V

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO CORTLAND GROWTH AND INCOME, L.P. AND POSSIBLE COMMITTEE ACTION

Co-Chair Serrano reconvened the Regular Meeting at 12:00 p.m.

VI

OTHER BUSINESS – There was no other business.

VII

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VIII

ADJOURNMENT – There being no further business before the Committee, Co-Chair Serrano adjourned the meeting at 12:01 p.m.

Nilza R. Serrano
Chair

Neil M. Guglielmo
Manager-Secretary



**GRANAHAN
INVESTMENT
MANAGEMENT**

LACERS

Small Cap Focused Growth Portfolio Review

July 12, 2022

Signatory of:



SMALL CAP EQUITY SPECIALISTS

Biographies



JANE M. WHITE

Jane White is co-Founder, President & CEO, and a Senior Managing Director of Granahan Investment Management. Jane's portfolio management and research has an emphasis on the technology sector. Prior to founding Granahan Investment Management in 1985, Jane worked at Granahan-Everitt Investments as a Technology Research Analyst. She started her investment career at Loomis-Sayles in Boston where she was a Research Assistant. Jane received her B.A. from Boston University and is a member of the CFA Institute and the CFA Society Boston.



ANDREW L. BEJA, CFA

Drew Beja is a Senior Vice President and Managing Director of the firm. Drew is the portfolio manager of the GIM Small Cap Focused Growth strategy, and he also manages a portion of the multi-managed portfolios. Drew joined Granahan Investment Management at the end of 2011 bringing 30 years industry experience to the firm, primarily in the small and SMID cap sector of the market. From 2000 to 2011, Drew was with LMCG in Boston, a firm he co-founded and where he managed several small and SMID cap growth equity products. In 2007, he started the Focused Growth product that he continues to manage at Granahan. Prior to LMCG, Drew was a portfolio manager with Standish, Ayer & Wood. Before moving to the buy-side, Drew was an equities analyst for Advest. Drew received his BA from Miami University. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society Boston.



STEPHEN SEXENY

Steve Sexeny is a Senior Vice President of Granahan Investment Management, responsible for Business Development at the firm. Steve joined Granahan in 2018 bringing over 30 years' experience to the firm. Prior to joining GIM, Steve held senior business development and client interfacing roles with AXA Investment Managers, New York Life Investments, BNY Mellon, RhumbLine Advisers, Boston Global Advisors (a global securities lending firm that he co-founded and is now part of Goldman Sachs) and State Street Financial. Steve earned his BA from Hartwick College. He holds his FINRA Series 7, 24 and 63 licenses.

Our Firm

WHO WE ARE

- Established in 1985
- Based in Waltham, MA
- Independently Owned Investment Boutique
 - Equity Broadly Held Across the Firm
 - Majority Owned by Investment Team
- Primary Focus on Public Small Cap Growth Space
- Exclusively Long-Only Investment Management
- \$3.3 Billion in Assets Under Management

WHO WE SERVE

- Institutional Investors
 - Public Funds
 - Corporate Plans
 - Endowments & Foundations
- Sub-Advisory Relationships
- Family Office, High Net Worth, RIA's
- 50% domiciled in U.S., 50% in Europe/Asia



Granahan's Small Cap Offerings

Strategy	MicroCap Growth	Small Cap Discoveries	Small Cap Focused Growth	Small Cap Select	Small/Mid Select	Small Cap Global	Small Cap Advantage	Small Cap Core Growth
Portfolio Manager (s)	Jeff Harrison, CFA	Jeff Harrison, CFA Rich Watson, CFA	Drew Beja, CFA	David Rose, CFA	David Rose, CFA	Jeff Harrison, CFA	Jeff Harrison, CFA Drew Beja, CFA	5 Individual Sleeves
Inception	07/31/20	7/31/04	7/31/07*	3/31/15	3/31/15	5/31/2016	9/30/15	4/30/93
Assets	\$14 mm	\$100 mm	\$1,451 mm UCITS: \$579 mm	\$473 mm	\$467 mm UCITS: \$464 mm	\$48 mm	\$378 mm	\$654 mm
Vehicle(s)	Separately Managed	Separately Managed Commingled Fund	Separately Managed UCITS	Separately Managed	Separately Managed UCITS	Separately Managed	Mutual Fund	Separately Managed
Attributes	Young Pioneers; Underfollowed Special Situations	Emerging Growth Balanced by Unrecognized Growth	Secular Growth	Durable Growth Balanced by Special Situations	Durable Growth Balanced by Special Situations	Developed World Secular Growth	Compelling Combination of Discoveries & Focused Growth	5 High Conviction, Diversified Sleeves
Holdings	MicroCap	Discoveries	Focused	Select	Select	Global	Advantage	Core Growth
Positions	+/- 45 securities	+/- 70 securities	+/- 40 securities	+/- 50 securities	+/- 50 securities	+/- 60 securities	+/- 95 securities	+/- 150 securities
Active Share	95%	96%	98%	96%	95%	98%	92%	87%
Index	Russell MicroCap Growth	Russell 2000 Growth/ Russell MicroCap Gr.	Russell 2000 Growth	Russell 2000 Growth	Russell 2500 Growth	MSCI World Small Cap (net)	Russell 2000 Growth	Russell 2000 Growth
Typical Market Cap Range – At Purchase	\$50mm-\$750mm	\$50mm-\$750mm	\$200mm-\$5B	\$200mm-\$5B	\$500mm-\$20B	\$300mm-\$5B	\$100mm-\$5B	\$200mm-\$5B

* Date strategy began at PMs prior firm.



Our Team



Drew Beja, CFA
Portfolio Manager
38 Yrs. Exp; 11 Yrs. w/GIM
Generalist

Small Cap Focused Growth Strategy

Managed by Drew Beja, CFA

Concentrated portfolio with emphasis on secular growth companies.
Inception August 2007. *Strategy AUM - \$1,451 mm (as of 5/31/22)*

