



Investment Committee Agenda

REGULAR MEETING

TUESDAY, JANUARY 10, 2023

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 10, 2023 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# 161 526 9275

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: Elizabeth Lee

Committee Members: Nilza R. Serrano
Janna Sidley

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).

LACERS Website Address/link:

www.LACERS.org

[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 13, 2022 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [PRESENTATION BY EAM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO](#)
- V. [INVESTMENT MANAGER CONTRACT WITH PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. MID CAP CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- VI. [INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EMERGING MARKETS VALUE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- VII. OTHER BUSINESS
- VIII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, February 14, 2023, 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.
- IX. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, JANUARY 10, 2023

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

MEETING LOCATION:

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President: Nilza R. Serrano

Vice President: Elizabeth Lee

Commissioners: Annie Chao
Thuy T. Huynh
Janna Sidley
Sung Won Sohn
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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- X. INVESTMENT MANAGER CONTRACT WITH PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. MID CAP CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION
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- VII. 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 13, 2022 meeting was conducted via telephone and/or videoconferencing.

December 13, 2022

1:08 p.m.

PRESENT via Videoconferencing: Chair:	Elizabeth Lee
Committee Member:	Nilza R. Serrano Janna Sidley
Legal Counselor:	Joshua Geller
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 Lee 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 SPECIAL MEETING OF NOVEMBER 3, 2022 AND REGULAR MEETING OF NOVEMBER 8, 2022 AND POSSIBLE COMMITTEE ACTION – Committee Member Sidley moved approval, and adopted by the following vote: Ayes, Committee Members Serrano, Sidley and Chair Lee -3; Nays, None.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, discussed the following item:

- Investment Committee Forward Calendar

IV

PRESENTATION BY NORTHERN TRUST REGARDING SECURITIES LENDING ACTIVITY REPORT FOR THE PERIOD JULY 1, 2021 TO JUNE 30, 2022 – Donald Anderson, Senior Vice President, and Brad Pedersen, Vice President, with Northern Trust Company, presented and discussed this item with the Committee for 30 minutes.

V

CONTRACT WITH INSTITUTIONAL SHAREHOLDER SERVICES INC. REGARDING PROXY VOTING SERVICES AND POSSIBLE COMMITTEE ACTION – Ellen Chen, Investment Officer II, presented this item to the Committee. Committee Member Serrano moved approval, and adopted by the following vote: Ayes, Committee Members Serrano, Sidley and Chair Lee -3; Nays, None.

Chair Lee recessed the Regular Meeting at 1:48 p.m., to convene in Closed Session discussion.

VI

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO NB PARTNERS FUND IV, LP AND POSSIBLE COMMITTEE ACTION

Chair Lee reconvened the Regular Meeting at 2:08 p.m.

VII

OTHER BUSINESS – There was no other business.

VIII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, January 10, 2023, 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.

IX

ADJOURNMENT – There being no further business before the Committee, Chair Lee adjourned the meeting at 2:09 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary

Los Angeles City Employees' Retirement System



US SMALL CAP

JANUARY 10, 2023



Travis Prentice

CEO/CIO, Portfolio Manager for US and Global Strategies

Travis is CEO and Chief Investment Officer of EAM Investors, a firm he co-founded in 2007. In addition, he is Portfolio Manager for EAM's US and Global strategies, as well as an analyst across all EAM's strategies. Prior to founding EAM, Travis was a Partner, Managing Director and Portfolio Manager with Nicholas-Applegate Capital Management where he had lead portfolio management responsibilities for their Micro and Ultra Micro Cap investment strategies and a senior role in the firm's US Micro/Emerging Growth team. He has 24 years of institutional investment experience specializing in momentum-based strategies. He holds an MBA from San Diego State University and a BA in Economics and a BA in Psychology from the University of Arizona.



Michele Rodrigues

Director of Communications, ESG Lead

Michele is a Director of Communications and ESG Lead at EAM Investors. Prior to joining EAM Investors in 2014, Michele was with Fidelity Investments for eleven years most recently serving as a Portfolio Associate and Portfolio Analyst, where she provided multiple portfolio managers with support by monitoring and analyzing portfolio positioning, risk metrics, characteristics and performance. Additional positions at Fidelity included Operations Analyst and Senior Control Accountant. Michele has 18 years of investment experience. She holds an MBA from Northeastern University and a BS in Finance from Bentley University.



Frank P. Hurst

President, Managing Director of Marketing & Client Service

Frank is President and Managing Director of Marketing & Client Service for EAM Investors. Frank has 38 years of experience in various executive, marketing, product development, and administrative positions in the investment management industry, including over 30 years involved with momentum-based strategies. Prior to joining EAM in 2011, Frank was with Relational Investors as a Principal and Senior Managing Director responsible for Client Services, Marketing, and Strategic Planning. Before Relational, he was President of Berkeley Capital Management, LLC, a \$5 billion multiple equity strategy investment manager. Frank co-founded Duncan-Hurst Capital Management and also served as President, Director of Marketing and Client Services, and Chief Administrative Officer from 1990 to 2005. Prior experience includes senior sales and marketing positions with Scudder, Stevens and Clark, and Pacific Century Advisors, an investment management subsidiary of Security Pacific Corporation. He holds a BA in Economics from San Diego State University.

MOMENTUM PREMIUM

Our Informed Momentum strategies combine stock selection, tailored risk management, and efficient implementation to effectively deliver the momentum premium.

CONSISTENT APPROACH

We leverage our collective insight within a systematic approach across all our global equity strategies.

PREDICTABLE ALPHA

Our investment process delivers persistent risk exposures, to provide more consistent and predictable alpha.