Average Investment Experience: 30 Years



Jane White
Co-Founder, CEO
42 Yrs. Exp; 37 Yrs. w/GIM
Technology



David M. Rose, CFA
CIO, Portfolio Manager
24 Yrs. Exp; 7 Yrs. w/GIM
Generalist



Jennifer Pawloski
Portfolio Manager
29 Yrs. Exp; 15 Yrs. w/GIM
Technology



Jeffrey Harrison, CFA
Portfolio Manager
24 Yrs. Exp; 7 Yrs. w/GIM
Generalist



Richard Watson, CFA
Portfolio Manager
31 Yrs. Exp; 1 Yr. w/GIM
Healthcare



Christopher Martin, CFA
Portfolio Manager
25 Yrs. Exp; 1 Yr. w/GIM
Generalist



Susan M. Ellis
Head Trader
31 Yrs. Experience;
28 Yrs. w/GIM



Elise O'Connell, CFP, CMT
Senior Trader
27 Yrs. Experience;
4 Yrs. w/GIM

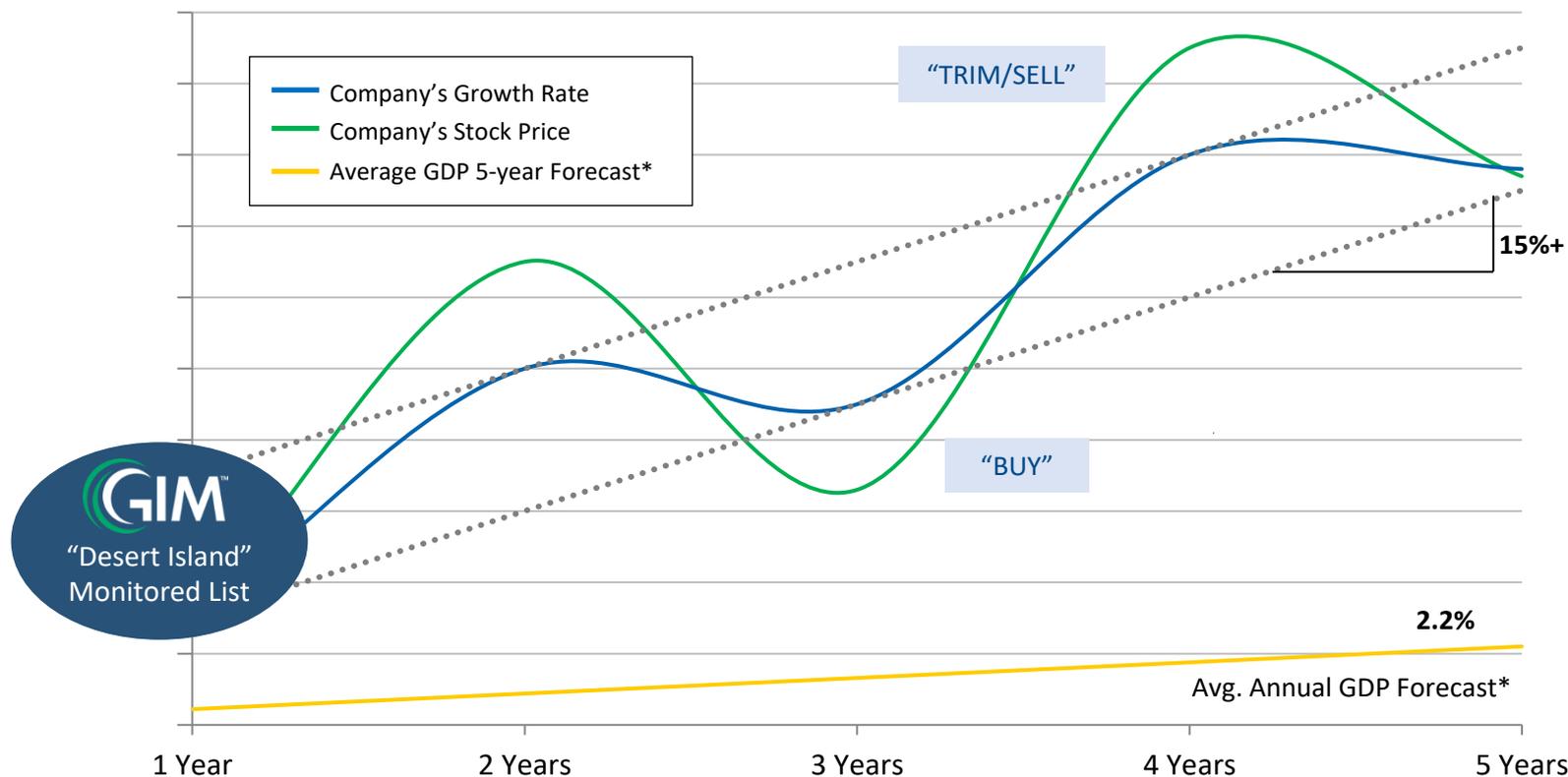


Joseph Cargile
Senior Trader
25 Yrs. Experience;
1 Yr. w/GIM

Focused Growth Strategy

Focused Growth Philosophy & Process

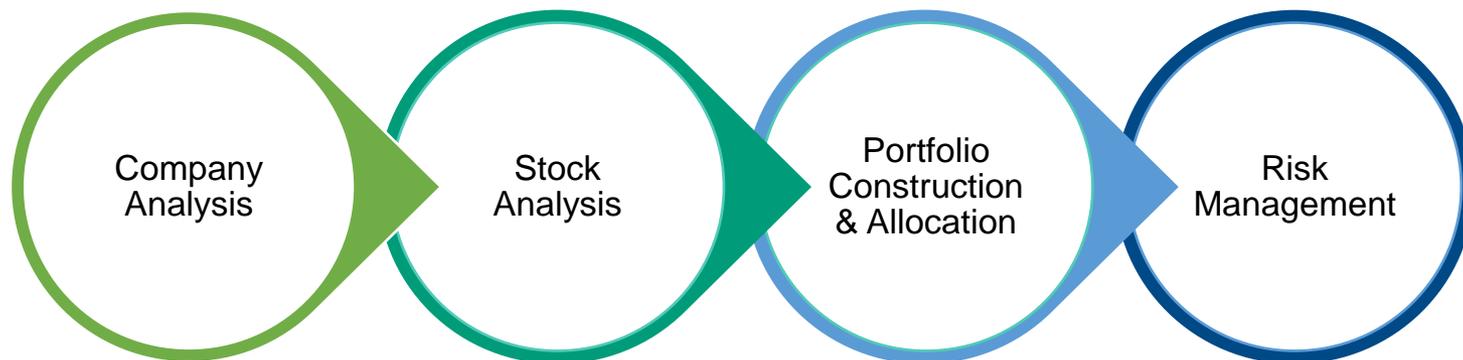
Desert Island Companies + Strict Risk/Reward Discipline on Stocks



* Source: [FOMC Economic Projections](#), March 2022

Investment Process

FOUR STEPS



Investment Process



1. Identifying Desert Island Companies

Characteristics	Metrics
Large Opportunities	<ul style="list-style-type: none"> ✓ Enormous: Est sales in Etsy’s core categories and geographies >\$450B online & \$2.0T offline. ✓ Global: Majority of business in US but model proven outside US. ROW likely > US in 2-3 yrs. ✓ Antidote to Amazon: 87% buyers say “Etsy has items I can’t find elsewhere” ✓ House of Brands: Opportunities beyond core Etsy Marketplace (Reverb, elo7, Depop).
Superior Competitive Positioning (moat)	<ul style="list-style-type: none"> ✓ Flywheel – Etsy’s marketplace has textbook network effects; 81% of GMS generated by organic traffic (i.e. don’t have to pay Google, etc.) ✓ Distributed supply chain is an enduring strength of Etsy’s business model.
Strong Customer Value Propositions	<ul style="list-style-type: none"> ✓ Strong value to both sides of the marketplace <ul style="list-style-type: none"> • Sellers: Number of sellers growing and seller retention also going up—despite law of large #'s. • Buyers: Retention and frequency rates have steadily improved—again despite law of large #'s, as are number of “Habitual Buyers”—those who <i>Think Etsy First</i>.
Excellent Management & Culture	<ul style="list-style-type: none"> ✓ Mission: <i>Keep Commerce Human</i> ✓ Mgt: CEO, Josh Silverman, joined in 2017. Significantly upgraded the team which has proven to be highly effective. ✓ ESG: Integrated Sustainability with financial reporting as part of the 2021 10K; includes specific and measurable ESG goals
Margin Expansion Potential	<ul style="list-style-type: none"> ✓ Strong margins (CY 2021A: 31% EBITDA Margins); Incremental margins 28% in 2021
Strong Financial Condition	<ul style="list-style-type: none"> ✓ Cash: \$1.0B ✓ Debt: Three tranches of converts totaling: \$2.3B; Coupons 0.125%-0.25%; Due 2026-2028 ✓ Strong Free Cash Flow: 2022E: \$649M (5.3% FCF Yield)

The company identified above is an example of a holding and is subject to change without notice. The company has been selected to help illustrate the investment process described herein. A complete list of holdings is available upon request. This information should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the holdings listed have been or will be profitable, or that investment recommendations or decisions we make in the future will be profitable.



Investment Process

2. Stock Analysis Example - Growth at Risk Analysis



DATE/TIME	Avg. Daily Vol	Date Last Modified	Next Report Date
6/8/2022	5,411,465 \$405,968,082	6/8/2022	08/04/2022

STOCK & MARKET VALUE DATA:				Actual	Actual	Mean Est.	Mean Est.	Mean Est.
		Street Est		12/2020	12/2021	12/2022	12/2023	12/2024
Company Ticker	ETSY	Revenues (M)		\$1,726	\$2,329	\$2,566	\$3,025	\$3,590
Company Name	ETSY INC	YYY % change		35.0%	35.0%	10.2%	17.9%	18.7%
Last Price	\$75.02	EPS		\$2.69	\$3.40	\$2.30	\$3.13	\$3.98
	Short Interest	EBITDA		549	717	688	857	1,091
	13.7	EBITDA Mgn %		31.8%	30.8%	26.8%	28.3%	30.4%
Shares Out (M)	147	Incr. Mgn %		27.8%	27.8%	-12.2%	36.8%	41.5%
Market Cap. (M)	\$11,028	Days 2 Cover		2.5	2.5	2.5	2.5	2.5
		FCF		673.4	380.00	649.0	802.0	20
Total Cash & Invest.(M)	\$1,044	FCF Yield		5.5%	3.1%	5.3%	6.5%	0.2%
Total Debt	\$2,276	EV/Revenues		7.1X	5.3X	4.8X	4.1X	3.4X
Enterprise Value	\$12,260	PE		27.9X	22.1X	32.6X	24.0X	18.8X
		EV/EBITDA		22.3	17.1	17.8	14.3	11.2

Expected Return (ER)	Metric Description	Financial Metric	Valuation Metric	Stock Value	% chg. From Curr. Price	Probability	Value	ER
FY1								
Best	EV/EBITDA	\$682	25.0	\$111.96	49%	0.05	5.60	
Some Upside	EV/EBITDA	\$661	22.5	\$97.14	29%	0.25	24.29	
Most Likely	EV/EBITDA	\$634	20.0	\$82.22	10%	0.30	24.67	
Bad	EV/EBITDA	\$554	17.5	\$61.91	-17%	0.30	18.57	
Really Bad	EV/EBITDA	\$501	15.0	\$47.07	-37%	0.10	4.71	
					Must Equal	1.00	\$ 77.83	ER Upside
							4%	
FY2								
Best	EV/EBITDA	\$887	25.0	\$152.08	103%	0.05	7.60	
Some Upside	EV/EBITDA	\$860	22.5	\$132.81	77%	0.25	33.20	
Most Likely	EV/EBITDA	\$775	20.0	\$106.60	42%	0.30	31.98	
Bad	EV/EBITDA	\$610	15.0	\$63.44	-15%	0.30	19.03	
Really Bad	EV/EBITDA	\$564	12.5	\$49.18	-34%	0.10	4.92	
					Must Equal	1.00	\$ 96.74	ER Upside
							29%	
FY3								
Best	EV/EBITDA	\$1,118	25.0	\$197.60	163%	0.05	9.88	
Some Upside	EV/EBITDA	\$1,066	22.5	\$170.69	128%	0.25	42.67	
Most Likely	EV/EBITDA	\$917	20.0	\$132.24	76%	0.30	39.67	
Bad	EV/EBITDA	\$671	12.5	\$64.55	-14%	0.30	19.36	
Really Bad	FCF Yield	8.0%	\$672	\$62.95	-16%	0.10	6.30	
					Must Equal	1.00	\$ 117.88	ER Upside
							57%	

Downside

2023
Probability-Weighted
Expected Return



This information is supplemental to the complete performance results and disclosures included in the back of this booklet.

Investment Process

3. Portfolio Construction & Allocation

Criteria for Portfolio Inclusion/Weight

Conviction	Risk/Reward	Diversification
<ul style="list-style-type: none"> • Expected Return • Company Fundamentals • How Long Followed • Business Model 	<ul style="list-style-type: none"> • Range of Outcomes • Downside Risk • Skew of Return Profile • Trading Liquidity • ESG Factors 	<ul style="list-style-type: none"> • Growth Drivers • Correlated factors • End market customers, geographies, foreign exchange exposure • Style (e.g., growth, financial leverage, etc.)

Portfolio = +/- 40 Holdings

Investment Process

4. Risk Management

Company	Stock	Portfolio
<ul style="list-style-type: none"> • Ongoing assessment of desert-island worthiness (typically know company for sometime before initial purchase). • Management meetings: Critical • Meetings/calls with competitors, suppliers, customers, analysts, experts • Discussions/debates with other PMs on the investment team • Publish 5-Pointer investment case-- Sent to entire investment team & discussed at weekly Investment Meeting 	<ul style="list-style-type: none"> • Position-size limits (7% at cost; 10% at market) • Hard-coded restrictions in trading order management system (EzeCastle) • Continuously discuss/debate downside scenarios and probabilities • Real-time assessment of ER, risk/reward trimming and adding accordingly • Trading liquidity analysis 	<ul style="list-style-type: none"> • Ongoing assessment of factor exposures and correlated risks using Desert Island Monitor • Oversight by CEO, CIO, CCO in addition to PM (daily dashboard; exceptions reports; monthly risk reports generated by Bloomberg and Factset) • Transparency with team: Focused Growth philosophy and process are well-known by the entire GIM team