Firm Facts

Year Founded 2007
Total AUM \$2.4 Billion
Number of Professionals 23
Average Investment Experience 19 Years
Headquarters San Diego, CA
Website www.eaminvestors.com

Strategies Offered

	AUM	ITD Annualized Excess Return * (net of fees)
US Small Cap	\$447M	0.94%
US Micro Cap	\$379M	3.97%
US Ultra Micro Cap	\$151M	5.71%
Non-US Small Cap	\$308M	4.11%
Non-US Micro Cap	\$548M	1.43%
Emerging Markets Small Cap	\$338M	2.98%
Global Opportunities	\$268M	5.10%
Customized by region and/or market cap		

Signatory or:



Diversified Client Base



- Superannuation
- Public
- Sub-Advised
- OCIO
- Foundation/Endowment
- Corporate

*Excess returns are calculated versus each composite's respective benchmark and inception date through November 30, 2022, net of the maximum fee. Inception dates for each composite are as follows: US Small Cap, October 2, 2007; US Micro Cap, October 2, 2007; US Ultra Micro Cap, October 2, 2007; Non-US Small Cap, May 1, 2011; Non-US Micro Cap, June 1, 2014; Emerging Markets Small Cap, April 1, 2012; Global Opportunities, July 1, 2017. Please see the "Important Disclosures" page for detailed performance disclosures at the end of this document.

Los Angeles City Employees' Retirement System
Los Angeles, CA



Employees Retirement System of Texas
Austin, TX



Maryland State Retirement and Pension System – Xponance
Baltimore, MD



Oregon State Treasury
Salem, OR



San Antonio Fire and Police Pension Fund
San Antonio, TX



BNY Mellon Select Small Cap Growth Fund
New York, NY



SEI Investments
Oaks, PA



Aware Super
Melbourne, Victoria, Australia



Earning Consistent and Predictable Alpha in US Small Cap

Strong inception-to-date alpha

Benchmark-like volatility with beta at or below 1.0

Favorable upside and downside capture ratios

Consistent exposure to stock-specific risk and momentum

Excess return correlations complement traditional styles

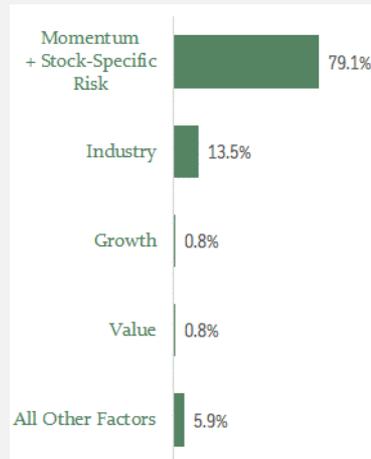
Performance & Risk Statistics

Average Since Inception

	EAM US Small Cap	Russell 2000 Growth Index
Annualized Return (Gross)	9.85%	8.56%
Annualized Return (Net)	9.04%	8.56%
Alpha	1.60%	-
Tracking Error	7.56%	-
Standard Deviation	22.19%	21.21%
Information Ratio	0.17	-
Sharpe Ratio	0.40	0.36
Beta	0.98	1.00
R-Squared	0.88	-
Up Market Capture	100.8%	-
Down Market Capture	97.0%	-

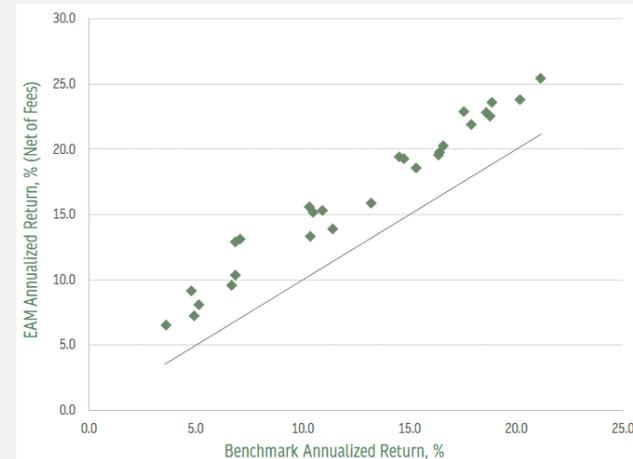
% Contribution to Risk

Average Since Inception



Rolling 5-Year Returns

Outperformed in 100% of periods (27 out of 27)



Delivering the Momentum Premium Through Specialized Skill

We invest in companies with positive momentum



**INFORMED
MOMENTUM**

MOMENTUM IS A SIGNIFICANT SOURCE OF ALPHA

- The premium is significant and persistent
- It is inherently adaptable and can be a strong signal of change

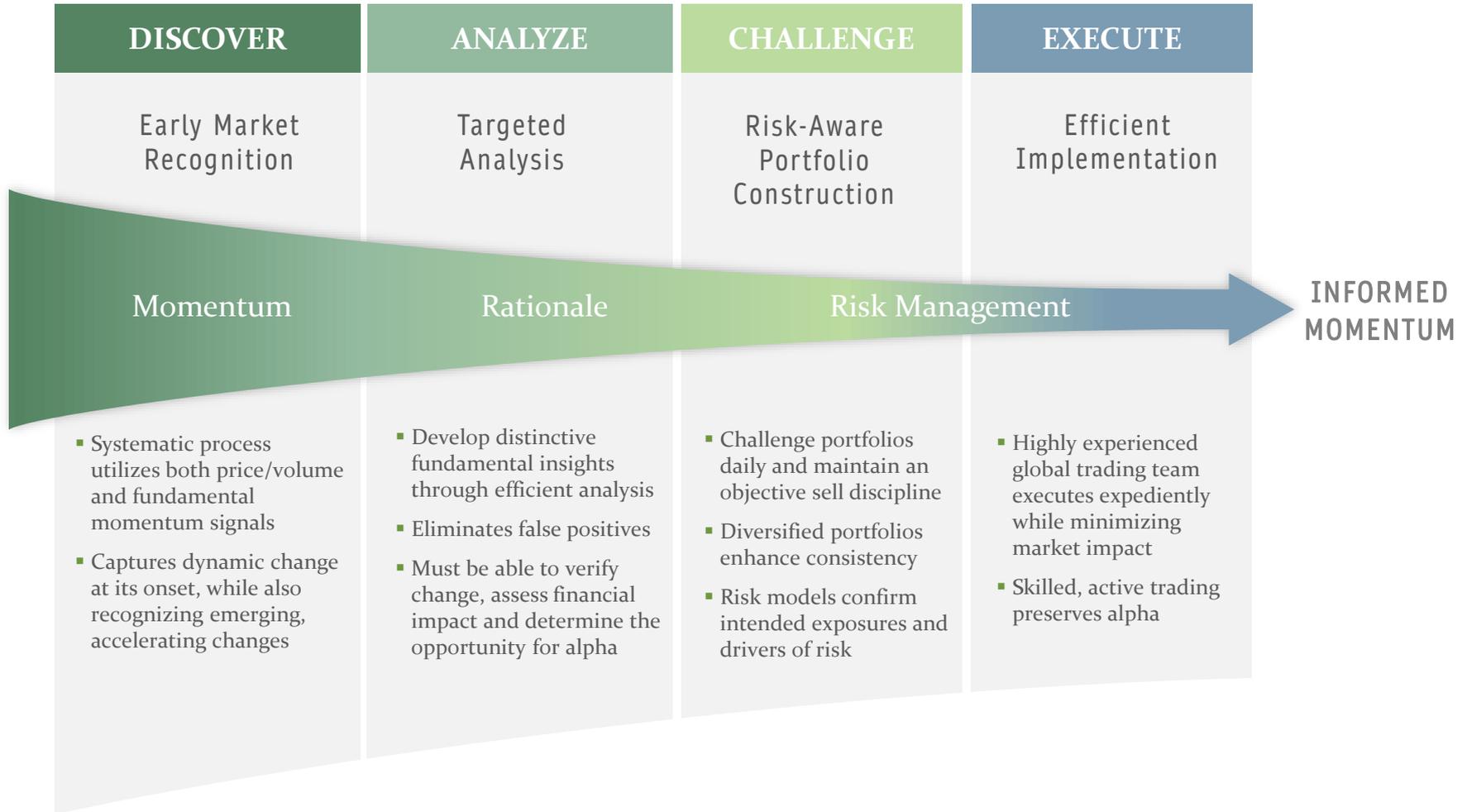
INEFFICIENT RESPONSE TO CHANGE CREATES THE OPPORTUNITY

- Investor underreaction to new information creates expectation gaps
- Innovation and/or reinvention power improving financial performance and continued outperformance

ACTIVELY ADDRESSING RISK RETAINS ALPHA

- Alpha can be fleeting as expectations shift, requiring disciplined and sustained action
- Intended and compensated exposures must be preserved

Generating Alpha Through Informed Momentum



Building Portfolios Through a Multi-Dimensional View of Risk

We seek to preserve intended exposures to enhance consistency

STOCK-SPECIFIC RISK

- 100-150 holdings, with 2% maximum position size
- Diversification benefit without dilution of intent

SYSTEMATIC RISK

- Informed Momentum (Momentum & Stock-Specific Risk) is the most significant and persistent contributor to risk
- Other systematic risks are monitored and understood

INDUSTRY RISK

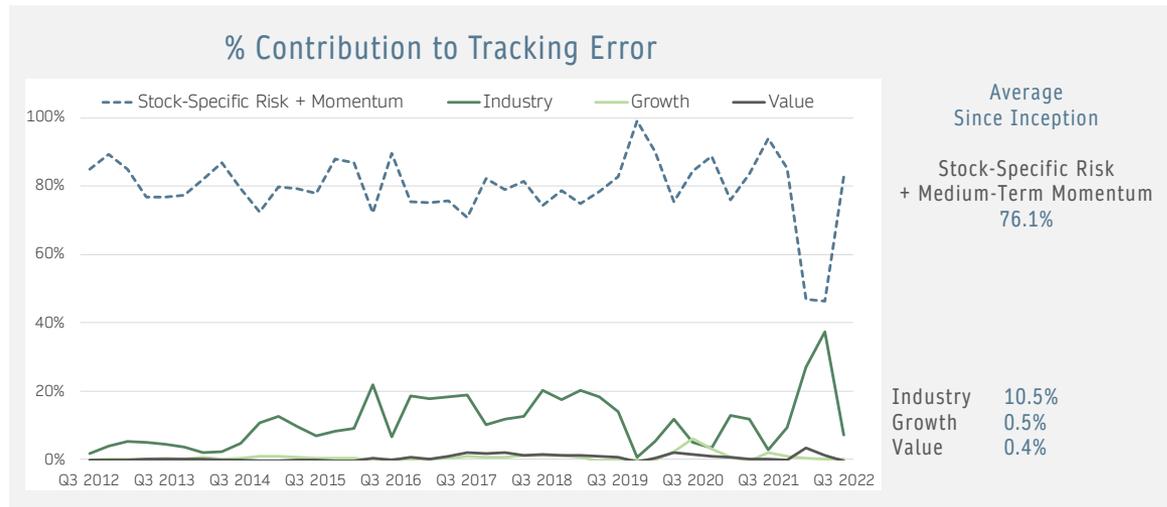
- Industry risk limited to 20% of tracking error

ESG RISK

- Assess on individual stock level and monitor aggregate portfolio

LIQUIDITY RISK

- Conservative capacity management
- Invest/divest entire portfolio in 10-15 days*



*Assuming the portfolio at capacity, while keeping to a 20% participation rate per day under normal market conditions.