Focused Growth Portfolio Review

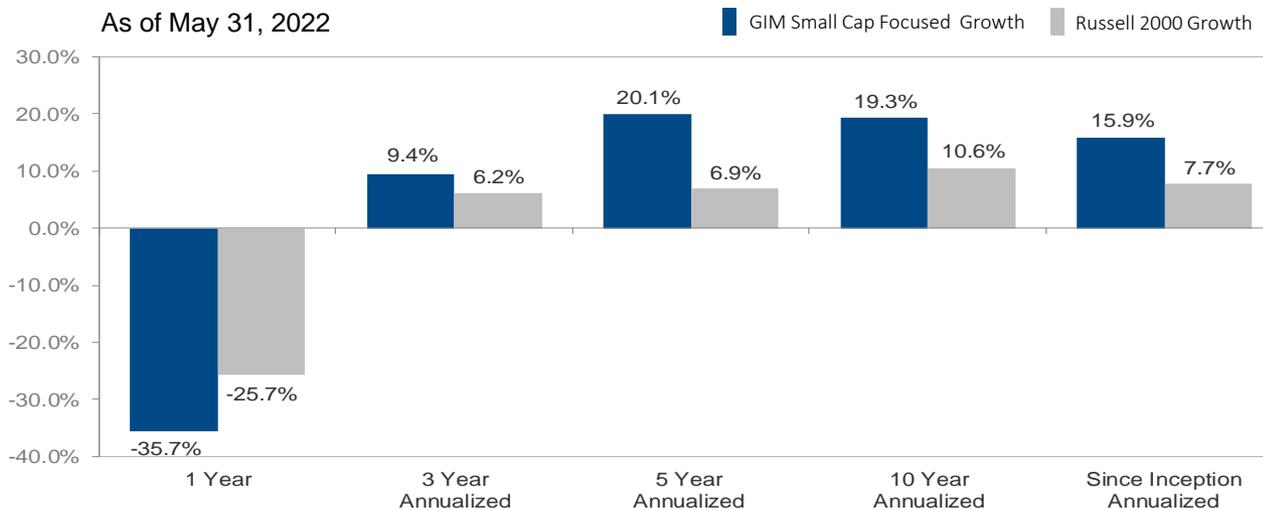
Performance

As of May 31, 2022

	YTD 12/31/21 – 5/31/22	1 Year	Annualized Since Inception
LACERS - Gross of fees	-34.04%	-35.06%	-5.55%
LACERS - Net of fees	-34.27%	-35.57%	-6.17%
Russell 2000 Growth	-24.79%	-25.71%	0.14%

Inception Date: 09/30/2020

GIM Small Cap Focused Growth Composite Net of Fees



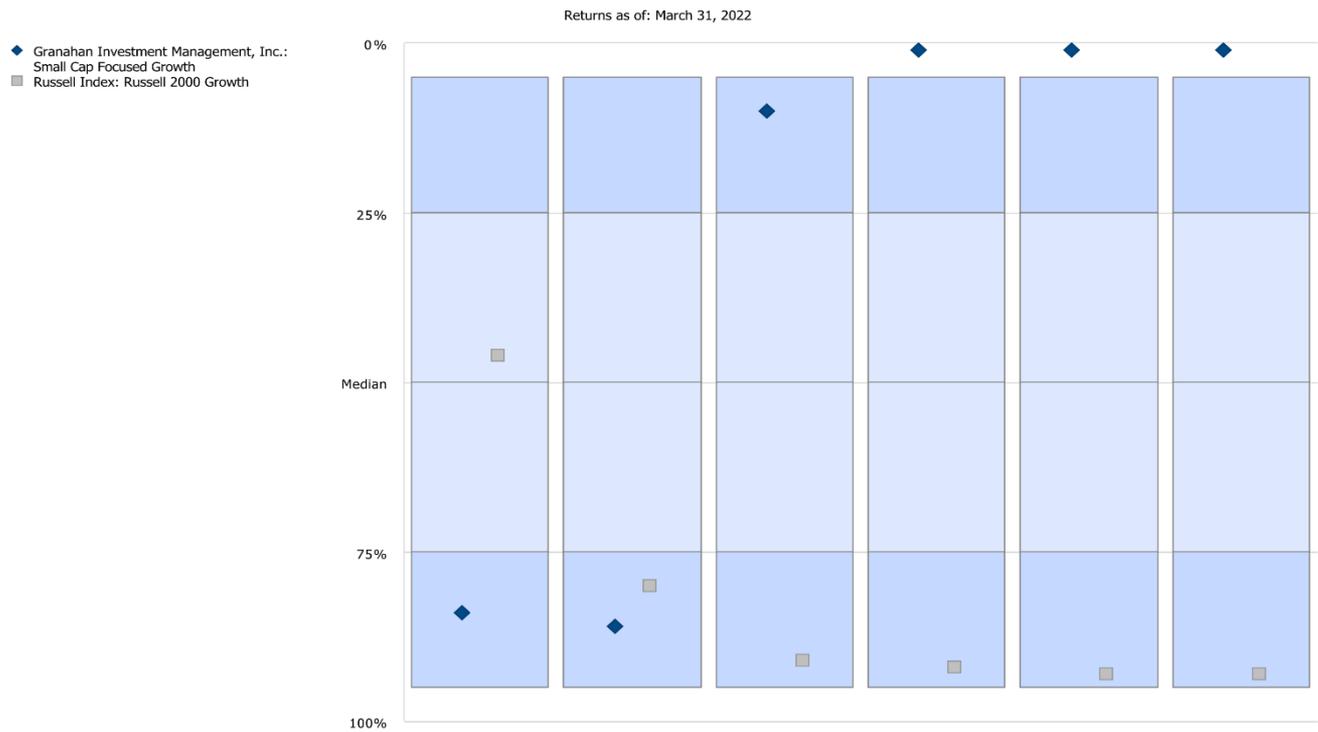
Performance is net of fees; Inception Date: 7/31/07

Past performance is no guarantee of future results.

The composite includes returns from the portfolio manager's prior firm, from inception of August 1, 2007 through December 30, 2011.



Peer Universe



Universe: eVestment US Small Cap Growth Equity (Percentile)

	RM	MRQ		1 Year		3 Years		5 Years		10 Years		Since Inception 14.5 Years ¹	
			Rk		Rk		Rk		Rk		Rk		Rk
5th percentile		-7.8		3.3		23.5		23.5		17.7		14.1	
25th percentile		-11.0		-3.2		18.1		18.3		15.2		11.7	
Median		-13.1		-8.1		15.6		15.6		14.0		11.0	
75th percentile		-15.6		-13.0		12.7		13.3		13.1		9.8	
95th percentile		-19.5		-21.2		9.3		9.5		10.5		8.5	
# of Observations		181		181		178		173		150		130	
◆ Granahan Investment Management, Inc.: Small Cap...	GF	-16.4	84	-15.9	86	21.1	10	29.0	1	22.7	1	18.3	1
■ Russell Index: Russell 2000 Growth	IX	-12.6	46	-14.3	80	9.9	91	10.3	92	11.2	93	8.6	93

Results displayed in USD using Spot Rate (SR).

¹Q4 2007 - Q1 2022

eVestment Alliance, LLC and its affiliated entities (collectively, "eVestment") collect information directly from investment management firms and other sources believed to be reliable, however, eVestment does not guarantee or warrant the accuracy, timeliness, or completeness of the information provided and is not responsible for any errors or omissions. Performance results may be provided with additional disclosures available on eVestment's systems and other important considerations such as fees that may be applicable. Not for general distribution and limited distribution may only be made pursuant to client's agreement terms. * All categories not necessarily included, Totals may not equal 100%. Copyright 2012-2022 eVestment Alliance, LLC. All Rights Reserved.

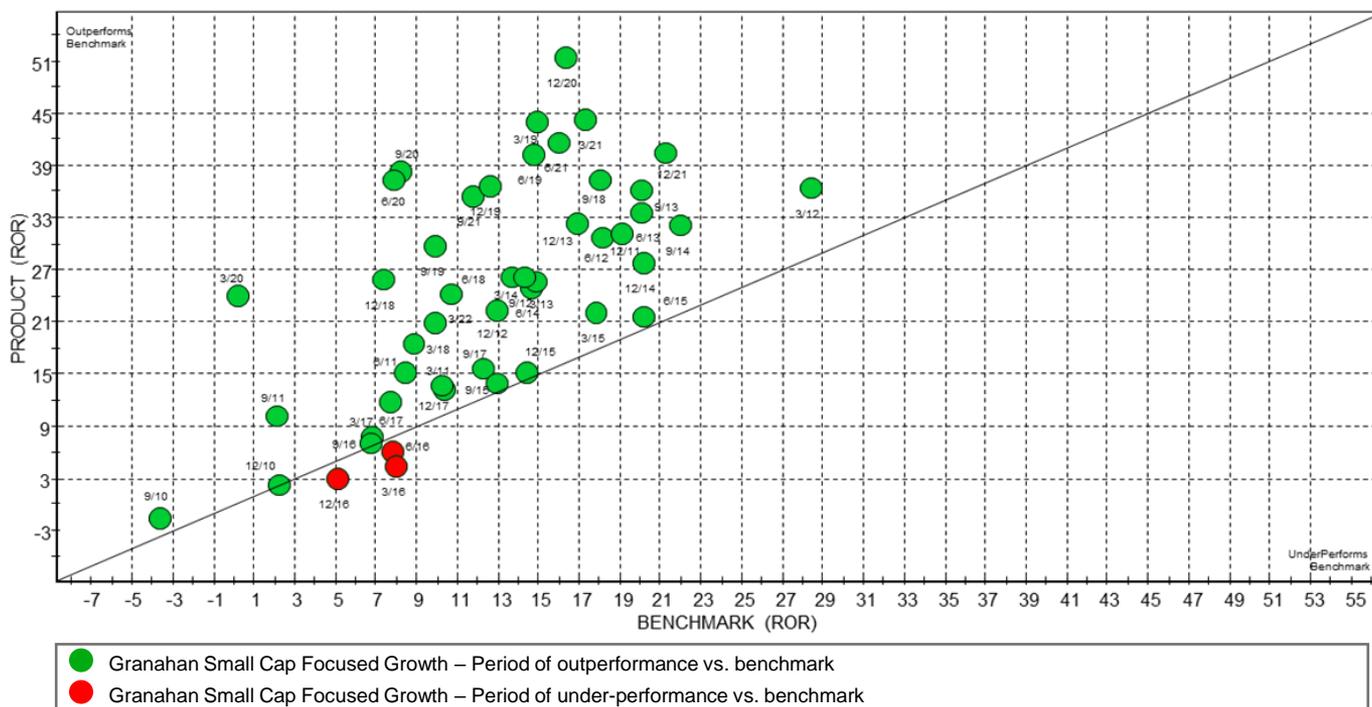


Results

➤ Philosophy and process have produced consistent long-term results:

- Returns: In excess of the Russell 2000 Growth Index 44 of 47 Periods

Small Cap Focused Growth Strategy
Rolling 3-Year Annualized Returns, 3-month intervals
 September 30, 2007 to March 31, 2022



Benchmark: Russell 2000 Growth

Small Cap Focused Growth composite, monthly returns, gross of fees

Source: Informais

The composite includes returns from the portfolio manager's prior firm, from inception of August 1, 2007 through December 30, 2011.

Past performance is no guarantee of future results.

This information is supplemental to the complete performance results and disclosures included in the back of this booklet.