Percent Contribution to Tracking Error is for the EAM US Small Cap strategy relative to the Russell 2000 Growth Index and shows rolling 3-month average periods for the trailing 10 year period ending September 30, 2022. Average since inception is for the period from October 2, 2017 - September 30, 2022. Source: Axioma US Fundamental Equity Risk Model. The information presented on this page is supplemental information to the full "GIPS Composite Report" located at the end of this document.

Portfolio Performance

Los Angeles City Employees' Retirement System

US Small Cap Client Portfolio

IC Meeting: 1/10/23
Item IV



Client Portfolio Performance as of November 30, 2022

Inception Date: September 30, 2015

Ending Market Value: \$87,036,272

	YTD 2022	2021	2020	2019	2018	2017	2016	2015*
Portfolio (Gross of Fees)	-27.38%	4.81%	46.76%	33.29%	-0.70%	23.60%	5.54%	1.66%
Portfolio (Net of Fees)	-27.86%	4.07%	45.72%	32.35%	-1.40%	22.67%	4.67%	1.45%
Russell 2000 Growth Index	-21.31%	2.83%	34.63%	28.48%	-9.31%	22.17%	11.32%	4.32%
Russell 2000 Index	-14.91%	14.82%	19.96%	25.52%	-11.01%	14.65%	21.31%	3.59%
Russell 2000 Value Index	-8.48%	28.27%	4.63%	22.39%	-12.86%	7.84%	31.74%	2.88%

	QTD	YTD	1 Year	3 Year	5 Year	7 Year	Annualized ITD
Portfolio (Gross of Fees)	7.96%	-27.38%	-26.78%	4.81%	8.04%	8.92%	9.85%
Portfolio (Net of Fees)	7.82%	-27.86%	-27.30%	4.06%	7.28%	8.12%	9.04%
Russell 2000 Growth Index	11.27%	-21.31%	-20.96%	3.68%	4.91%	7.36%	8.56%
Russell 2000 Index	13.60%	-14.91%	-13.01%	6.44%	5.45%	8.14%	9.26%
Russell 2000 Value Index	16.03%	-8.48%	-4.75%	8.33%	5.35%	8.44%	9.49%

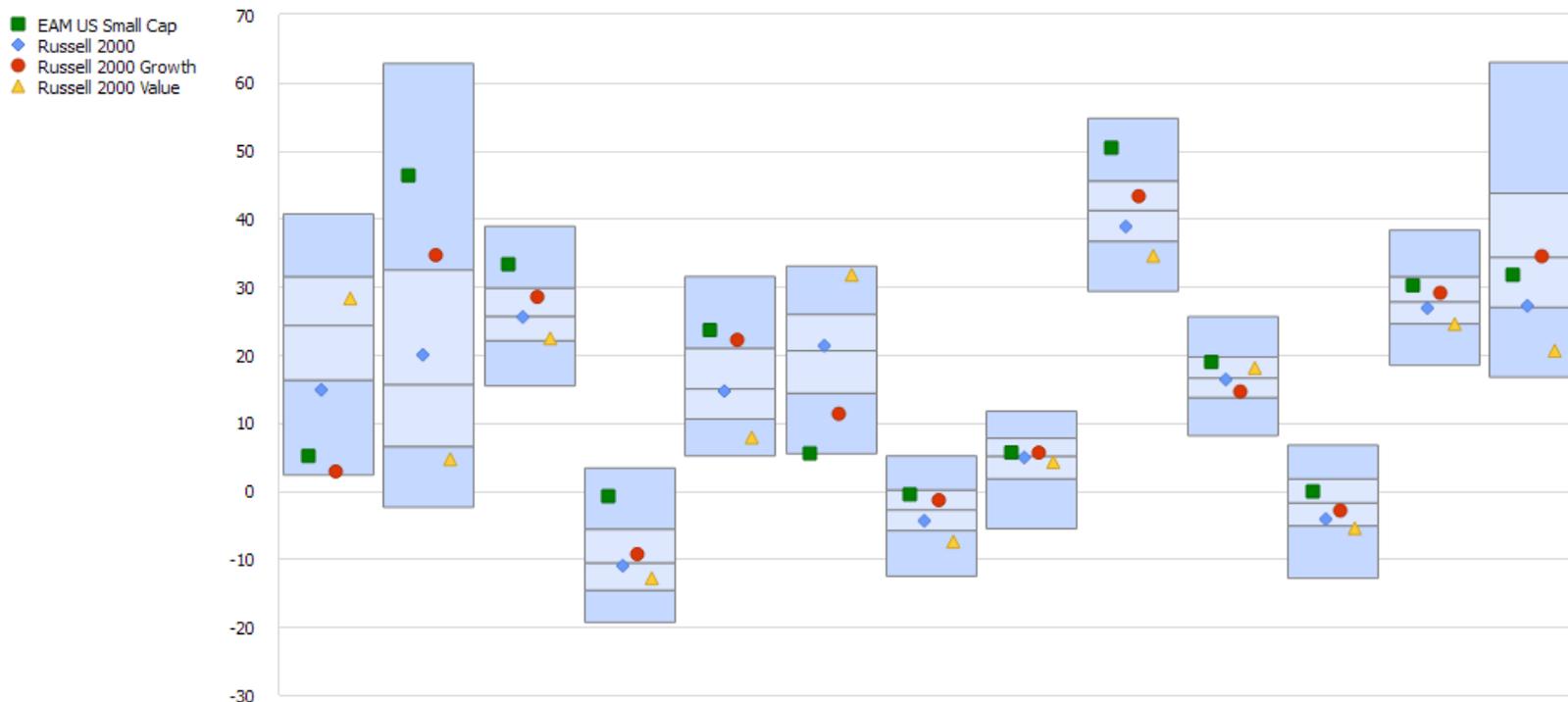
All periods greater than 1 year are annualized.