Performance Attribution

Performance Attribution by Equity Sector (12/31/21 – 5/31/22)

Sector	SC Focused Growth			Russell 2000 Growth			Attribution Analysis		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection Effect	Total Effect
Health Care	5.08	17.03	0.64	23.87	-33.65	-8.62	1.65	1.92	3.57
Real Estate	5.69	-26.23	-0.77	3.28	-27.11	-0.94	-0.08	0.50	0.43
Telecommunications	--	--	--	2.32	-23.77	-0.55	-0.03	--	-0.03
Utilities	--	--	--	1.11	-20.22	-0.22	-0.05	--	-0.05
Consumer Staples	--	--	--	3.46	-15.88	-0.51	-0.28	--	-0.28
Financials	6.85	-33.27	-2.27	5.57	-25.39	-1.43	-0.01	-0.48	-0.49
Basic Materials	--	--	--	3.75	-7.77	-0.27	-0.54	--	-0.54
Energy	3.62	1.49	0.32	3.60	32.72	0.95	0.13	-0.76	-0.63
Technology	38.96	-32.65	-12.53	20.49	-28.96	-6.05	-0.74	-1.49	-2.23
Consumer Discretionary	21.79	-42.58	-9.94	15.86	-26.64	-4.34	-0.12	-3.76	-3.88
Industrials	16.78	-48.96	-9.53	16.70	-18.10	-2.83	0.04	-5.63	-5.59
[Cash]	1.22	0.21	0.00	--	--	--	0.41	--	0.41
Total	100.00	-34.09	-34.09	100.00	-24.80	-24.80	0.39	-9.69	-9.30

Performance – *Positives & Negatives*

Top 5 Positive Contributors

(12/31/21 – 5/31/22)

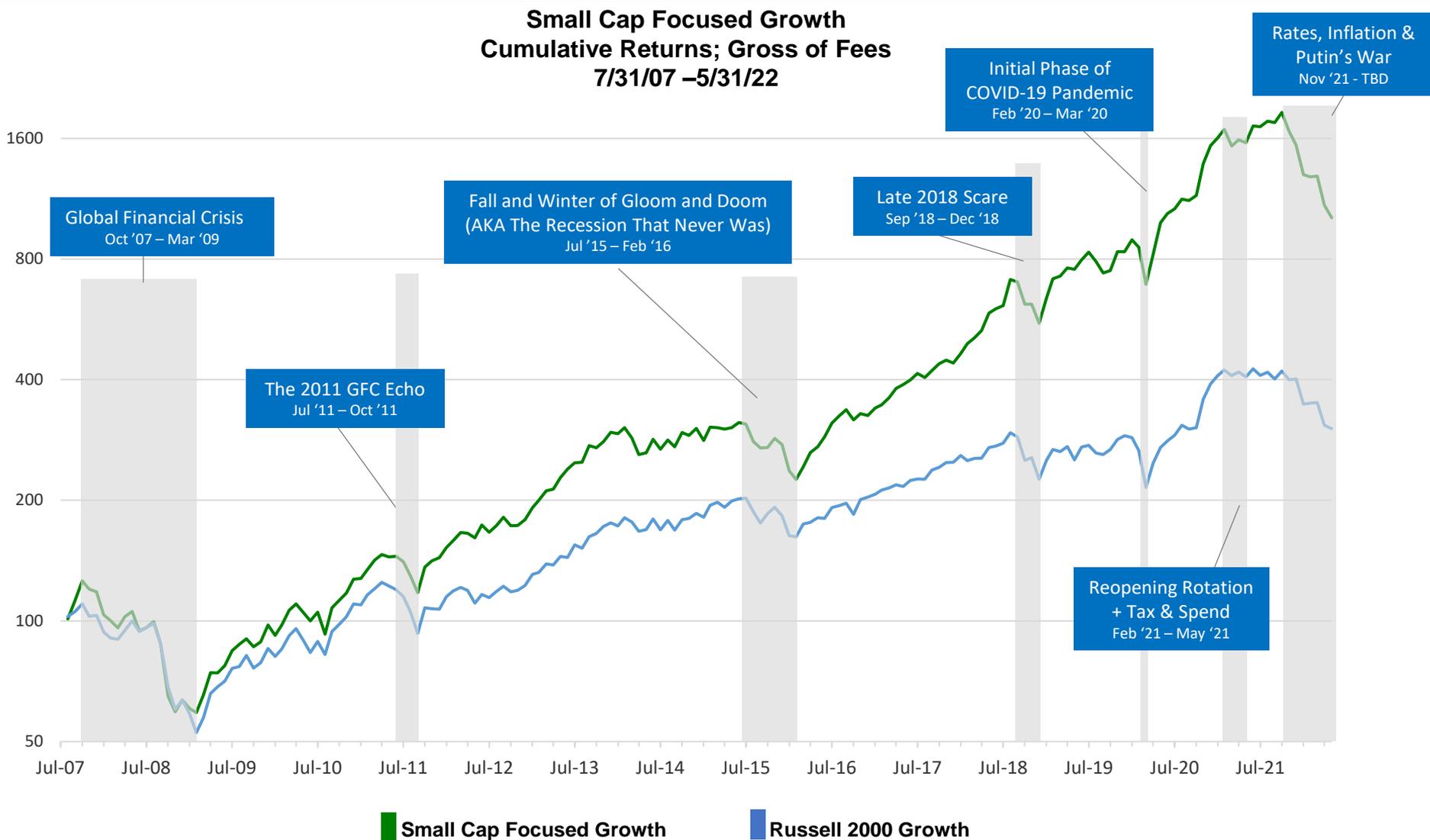
Security	Sector	Attribution Total Effect
Enphase Energy, Inc.	Energy	0.80
Datto Holding Corp.	Technology	0.76
HealthEquity Inc	Health Care	0.75
Evolent Health Inc Class A	Health Care	0.59
Bumble, Inc. Class A	Technology	0.51

Top 5 Detractors

(12/31/21 – 5/31/22)

Security	Sector	Attribution Total Effect
Kornit Digital Ltd.	Industrials	-3.88
Etsy, Inc.	Consumer Discretionary	-2.86
Porch Group, Inc.	Financials	-1.11
Enovix Corporation	Technology	-0.86
LivePerson, Inc.	Technology	-0.68

Granahan Focused Growth: Largest Drawdowns Since Inception



Past performance is no guarantee of future results. This information is supplemental to the complete performance results and disclosures.
The SCFG Composite returns are used 7/31/07 – 4/30/22.



Portfolio Characteristics & Top Ten Holdings

Portfolio Characteristics

May 31, 2022

Characteristic	SC Focused Growth	Russell 2000 Growth
Weighted Avg. Market Cap	\$7,335.2 mil	\$3,320.8 mil
Active Share	97.8%	-
Est 3-5 Yr EPS Growth	22.3%	21.9%
Forward P/E Ratio	37.8x	15.0x
LT Debt/Capital	34.4%	40.1%
Dividend Yield	0.06%	0.54%
Price to Book	3.8x	3.5x

Top Ten Holdings

May 31, 2022

Security	Percent of Portfolio
Paycom Software Inc	7.3%
CoStar Group Inc	7.3%
Axon Enterprise Inc	6.3%
SPS Commerce Inc	6.2%
Etsy Inc	5.8%
Enphase Energy Inc	4.8%
Kornit Digital Limited	3.6%
Azenta Inc	3.4%
Life Time Group Holdings Inc	3.3%
Stratasys Ltd	3.3%

The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. This information is presented as supplemental to the GIPS Report at the end of this presentation.



Portfolio Holdings – May 31, 2022

Security	Portfolio Weight	Benchmark Weight
Aerospace & Defense	6.28	0.46
Axon Enterprise Inc	6.28	--
Diversified Consumer Services	6.04	0.15
Bright Horizons Family Solutions, Inc.	1.89	--
Chegg, Inc.	0.85	--
Life Time Group Holdings, Inc.	3.31	0.03
Diversified Financials Services	4.55	0.03
Genius Sports Limited	1.11	--
Porch Group, Inc.	1.64	0.03
Victory Capital Holdings, Inc. Class A	1.80	--
Electronic Equipment Instruments & Components	6.09	3.05
OSI Systems, Inc.	2.82	0.01
Stratasys Ltd.	3.26	--
Health Care Providers & Services	2.92	4.22
HealthEquity Inc	2.92	0.46
Health Care Technology	3.19	0.88
Evolent Health Inc Class A	3.19	0.04
Hotels Restaurants & Leisure	2.61	4.10
First Watch Restaurant Group, Inc.	1.22	0.01
OneSpaWorld Holdings Ltd.	1.39	0.02
Household Durables	1.98	2.14
Lovesac Company	1.98	0.04
Interactive Media & Services	0.88	0.91
EverQuote, Inc. Class A	0.88	0.02
Internet & Direct Marketing Retail	8.21	0.66
Etsy, Inc.	5.83	--
Liquidity Services, Inc.	1.96	0.03
Overstock.com, Inc.	0.42	0.12

Security	Portfolio Weight	Benchmark Weight
Life Sciences Tools & Services	3.44	0.82
Azenta, Inc.	3.44	--
Machinery	3.55	4.37
Kornit Digital Ltd.	3.55	--
Media	1.93	0.58
Magnite, Inc.	1.93	0.13
Professional Services	7.27	2.58
CoStar Group, Inc.	7.27	--
Semiconductors & Semiconductor Equipment	6.68	5.99
Enovix Corporation	1.87	--
Enphase Energy, Inc.	4.82	--
Software	33.41	9.06
Appian Corporation Class A	0.24	0.17
Bumble, Inc. Class A	2.02	--
Coupa Software, Inc.	1.82	--
Domo, Inc. Class B	1.48	0.08
Globant SA	0.73	--
LivePerson, Inc.	1.62	0.10
Paycom Software, Inc.	7.31	--
Paylocity Holding Corp.	1.78	--
ShotSpotter, Inc.	1.09	0.02
Sprout Social Inc Class A	0.84	0.21
SPS Commerce, Inc.	6.24	0.35
Toast, Inc. Class A	2.61	--
Workiva Inc. Class A	2.50	0.28
Zeta Global Holdings Corp. Class A	3.14	--
[Cash]	0.96	--



This information is supplemental to the complete performance results and disclosures included in the back of this booklet.

Appendix

The GIM Edge

- We are independently owned. **We seek to fully align our interests with our clients**, and our investment team has substantial personal assets invested in our strategies.
- We are **Small Cap Growth Equity Specialists**.
- Our investment team of experts in this asset class are extremely **experienced** and have a **tremendous network** in an inefficient market.
- Our proprietary **Expected Return Tool**, utilized to construct the Focused Growth portfolio, guides us to invest in what we believe are well-positioned sustainable growth companies when risk/reward is attractive, and we believe has been proven to be successful for over several market cycles.
- Our **focus** and **commitment** to providing exceptional service through a team approach seeks to ensure quality and strong partnerships for our clients, their consultants and custodians.