*Represents partial year from September 30, 2015 - December 31, 2015

Source: Northern Trust, EAM Investors, FTSE Russell

US Small Cap Peer Performance | Calendar Years

Calendar Year Returns



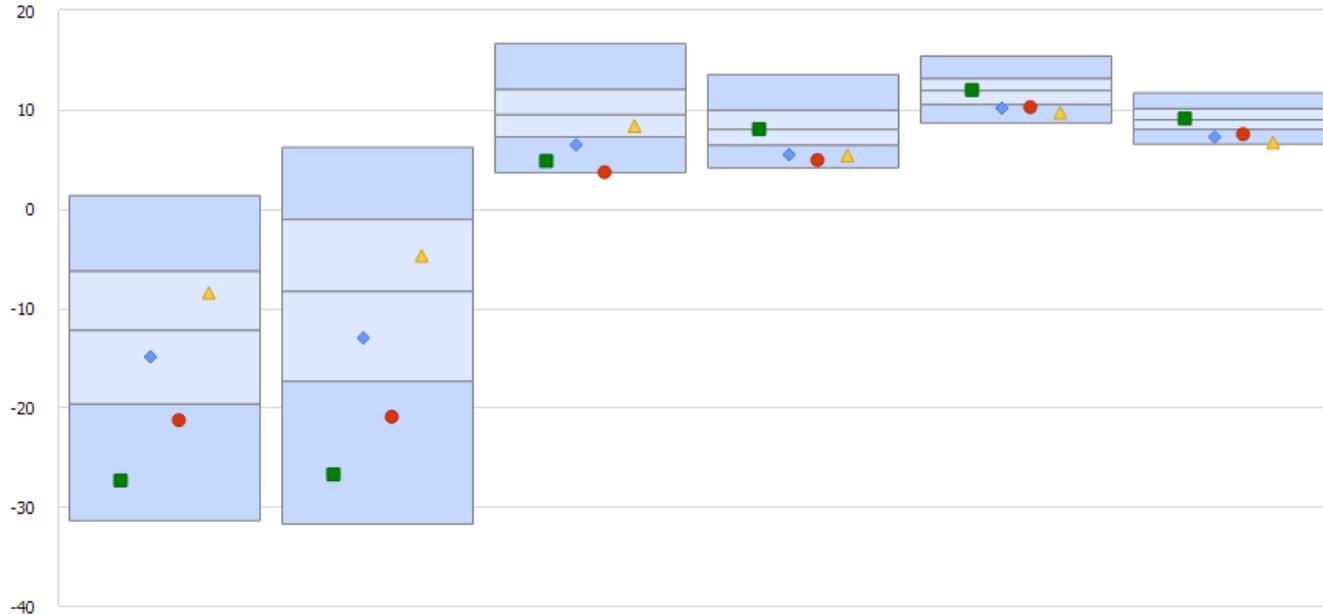
Universe: eVestment US Small Cap Equity (Percentile)

	2021		2020		2019		2018		2017		2016		2015		2014		2013		2012		2011		2010		2009	
		Rk		Rk		Rk		Rk		Rk		Rk		Rk		Rk		Rk		Rk		Rk		Rk		Rk
5th percentile	40.67		62.80		38.87		3.34		31.48		33.01		5.12		11.68		54.73		25.59		6.71		38.30		62.97	
25th percentile	31.41		32.43		29.76		-5.68		20.90		25.90		0.07		7.72		45.48		19.65		1.69		31.41		43.71	
Median	24.28		15.56		25.58		-10.65		14.95		20.58		-2.84		5.02		41.17		16.54		-1.81		27.72		34.28	
75th percentile	16.21		6.45		22.02		-14.66		10.53		14.30		-5.86		1.70		36.63		13.64		-5.17		24.52		26.93	
95th percentile	2.30		-2.43		15.41		-19.35		5.12		5.44		-12.57		-5.57		29.31		8.08		-12.86		18.44		16.69	
# of Observations	644		672		710		746		768		781		804		810		797		812		833		842		865	
EAM US Small Cap	5.11	93	46.35	13	33.29	15	-0.80	12	23.62	19	5.49	95	-0.54	30	5.61	45	50.40	10	18.92	31	-0.10	36	30.19	32	31.73	59
Russell 2000	14.82	80	19.96	40	25.53	51	-11.01	52	14.65	52	21.31	45	-4.41	63	4.89	51	38.82	63	16.35	52	-4.18	68	26.85	59	27.17	74
Russell 2000 Growth	2.83	95	34.63	23	28.48	30	-9.31	40	22.17	22	11.32	82	-1.38	38	5.60	45	43.30	38	14.59	68	-2.91	58	29.09	39	34.47	49
Russell 2000 Value	28.27	34	4.63	79	22.39	73	-12.86	64	7.84	87	31.74	8	-7.47	83	4.22	58	34.52	85	18.05	39	-5.50	77	24.50	75	20.58	89

US Small Cap Peer Performance as of November 30, 2022

Trailing Period Returns
Returns as of: November 30, 2022

- EAM US Small Cap
- ◆ Russell 2000
- Russell 2000 Growth
- ▲ Russell 2000 Value



Universe: eVestment US Small Cap Equity (Percentile)

	YTD		1 YR		3 YR		5 YR		10 YR		Inception	
	Return	Rk	Return	Rk								
■ 5th percentile	1.33		6.19		16.64		13.52		15.37		11.67	
■ 25th percentile	-6.32		-1.09		12.00		9.91		13.10		10.07	
■ Median	-12.26		-8.34		9.45		7.98		11.90		8.95	
■ 75th percentile	-19.69		-17.40		7.23		6.39		10.49		7.98	
■ 95th percentile	-31.43		-31.77		3.61		4.12		8.62		6.50	
# of Observations	378		378		371		354		308		251	
■ EAM US Small Cap	-27.37	92	-26.77	91	4.81	92	8.03	49	11.97	48	9.08	47
◆ Russell 2000	-14.91	62	-13.01	64	6.44	81	5.45	86	10.13	83	7.22	91
● Russell 2000 Growth	-21.31	79	-20.96	82	3.68	95	4.91	90	10.24	81	7.50	86
▲ Russell 2000 Value	-8.48	33	-4.75	38	8.33	62	5.35	87	9.67	89	6.68	94

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Portfolio Discussion

Small Cap Market Environment

Smaller market cap stocks have led declines this year

- This year marked the worst first half of a year in index history for the Russell 2000 Index. Rising interest rates, widespread inflation and signs of a slowing global economy have weighed on consumer sentiment. Despite a robust mid-year rally, the Russell 2000 Index is down 14.9% through November, underperforming its large cap counterpart by 78 basis points.
- According to Jefferies, small vs. large cap relative valuations are trading well below long-term averages.

Value has held in better than growth

- From a traditional style perspective, the Russell 2000 Growth Index is down 21.3% YTD, while the Russell 2000 Value Index has fallen just 8.5% for the period. In small cap, classic growth sectors including communication services (-35%), technology (-28.4%), health care (-25.2%), and consumer discretionary (-24.0%) have been the worst performing sectors this year. On the other side, energy (+64.7%) has been the standout performer, while defensive sectors (utilities, consumer staples) have held in.

Low momentum, low quality, high beta stocks fueled the mid-year rebound

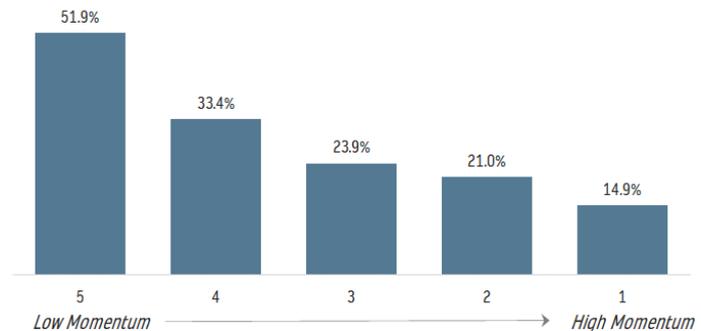
- The up-market period from 6/17 – 8/15 demonstrated characteristics of a classic 'momentum crash'. The hardest hit areas from the preceding downdraft that began in November of last year, fueled the rally: Low momentum (+52%), low ROE (+45%), high Beta (+35%), non-earners (+40%).
- As expected, our approach held in well in the first part of the year as markets trended downward, however underperformed in the low-quality rebound and subsequent volatility.