Investment Team Biographies



JANE M. WHITE

Jane White is co-Founder, President & CEO, and a Senior Managing Director of Granahan Investment Management. Jane’s portfolio management and research has an emphasis on the technology sector. Prior to founding Granahan Investment Management in 1985, Jane worked at Granahan-Everitt Investments as a Technology Research Analyst. She started her investment career at Loomis-Sayles in Boston where she was a Research Assistant. Jane received her B.A. from Boston University and is a member of the CFA Institute and the CFA Society Boston.

ANDREW L. BEJA, CFA

Drew Beja is a Senior Vice President and Managing Director of the firm. Drew is the portfolio manager of the GIM Small Cap Focused Growth strategy, and he also manages a portion of the multi-managed portfolios. Drew joined Granahan Investment Management at the end of 2011 bringing 30 years industry experience to the firm, primarily in the small and SMID cap sector of the market. From 2000 to 2011, Drew was with LMCG in Boston, a firm he co-founded and where he managed several small and SMID cap growth equity products. In 2007, he started the Focused Growth product that he continues to manage at Granahan. Prior to LMCG, Drew was a portfolio manager with Standish, Ayer & Wood. Before moving to the buy-side, Drew was an equities analyst for Advest. Drew received his BA from Miami University. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society Boston.



DAVID M. ROSE, CFA

David Rose is a Senior Vice President, Chief Investment Officer, and a Managing Director of the firm. David is the portfolio manager for GIM’s Small Cap Select, SMID-Select and MidCap Select strategies, as well as overseeing a portion of the multi-managed Small Cap and SMID-Cap portfolios. David joined GIM in 2015 and has over 20 years industry experience, including as a portfolio manager for several highly ranked equity funds. Prior to joining GIM, most recently David was a partner with Furey Research Partners in Boston, where he conducted small cap equity research for use by the firm’s investment manager clients. Prior to his work at Furey Research, David spent much of his career as a portfolio manager with American Century Investments in Kansas City, MO, before moving to Pyramis Global Advisors in Smithfield, RI to manage a new mid-cap fund. David received his MS in Finance from the University of Wisconsin at Madison, and his BS in Business Administration from Washington University in St. Louis, MO. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute.



JENNIFER M. PAWLOSKI

Jennifer Pawloski is a Senior Vice President, Financial Officer and Managing Director of GIM. Jennifer’s research has an emphasis in the Technology sector, and she is a portfolio manager for the multi-managed Small Cap and SMID-Cap portfolios. Prior to joining Granahan in 2007, Jennifer was the Director of Equity Research for Longwood Investment Advisors in Boston. Jennifer also worked with the Boston Company as a Vice President. Jennifer received her BS from Bentley College.



JEFFREY A. HARRISON, CFA

Jeff Harrison is a Senior Vice President and Managing Director of the firm. Jeff is a portfolio manager/analyst for the multi-managed Small Cap and SMID-Cap portfolios. Jeff came to GIM in 2015 with 18 years industry experience specializing in small cap equities, with the last 11 years as a portfolio manager. Jeff has spent much of his career as portfolio manager on a diversified small cap growth equity fund with Wells Capital Management and its predecessor companies in Richmond, VA. Jeff has extensive fundamental research experience across industries with specific expertise in the healthcare and financial services sectors. Jeff received his MBA in Finance from the College of William & Mary, and his BA from Hampden-Sydney College in Virginia. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute.



Investment Team Biographies



RICHARD WATSON, CFA

Rich Watson is a Senior Vice President and portfolio manager at Granahan Investment Management. Rich joined GIM in April 2021, bringing with him 30 years of experience in the healthcare sector, with expertise in biotech and life sciences. Most recently, Rich was a senior portfolio manager and healthcare analyst at Columbia Wanger Asset Management in Chicago. Prior experience includes work as a health care analyst at William Blair & Company and Cowen. Rich also worked several years in the pharmaceutical industry. Rich earned a BS-Biochemistry/Biophysics from State University of New York and his MBA-Finance from DePaul University. Rich holds the Chartered Financial Analyst designation and is a member of the CFA Institute.

CHRISTOPHER C. MARTIN, CFA

Chris Martin is a Vice President of Granahan Investment Management. Chris joined GIM in 2021, bringing with him an extensive background in global small cap investing. In addition to contributing to GIM's Global Small Cap strategy, Chris oversees the GIM International Small Cap portfolio and supports research to GIM's US small cap strategies. Prior to joining GIM, Chris spent 11 years at Copper Rock Capital Partners in Boston, the last 7 as part of the Global Equity team. Chris also worked in small cap equity research for four years at Wellington Management Company and for two years with Credit Suisse First Boston. Other work experience includes time with Fidelity Investments and Citigroup. Chris received his BBA from Texas A&M University. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society Boston.



SUSAN M. ELLIS

Sue Ellis is a Senior Vice President and GIM's Head Trader, and she is a shareholder in the firm. Sue joined Granahan Investment Management in 1994 from Bay Bank in Boston, where she worked as an investment officer and trader. Sue started her career at Bay Bank in Waltham. Sue received her BA from University of Massachusetts at Lowell.

ELISE W. O'CONNELL, CFP®, CMT®

Elise O'Connell is a Vice President and Senior Trader at Granahan Investment Management. Elise joined GIM in 2018 with over 22 years of equity trading experience, and an emphasis in trading small and SMID-cap securities. Prior to joining GIM, Elise was a Director of Business Operations at Vivox in Boston. Elise was the Head Equity Trader at Century Capital Management, where she worked from 2011 to 2017, and was a Senior Equity Trader with LMCG in Boston where she traded both domestic and international securities from 2001 to 2011. Prior to LMCG, Elise was a Senior Equity Trader for HLM Management in Boston. Elise started her career in San Francisco trading for Montgomery Asset Management. Elise received her BA from Denison University and a certificate in financial planning from Boston University. She is a CERTIFIED FINANCIAL PLANNER™, a Chartered Market Technician® and a member of the Boston Security Traders Association.



JOSEPH CARGILE

Joe Cargile is a Vice President and Senior Trader at Granahan Investment Management. Joe joined GIM in March 2021 as a veteran trader with special expertise in small cap equities, both domestic and international. Joe most recently worked as the Head Trader at Cadence Capital Management in Boston, where he was on the trading team for over 20 years. Prior experience also included time at the Boston Stock Exchange. Joe earned his BBA-Finance at the University of Massachusetts, Amherst.



Small Cap Focused Growth - Performance Disclaimers

Date	Small Cap Focused Growth Composite									
As of 5/31/2022	Composite Gross Return	Russell 2000 Growth Return	Composite Assets \$ Mil	Composite # Accts	Composite 3-Yr. Std. Dev.	Russell 2000 Growth 3-Yr. Std. Dev.	Composite Dispersion	Composite Net Return	Non-Fee Assets	Firm Assets \$ Mil
YTD 2022	-34.14%	-24.79%	\$1,450.8	53	31.50	24.43	NA	-34.44%	0.3%	\$3,271.4
2021	0.29%	2.83%	\$2,345.6	50	29.06	23.07	1.24	-0.70%	0.3%	\$4,964.2
2020	84.02%	34.63%	\$2,503.9	36	29.64	25.10	0.97	82.68%	0.3%	\$4,573.1
2019	50.83%	28.48%	\$1,080.7	23	20.44	16.37	2.58	49.54%	0.2%	\$2,211.3
2018	25.60%	-9.31%	\$622.7	14	20.47	16.46	1.45	24.53%	0.2%	\$1,481.6
2017	35.40%	22.17%	\$526.5	11	17.34	14.59	1.19	34.55%	0.2%	\$1,350.8
2016	18.07%	11.32%	\$331.7	6	19.72	16.67	NA	17.38%	0.3%	\$2,996.5
2015	-8.83%	-1.38%	\$336.9	6	17.33	14.95	NA	-9.34%	0.2%	\$3,045.4
2014	2.17%	5.60%	\$211.8	6	15.87	13.82	NA	1.61%	0.4%	\$3,516.6
2013	65.19%	43.30%	\$93.0	<5	16.73	17.27	NA	64.49%	1%	\$4,056.7
2012	24.55%	14.59%	\$26.5	<5	21.23	20.72	NA	23.36%	2%	\$3,049.4
2011	13.19%	-2.91%	\$0.4	<5	23.12	24.31	NA	12.07%	100%	\$2,741.5
2010	30.06%	29.08%	\$5.4	8	29.56	27.70	0.15	28.81%	7%	
2009	53.80%	34.47%	\$4.2	8	NA	24.85	0.06	52.33%	10%	
2008	-46.34%	-38.54%	\$1.9	6	NA	21.26	NA	-46.91%	10%	
2007*	18.24%	3.27%	\$.4	<5	NA	14.23	NA	17.76%	100%	

NA – Dispersion information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year; Standard deviation information has fewer than three years’ data. *Partial year performance: August 1, 2007 through December 31, 2007

Composite Footnotes

Granahan Investment Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Granahan Investment Management has been independently verified for the periods January 1, 1993 through December 31, 2019. 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. The Small Cap Focused Growth Composite has been examined for the periods beginning January 1, 2012 up to and including December 31, 2019. The verification and performance examination reports are available upon request. GIM is an independent, SEC-registered investment firm that oversees small and mid-cap equity portfolios for large institutions and wealthy individuals. The Small Cap Focused Growth product utilizes fundamental, bottom-up research and analysis to invest in companies in the small cap sector of the market that exhibit sustainable high earnings growth, with a focus on the technology services, internet, consumer, and business services sectors. The benchmark for the Small Cap Focused Growth product is the Russell 2000 Growth. The composite, created in December 2011, is calculated by asset-weighting the performance of each account on a monthly basis. The composite includes returns from the portfolio manager’s prior firm, from inception of August 1, 2007 through December 31, 2011. Accounts are included beginning with the first full month under management and terminated accounts are included in the composite. Performance calculations, expressed in U.S. dollars, produce a total return including cash and the reinvestment of dividends and interest. Effective July 1 2016, the composite is subject to a significant cash flow removal policy for accounts with external flows greater than or equal to 75% of market value. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The dispersion is a standard deviation using equal-weighted total returns for accounts in the composite the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Leverage is not utilized. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Returns are gross of investment management fees, which when included, reduce investment returns. Beginning 10/31/2012, net returns are total returns reduced by actual investment management fees. Prior to 10/31/12 and for accounts which pay no management fee, the standard management fee applicable is applied to calculate the net return. The standard fee for accounts managed in the Small Cap Focused Growth style is payable quarterly in arrears and is calculated by applying the ANNUAL rate of 1.00% times the average value of the assets in the account on the last day of each month in the quarter. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. Market value is based on trade date and security pricing is supplied by Telemet. A complete list and description of all of the firm’s composites is available upon request. Past performance is no guarantee of future results.

Disclaimers

The information provided should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account’s portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account’s entire portfolio and in the aggregate may represent only a small percentage of an account’s portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Granahan Investment Management LLC ("GIM") is an independent SEC registered investment advisor. Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that GIM or any person associated with GIM has achieved a certain level of skill or training. This material is provided for informational and educational purposes only.





LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: JULY 12, 2022
ITEM: V

Neil M. Guglielmo

SUBJECT: SEMI-FINALISTS OF THE TRANSITION MANAGEMENT SERVICES REQUEST FOR PROPOSAL AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee concur with staff's recommendation to advance the following five firms as semi-finalists for the Investment Transition Management Services search: Abel Noser, LLC; BlackRock Institutional Trust Company, N.A.; Citigroup Global Markets Inc.; The Northern Trust Company, Inc; and Russell Investments Implementation Services, LLC.

Executive Summary

The Board-approved request for proposal (RFP) for the Investment Transition Management Services search opened on February 14, 2022, and closed on April 11, 2022. A total of eight proposals were received; no proposals were received by emerging investment manager firms. Following review, all eight firms met the minimum qualifications and were evaluated by staff. Five firms are recommended to proceed as semi-finalists in this search: Abel Noser, LLC; BlackRock Institutional Trust Company, N.A.; Citigroup Global Markets Inc.; The Northern Trust Company, Inc; and Russell Investments Implementation Services, LLC.

Background

The Board approved a request for proposal (RFP) process to evaluate the current marketplace for Transition Management Services on January 25, 2022. LACERS is seeking a bench of up to five transition managers to manage LACERS' portfolio restructuring needs.

The search opened on February 14, 2022, and closed on April 11, 2022. The RFP was published on LACERS' website and was advertised in the Pensions and Investments and Emerging Manager Monthly publications. The RFP was also advertised online through the following organizations: Association of Asian American Investment Managers, National Association of Securities Professionals, and the New America Alliance. Further, the RFP was emailed to all contacts within the LACERS Investment RFP/RFI Subscription Service database.

Search Results

A total of eight firms responded to the RFP and all eight firms met the minimum qualifications required to participate in the search:

- Abel Noser, LLC (incumbent firm)
- BlackRock Institutional Trust Company, N.A. (incumbent firm)
- Citigroup Global Markets Inc. (incumbent firm)
- Loop Capital Markets, LLC (incumbent firm)
- Macquarie Capital (USA), Inc. (incumbent firm)
- Northern Trust Investments, Inc.
- Russell Investments Implementation Services, LLC
- State Street Bank and Trust Company

Evaluation Criteria

Staff evaluated the respondents based on the methodology stated in the RFP. The scoring criteria and corresponding weightings established in the RFP are as follows:

Criteria	Weight
Qualifications and experience of organization and transition management team	25%
Philosophy and process for managing transitions	25%
Access to liquidity	25%
Historical transition costs and performance	25%

The attached evaluation report includes a scoring matrix with these criteria and the underlying factors staff considered in evaluating the respondents. Scores ranging between 0 and 100 were assigned to each criterion. These scores were then averaged using the weights identified in the matrix above to derive a total score for each respondent. Based on the evaluation and the resulting scores, staff recommends the five highest-ranking firms as semi-finalists:

- Abel Noser, LLC (incumbent firm)
- BlackRock Institutional Trust Company, N.A. (incumbent firm)
- Citigroup Global Markets, Inc. (incumbent firm)
- Northern Trust Investments, Inc.
- Russell Investments Implementation Services, LLC

Upon Investment Committee concurrence of the proposed semi-finalist firms, staff will conduct additional due diligence, including on-site meetings and reference checks. Following completion of this assessment, staff will recommend qualified semi-finalist firms for interview and consideration by the Committee, consistent with the process approved by the Board on January 25, 2022.

Strategic Plan Impact Statement

The RFP for investment transition management services to create a bench of transition managers assists the fund with optimizing long-term risk adjusted investment 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: James Wang, Investment Officer I, Investment Division

NMG/RJ/BF/JW:rm

Attachment: 1. Investment Transition Management Services Request for Proposal Evaluation Report



2022

INVESTMENT TRANSITION MANAGEMENT SERVICES REQUEST FOR PROPOSAL
EVALUATION REPORT

Investment Committee
July 12, 2022

SCORING CRITERIA FACTORS

1. QUALIFICATIONS AND EXPERIENCE OF ORGANIZATION AND TRANSITION MANAGEMENT TEAM (25%)

- a. Seasoned with robust work experience
 - i. Number of years in transition management
 - ii. Number of cumulative years in key personnel team (total industry experience)
 - iii. Number of key transition management personnel
 - iv. Number of traders (trading and execution only)
 - v. Turnover (departures/additions)
- b. Experience with similar public pension plans
- c. Robust organization and complete build-out of all functional areas including trading, compliance, back-office, reporting, technology, business continuity, etc.
- d. Potential growth of transition management services
- e. Ability to manage conflicts of interest and ensure compliance and regulatory matters are adhered to

2. PHILOSOPHY AND PROCESS FOR MANAGING TRANSITIONS (25%)

- a. Understands role as a fiduciary to LACERS
- b. Articulation of successful transition
- c. Differentiations
 - i. Strengths
 - ii. Specialties
- d. Flexibility in approach to achieving client goals and objectives
- e. Addresses and articulates risk management
- f. Reporting capabilities
- g. Managing market exposure

3. ACCESS TO LIQUIDITY (25%)

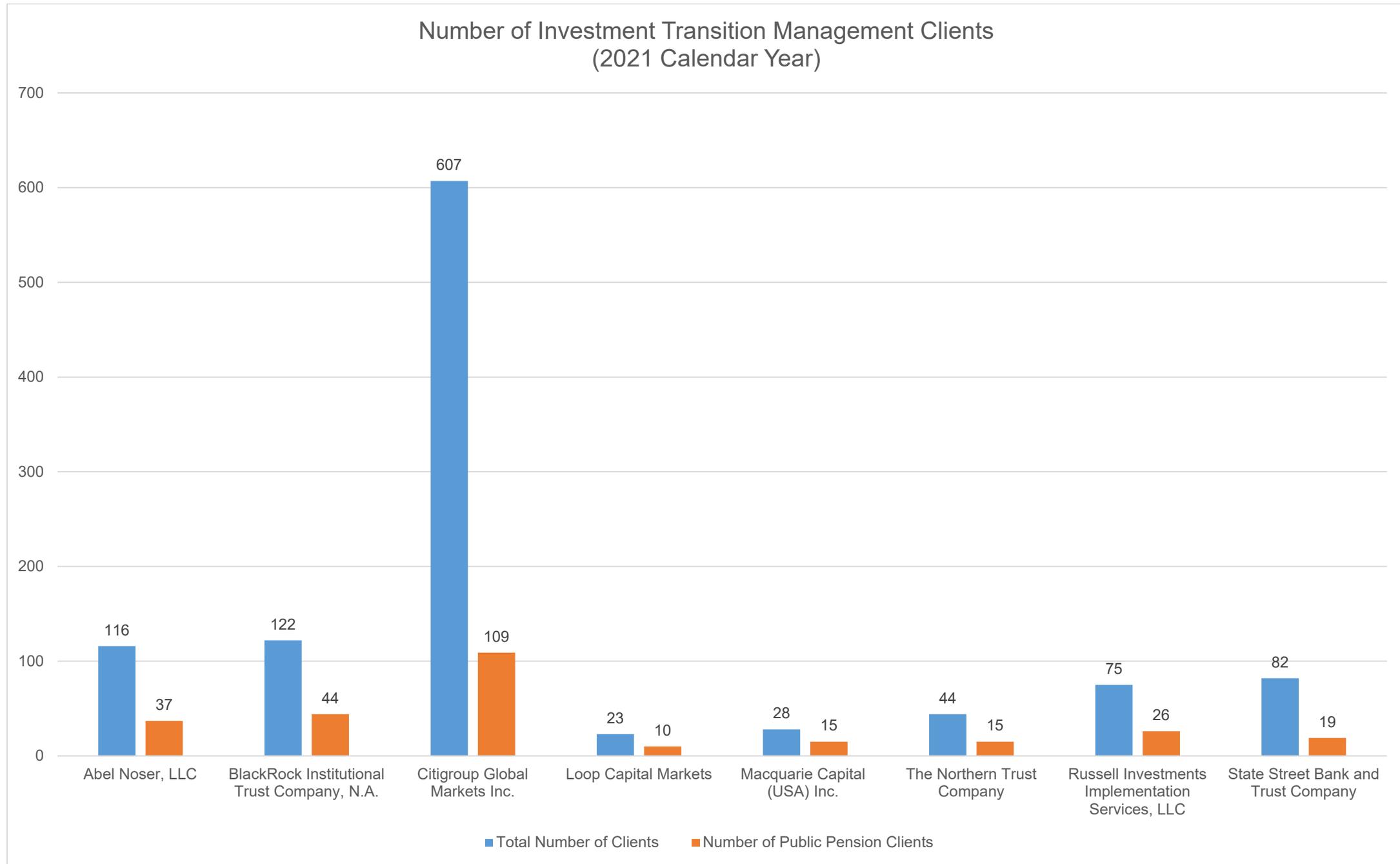
- a. Crossing networks
- b. Managing explicit and implicit costs
- c. Minimizing information leakage