Volatile period for the Russell 2000 Index, down 14.9% YTD

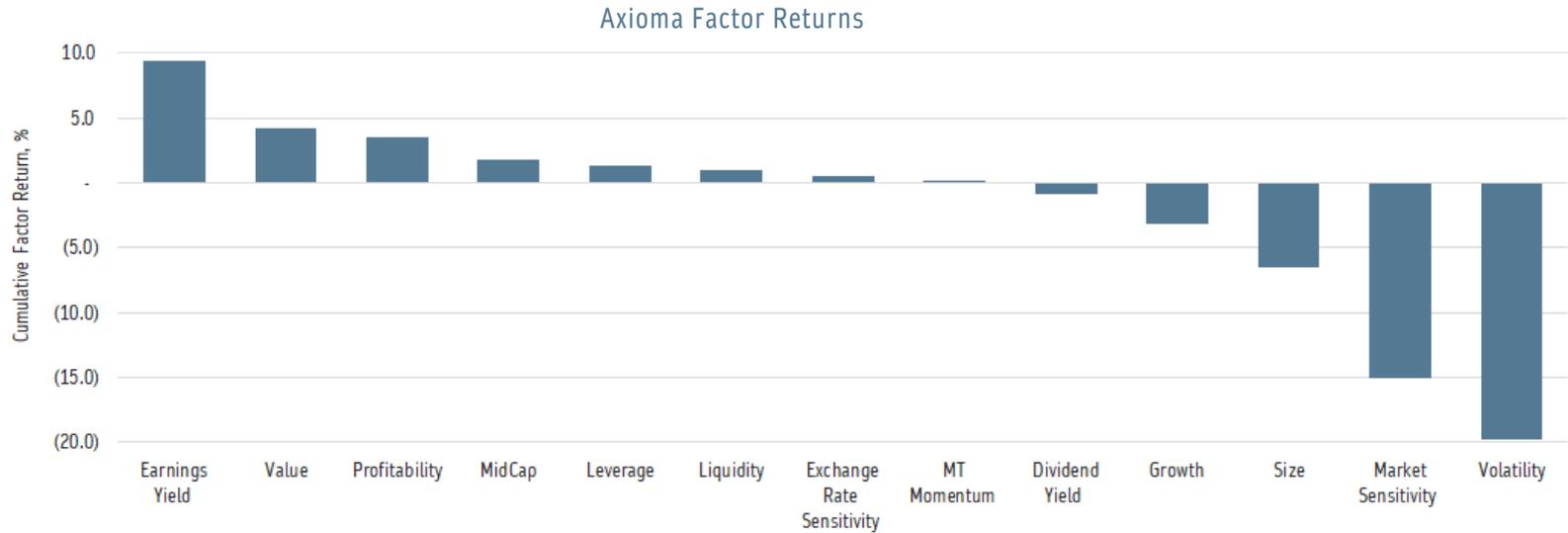


The mid-year rebound demonstrated a classic momentum crash

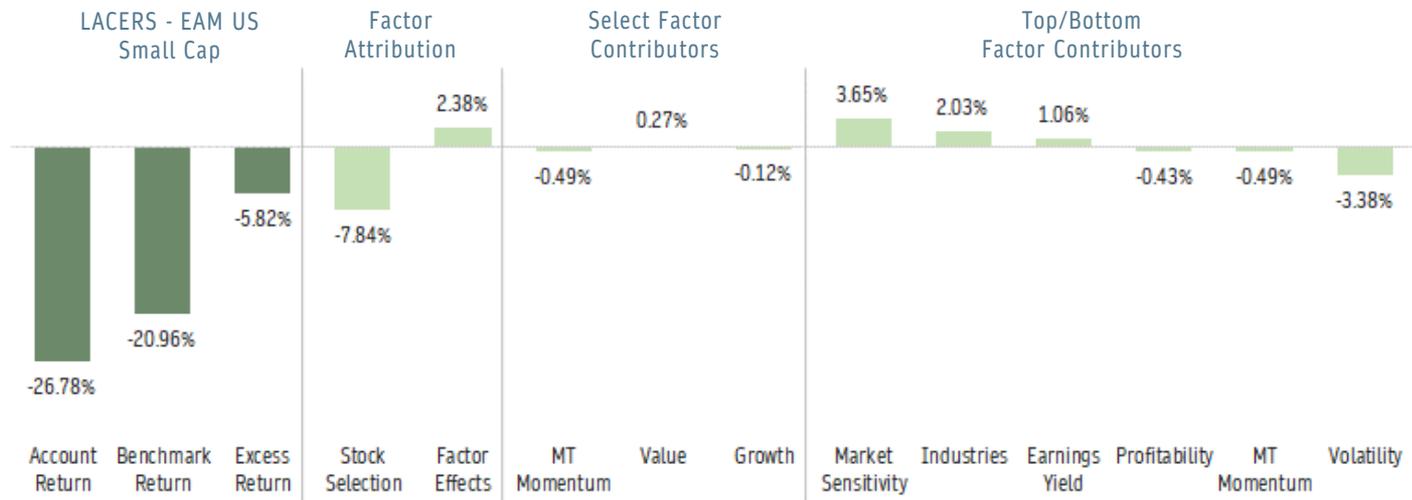
Russell 2000 Index Return Decomposition by Momentum Quintile June 17th through August 15th



Trailing 1-Year Risk Summary | EAM US Small Cap



Favorable impacts from factor exposures offset negative stock selection



Trailing 1-Year Performance Attribution | EAM US Small Cap

Helped

- Allocation effects: overweight to energy and materials
- Stock selection in health care, real estate and information technology

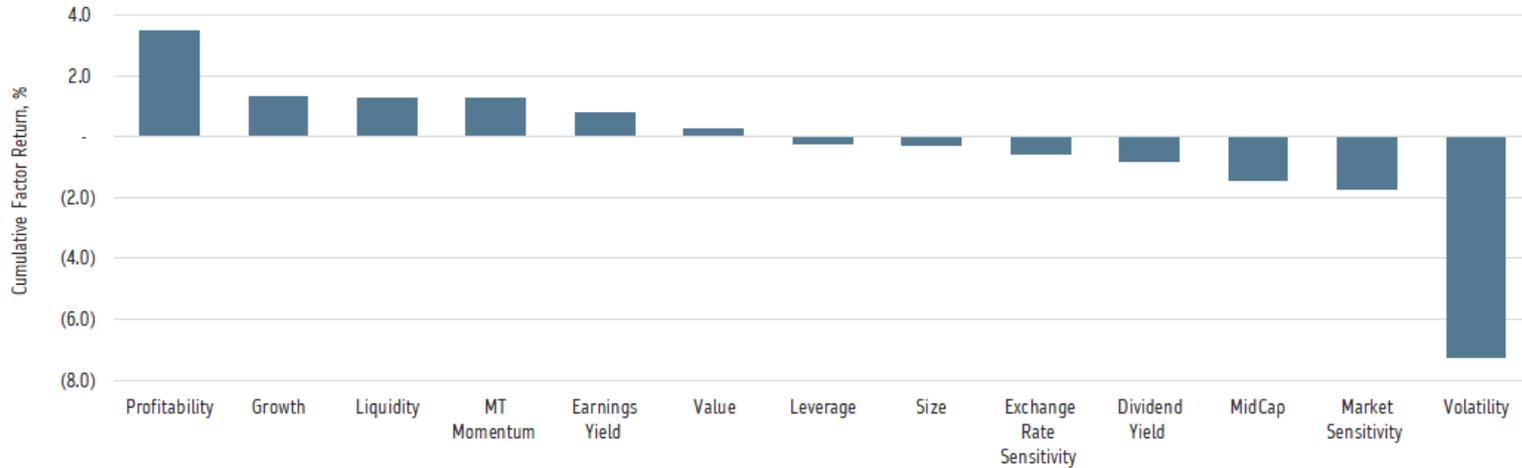
Hurt

- Stock selection in industrials, materials and financials
- Underweight to industrials, Overweight to consumer staples