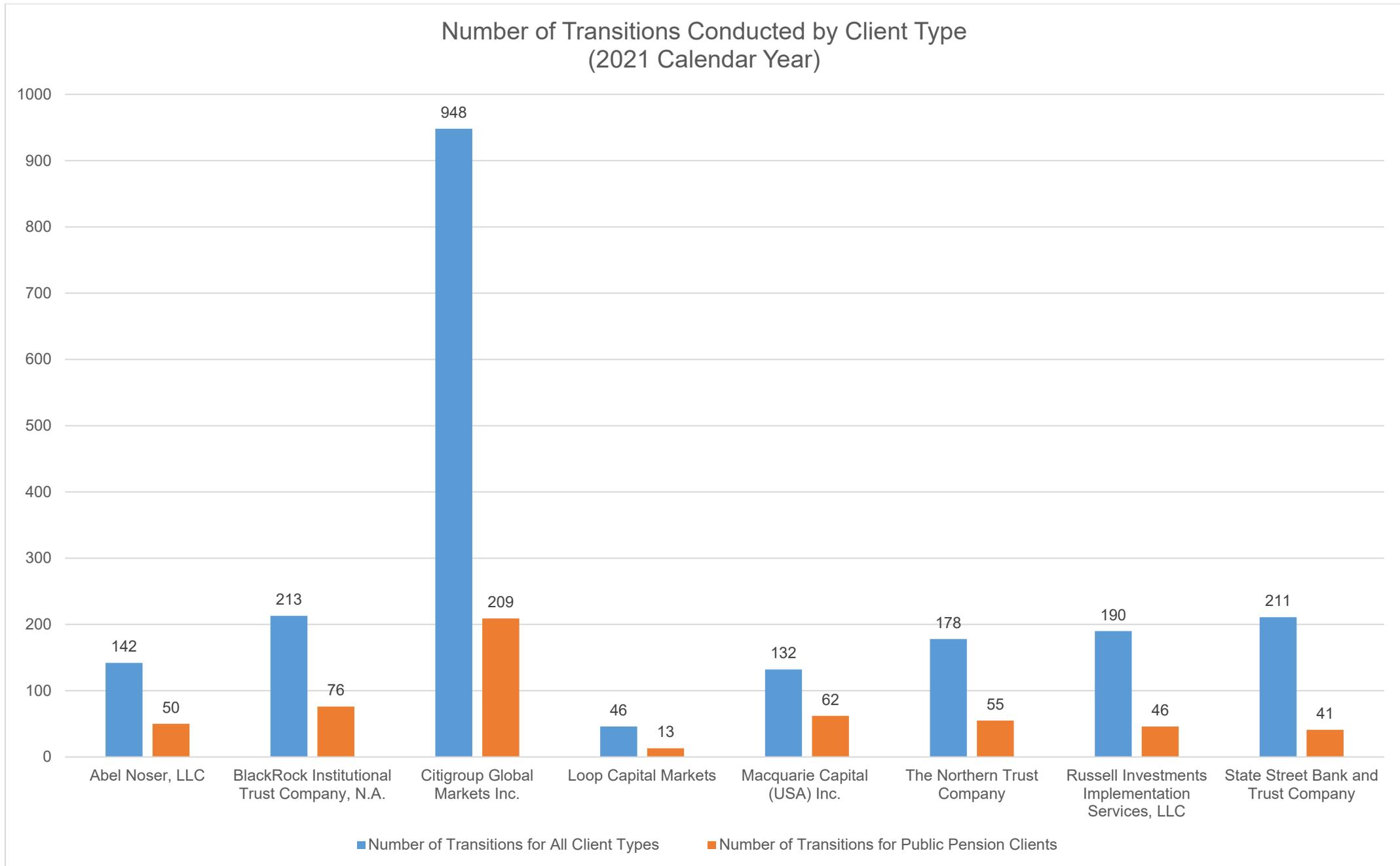
4. HISTORICAL TRANSITION COSTS AND PERFORMANCE (25%)

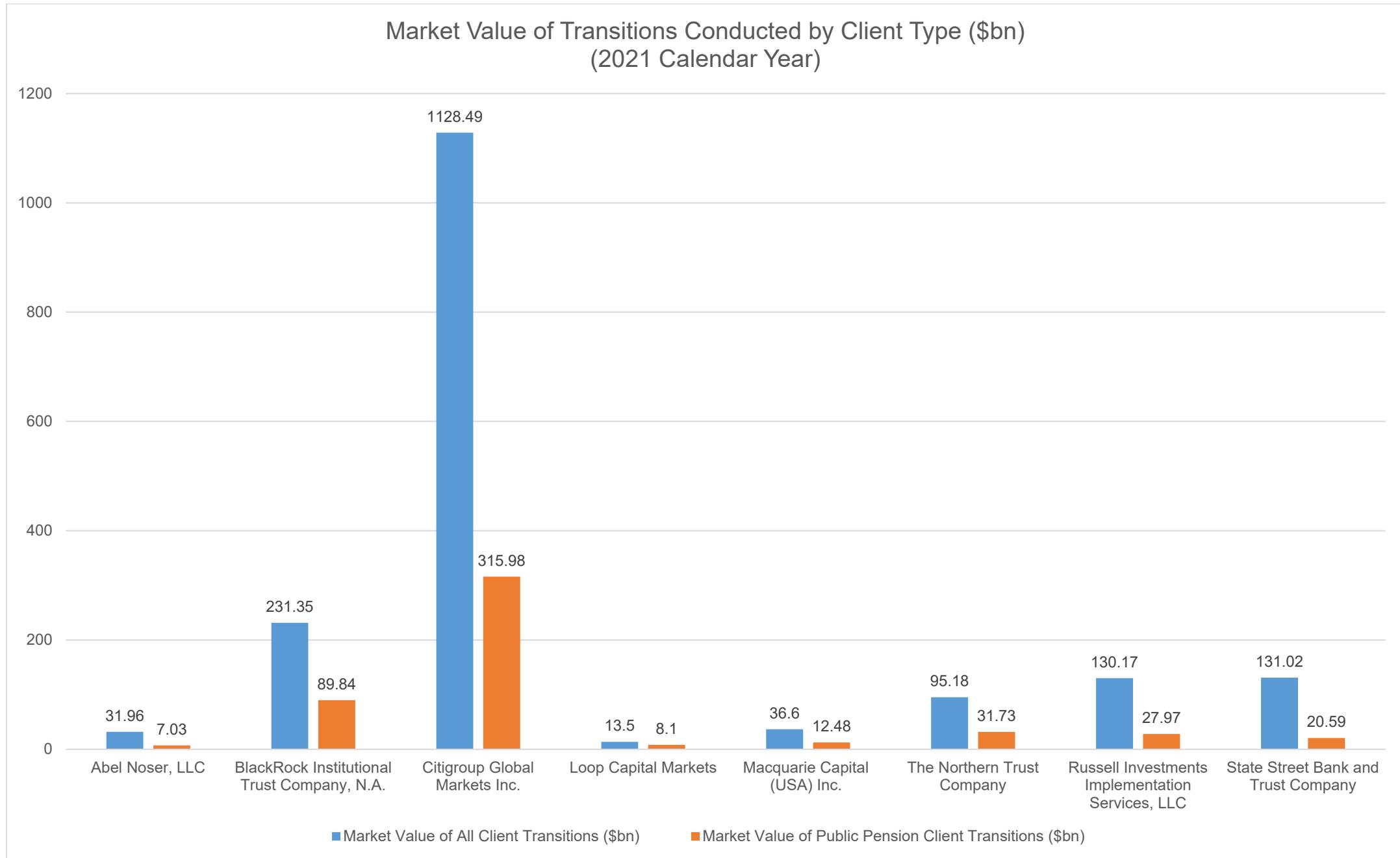
- a. Average cost of transition per asset class
- b. Accuracy of pre-trade estimate
- c. Transition volume

Firm Overview

Organization's Legal Name	Abel Noser, LLC	BlackRock Institutional Trust Company, N.A.	Citigroup Global Markets Inc.	Loop Capital Markets	Macquarie Capital (USA) Inc.	The Northern Trust Company	Russell Investments Implementation Services, LLC	State Street Bank and Trust Company
City of local or primary office servicing the LACERS account	New York, NY	San Francisco, CA	New York, NY	Chicago, IL	New York, NY	Chicago, IL	Seattle, WA	Irvine, CA
Year firm began providing transition management services	1986	1993	1996	2003	2009	1988	1980	1979
Total transition management and support staff	47	60	220	40	51	91	21	66
Ownership structure of the firm	Private	Public	Public	Private	Public	Public	Private	Public







Scoring Matrix

(Proposed Semi-finalists shaded in blue)

Criteria	Weight	Abel Noser, LLC	BlackRock Institutional Trust Company, N.A.	Citigroup Global Markets Inc.	The Northern Trust Company	Russell Investments Implementation Services, LLC	Proposal A	Proposal B	Proposal C
Qualifications and experience of organization and transition management team	25%	94.31	95.25	95.00	94.94	85.63	86.63	73.81	82.94
Philosophy and process for managing transitions	25%	92.53	94.11	95.59	91.13	92.23	84.55	87.56	92.22
Access to liquidity	25%	83.75	95.00	98.08	87.42	88.08	82.67	85.00	79.33
Historical transition costs and performance	25%	88.08	81.83	92.83	78.42	73.58	72.50	75.33	74.67
Total Score	100%	89.67	91.55	95.38	87.97	84.88	81.58	80.43	82.29



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: JULY 12, 2022
ITEM: VI

Neil M. Guglielmo

SUBJECT: UNIQUE INVESTMENT OPPORTUNITIES POLICY AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee consider and provide comments to the proposed Unique Investment Opportunities Policy.

Discussion

The Board believes that the LACERS investment portfolio is best managed when additional tools are available for staff to address and respond to dynamic and rapid changes to investment markets. Staff developed the attached proposed Unique Investment Opportunities Policy (UIOP), which sets forth guidelines to invest in unique, time-sensitive strategies expected to enhance the risk-adjusted returns of the LACERS investment portfolio. UIOP investments typically arise during periods of market stress, dislocations, or changing market dynamics and have the potential to generate returns in excess of those expected from traditional investments within the LACERS portfolio. Two key defining characteristics of a UIOP investment are a short window of time to capitalize on the opportunity and a short-term investment horizon; such an opportunity would be missed if it were subject to a traditional and lengthy request for proposal search process. Therefore, the proposed policy provides limited discretion to staff, with concurrence from the appropriate investment consultant, to consummate UIOP investments similar to the limited discretion provided to staff and consultant under the Private Equity Investment Policy.

The proposed UIOP has been reviewed by NEPC, LLC, LACERS' General Fund Consultant; Aksia LLC, LACERS' Private Equity Consultant; The Townsend Group, LACERS' Real Estate Consultant; and the Office of the City Attorney.

Staff request the Committee to provide further comments regarding the proposed UIOP.

Strategic Plan Impact Statement

The Unique Investment Opportunities Policy assists the Board with optimizing LACERS' long-term risk-adjusted return profile (Goal IV) and promotes good governance practices (Goal V).

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

NMG/RJ/BF/JW:rm

Attachment: 1. Proposed Unique Investment Opportunities Policy

UNIQUE INVESTMENT OPPORTUNITIES POLICY

A. Purpose

The Board believes that LACERS Total Fund (Total Fund) is best managed when additional tools are available for Staff to address and respond to dynamic and rapid changes to investment markets or a particular sector. The Unique Investment Opportunities Policy (UIOP) sets forth a framework and guidelines to provide Staff limited discretion to invest in unique, time-sensitive strategies (Unique Investment Opportunities or UIO) expected to enhance Total Fund risk-adjusted returns. UIO investments typically arise during periods of market stress, dislocations, or changing market dynamics and have the potential to generate returns in excess of those expected from traditional investments within the LACERS portfolio. UIO investments generally have limited windows of opportunity, short-term investment horizons, and reasonable likelihood of return of capital; therefore, this policy is designed to give limited investment discretion to Staff to expediently and efficiently consummate such investments.

B. Investment Objectives

The objective of the UIOP is to proactively identify and utilize opportunistic investments within public and private markets that may or may not have an existing long-term asset allocation policy or risk budget targets in the LACERS portfolio. UIO investments may be made in order to accomplish one or more of the following:

1. Generate incremental returns equal to or in excess of LACERS' actuarial assumed rate of return, commensurate with risk.
2. Generate incremental returns in excess of expected returns from LACERS' traditional portfolio of investments—as identified by the asset allocation policy and risk budget targets—commensurate with risk.
3. Reduce downside volatility and optimize risk-adjusted returns for the LACERS portfolio by investing in UIO that have low correlations to existing investments.

C. Scope and Characteristics of Unique Investment Opportunities

UIO investments may be public or private markets investments and may span the capital structure of companies, properties, and other asset types or investment vehicles. Investments to be pursued under the UIOP generally exhibit, but are not limited to, the following characteristics:

1. Situational Economic and Market Conditions - UIO investments generally arise from the following economic and market circumstances:
 - Capital shortages – driven by low market liquidity or scarce capital that result in attractive asset pricing

- Extreme valuations – driven by unique events or macroeconomic environments, in some cases unrelated to fundamentals and resulting in significantly discounted valuations relative to the historical long-run values
 - Stressed or distressed markets – where economic stresses force non-economic sellers to transact at a significant discount relative to fair market value
 - Structural changes – caused by abrupt structural changes including technological disruptions, regulatory changes, capital market structures, or other factors
 - Innovations – where a new phenomenon or development creates opportunities driven by a slow market response to new information and expected trends
 - Niche investment markets – characterized by narrow markets with limited opportunities for capital deployment such as sector-focused fund investments and other funds with niche strategies
2. Limited Windows of Opportunity and Investment Horizons – UIO investments are generally fleeting investment opportunities with brief windows of opportunity to access the investment and execute a transaction. UIO investments may have shorter term holding periods of approximately one to five years as the economic and/or market pressures driving the UIO dissipate and the underlying investment theme matures.
 3. Limited Liquidity – UIO investments, particularly those made in private markets or in non-traditional asset classes, may require a lock-up of capital in order to capture the return potential of the opportunity.
 4. Non-traditional Risk-Return Profiles – UIO investment risk-return profiles may differ from traditional public or private market investments due to the idiosyncratic nature of UIO investments, which may emphasize certain risk factors such as deep value style bias, sector/industry concentration, or credit risk. UIO investments may have unusual cash flow patterns (e.g., asymmetric payoffs) and may distribute cash more or less frequently than traditional strategies.

D. Investment Guidelines

UIO investments may be made in public or private market investment strategies that are either not currently utilized by LACERS (i.e., the strategy does not have an existing target allocation pursuant to the approved Asset Allocation Policy and risk budgets) or have

existing allocations in the LACERS portfolio. UIO shall be managed by external investment managers and have time horizons deemed appropriate for the strategy and commensurate with similar investments held in the LACERS portfolio. Both public and private market UIO investments may be implemented through separate accounts, open-end commingled funds, closed-end commingled funds, or any other suitable investment structure.

For public market UIO investments, each investment may not exceed 0.5% of the total market value of the LACERS portfolio at the time of investment. For private market UIO investments, the commitment size of each investment may not exceed 0.5% of the total market value of the LACERS portfolio at the time of commitment. Total value of UIO investments and unfunded commitments shall be limited to 5% of the total market value of LACERS portfolio.

Each UIO shall be attributed to an existing asset class in LACERS' allocation strategy. The underlying assets of each UIO investment shall be considered to determine which asset class it will be classified under for purposes of overall portfolio construction, diversification, risk budgeting, risk management, and asset allocation considerations.

The funding of any UIO investment shall not cause any asset class weighting to move beyond its established minimum or maximum target ranges, but may cause an asset class to deviate from its asset allocation policy target.

All UIO investments shall be subject to LACERS Responsible Investment Policy and ESG Risk Framework. UIO investments in strategies with existing LACERS allocations pursuant to the adopted asset allocation and risk budgets shall be subject to existing LACERS investment policies. Investment management guidelines will be negotiated for UIO investments that utilize separate account vehicles.

All UIO investments shall be institutional quality and non-speculative, and, when the investment is effectuated, shall have a reasonable, foreseeable path to liquidity and exit.

E. Investment Process

Staff, with written concurrence from LACERS investment consultant(s), shall select and consummate new UIO investments in accordance with the following investment process. UIO investments shall not be subject to a competitive bidding search process (i.e., request for proposal process) due to the time-sensitive nature of these investments. For each UIO investment considered, Staff shall justify in writing why a competitive bidding process was not utilized.

1. Sourcing and Due Diligence

Staff and/or the appropriate LACERS investment consultant (Consultant) shall be responsible for sourcing UIO investments. All UIO investments are subject to a thorough and rigorous investment due diligence process conducted by Staff and/or Consultants. That process may include but is not limited to analysis of projected return, expected holding period, risks (including but not limited to ESG factors, liquidity, and operational risks), correlation with existing LACERS portfolio investments, and exit strategy. Further operational due diligence on the investment management team, risk management processes, legal, and other factors will also be conducted. Section F describes the general qualifications desired of investment managers to be considered for UIO investment mandates.

2. Approval of Investments

Staff shall submit written investment proposals for consideration under the UIOP to a Review Committee (RC) comprised of the Chief Investment Officer, Chief Operating Officer, and Director of Private Markets or their designees. The proposal shall include (a) an investment thesis, (b) summary of the investment opportunity, (c) the expected risk, return, and holding period of the investment, (d) expected path to liquidity, (e) a pro forma analysis to justify the proposed investment meets one of the investment objectives of Section B of this policy, (f) any other information deemed necessary by the RC to evaluate the proposal, and (g) justification for not using a competitive bidding process. Unanimous approval of the RC is required to proceed with any proposed UIO investment.

Any UIO investment approved by the RC will then require the written authorization of the General Manager and Chief Investment Officer and concurrence from the appropriate LACERS Consultant.

The RC shall designate the source of funding from within the LACERS portfolio for any UIO investment.

3. Board Notification of Authorized Investments

Approved UIO investments shall be reported to the Board in writing as soon as reasonably practicable after the investment has been consummated. The report shall include (but not be limited to) the following information:

- Name of the firm and if the firm qualifies as an emerging manager
- Investment strategy and thesis
- Total commitment or investment size

4. Exiting Investments

To the extent that a UIO investment vehicle is liquid, Staff, with concurrence from the appropriate Consultant, shall have discretion to initiate an exit from a UIO investment when it is determined that (a) the UIO investment has met its expected objective or (b) the UIO investment will not meet its expected objective due to changing market conditions, the investment manager's inability to execute the strategy, or other relevant factors.

For illiquid UIO investment vehicles with no redemption terms, exits will occur through distributions made by the investment manager over the life of the vehicle.

The Board shall be notified in writing as soon as reasonably practicable after an investment has been fully exited.

F. Investment Manager Qualifications

UIO investment managers selected by LACERS under the UIOP will exhibit the following characteristics:

- Demonstrates sufficient experience and a verifiable, positive performance track record in the given strategy LACERS is pursuing through the particular UIO.
- Investment thesis that distinguishes the manager from other, existing approaches already in the LACERS portfolio.
- Appropriate resources and research capabilities to identify and execute unique strategies.
- Disciplined execution process to protect against style drift.
- Niche or specific expertise that can be leveraged in unique market environments.
- Fee structure within industry standard for the strategy.
- Manager is a registered investment adviser under the Investment Advisers Act of 1940 or provides a valid exemption at the time of contract execution.

Staff may hire managers who may qualify under LACERS' Emerging Investment Manager Policy. Staff will make every reasonable effort to consider Emerging Investment Managers for UIO investment mandates when appropriate.

G. Benchmarking and Reporting

1. Performance Benchmarking

LACERS' assumed rate of investment return will serve as the baseline benchmark to measure the performance of UIO investments. The Review Committee may establish a higher or lower benchmark if the risk-return characteristics of the investment warrant doing so.

2. Monitoring

Staff and Consultant will diligently monitor the performance of any UIO investment including but not limited to reviewing quarterly, annual, and other periodic reports as well as meeting with the managers periodically when appropriate. Further duties are listed in Section H. Roles and Responsibilities. The Manager Monitoring Policy may not apply to these investments due to their unique nature; managers will be monitored against the objectives and benchmarks set forth by this policy.

3. Reporting

Performance of individual UIO investments and performance of UIO investments at the aggregated level shall be incorporated into LACERS’ established reporting practices. Certain UIO investments may be subject to transparency reporting requirements per California Government Code § 7514.7.

H. Roles and Responsibilities

	Role of the Board	Role of Staff	Role of Consultant
Strategy / Policy	<ul style="list-style-type: none"> Approve applicable policy. 	<ul style="list-style-type: none"> In consultation with appropriate LACERS’ consultants, develop policies, procedures, guidelines, and allocation limits for recommendation to the Board. 	<ul style="list-style-type: none"> Consultation and feedback.
Investment Selection & Execution	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Identify and evaluate UIO investment ideas. The Chief Investment Officer, in conjunction with designated senior investment division staff, will approve or reject proposed investments for due diligence and execution. Conduct due diligence and prepare a written report for file. General Manager and Chief Investment Officer authorize investments General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing. 	<ul style="list-style-type: none"> Review investment opportunities. Assist with due diligence as appropriate. Provide written concurrence with proposed investments

		<ul style="list-style-type: none"> • Ensure review of relevant fund documents by the City Attorney and/or external legal counsel. • Designate source of funding for the investment and prepare written justification report for file. • Prepare written report for file to justify why a competitive bidding process was not used. 	
Investment Management & Monitoring	<ul style="list-style-type: none"> • Review investment notification reports. 	<ul style="list-style-type: none"> • Monitor investment performance relative to the appropriate benchmark. • Conduct periodic meetings with existing managers. • Prepare investment notification reports for Board. • Review periodic reports prepared by investment managers and consultants. • Fund capital calls and manage distributions when necessary. • Execute partnership amendments and consents (General Manager or designee). 	<ul style="list-style-type: none"> • Consultation and feedback.
Investment Wind Down and Exit	<ul style="list-style-type: none"> • Review investment exit notification reports 	<ul style="list-style-type: none"> • Review investment wind down and exit strategies including secondary transactions. • Prepare investment wind down and exit documents. • General Manager and Chief Investment Officer authorize secondary transactions and/or execute other documents necessary to wind down investments as situation warrants. • Prepare exit notification reports for Board. 	<ul style="list-style-type: none"> • Provide written concurrence on secondary transactions and other investment wind down actions.