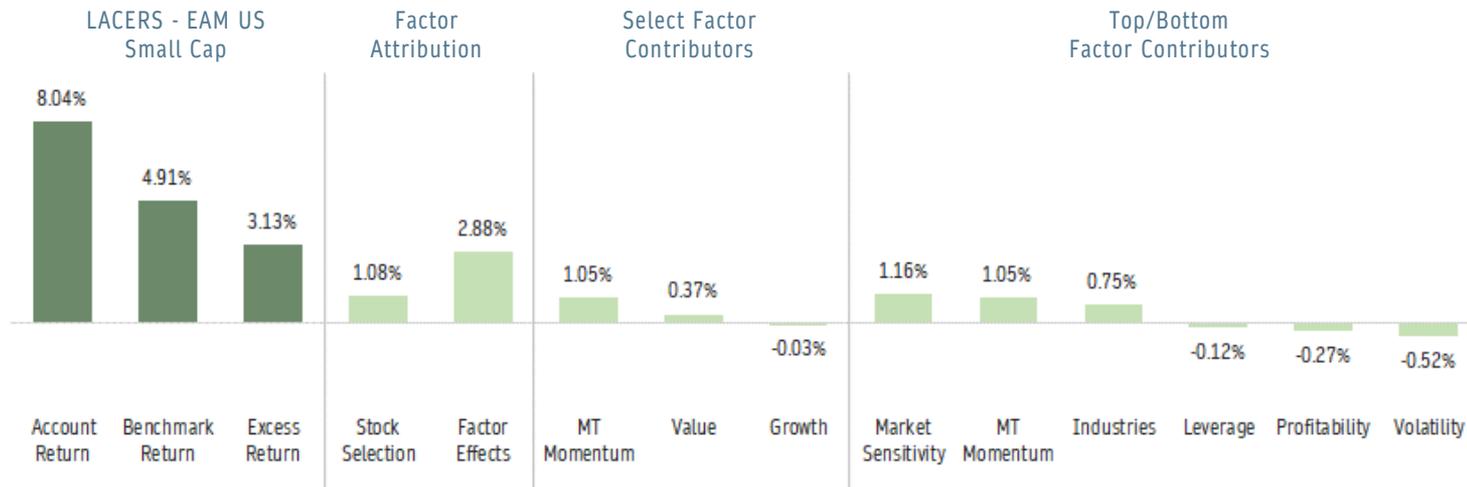
	EAM US Small Cap			Russell 2000 Growth Index			Performance Attribution		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib To Return	Allocation Effect	Selection Effect	Total Effect
Sector Attribution: Top/Bottom									
Energy	13.08	31.36	-0.73	4.75	49.11	1.68	1.87	-0.66	1.21
Real Estate	3.34	-26.75	-1.32	2.86	-30.24	-1.16	0.31	0.52	0.83
Health Care	20.45	-21.64	-1.99	24.11	-26.43	-6.25	0.06	0.62	0.68
Information Technology	17.84	-29.67	-4.69	21.29	-29.77	-7.04	-0.06	0.22	0.17
Communication Services	2.04	-38.76	-0.82	2.66	-34.82	-1.10	-0.03	-0.21	-0.24
Utilities	0.16	-38.95	-0.49	0.98	-9.36	0.08	-0.12	-0.21	-0.33
Consumer Discretionary	8.83	-38.22	-3.86	12.78	-25.78	-4.19	0.27	-0.96	-0.69
Consumer Staples	5.58	-5.69	-0.32	4.27	3.86	0.24	-0.23	-0.48	-0.72
Financials	6.72	-31.49	-2.74	5.73	-23.18	-1.34	-0.12	-1.15	-1.26
Materials	6.65	-37.98	-3.84	3.88	-3.42	-0.10	0.46	-1.81	-1.34
Industrials	14.86	-32.92	-5.61	16.70	-12.58	-1.76	-0.29	-2.87	-3.16
Total	100.00	-26.41	-26.41	100.00	-20.95	-20.95	1.52	-6.98	-5.46

Trailing 5-Year Risk Summary | EAM US Small Cap

Axioma Factor Returns



Positive stock selection and factor effects added value over the period



Trailing 5-Year Performance Attribution | EAM US Small Cap

Helped

- Stock selection in health care, information technology, and real estate
- Allocation effects: overweight to energy and consumer discretionary

Hurt

- Stock selection in materials, consumer discretionary, and industrials
- Underweight to industrials, Overweight to consumer staples

	EAM US Small Cap			Russell 2000 Growth Index			Performance Attribution		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Sector Attribution: Top/Bottom									
Health Care	26.47	7.43	5.01	28.33	1.95	2.37	0.38	1.47	1.85
Information Technology	22.78	13.47	3.96	19.29	8.68	1.81	0.16	1.26	1.42
Energy	4.21	4.04	-0.06	1.82	-2.27	-0.01	0.68	-0.08	0.60
Real Estate	2.04	11.58	0.07	3.33	-0.23	-0.17	0.06	0.48	0.53
Communication Services	3.41	14.85	0.58	3.13	-1.50	-0.01	0.11	0.34	0.44
Financials	5.69	12.88	0.12	5.82	2.00	-0.16	0.02	0.15	0.17
Consumer Staples	3.59	24.48	0.72	3.33	10.44	0.31	-0.18	0.33	0.15
Utilities	0.13	-21.46	-0.67	1.04	6.60	0.08	0.08	-0.06	0.02
Consumer Discretionary	14.36	-1.09	1.24	13.43	5.69	0.54	0.39	-0.45	-0.06
Materials	2.95	-4.74	-0.93	3.35	0.75	-0.09	0.27	-0.58	-0.30
Industrials	13.99	4.31	-0.91	17.01	8.56	0.56	-0.32	-0.40	-0.72
Total	100.00	8.87	8.87	100.00	4.91	4.91	1.52	2.44	3.96

- Our attribution results reflect our Informed Momentum process and philosophy.
- Since account inception, ~80% of our excess return on average has been due to Informed Momentum (momentum exposure + stock selection).

Attribution Summary Since Account Inception

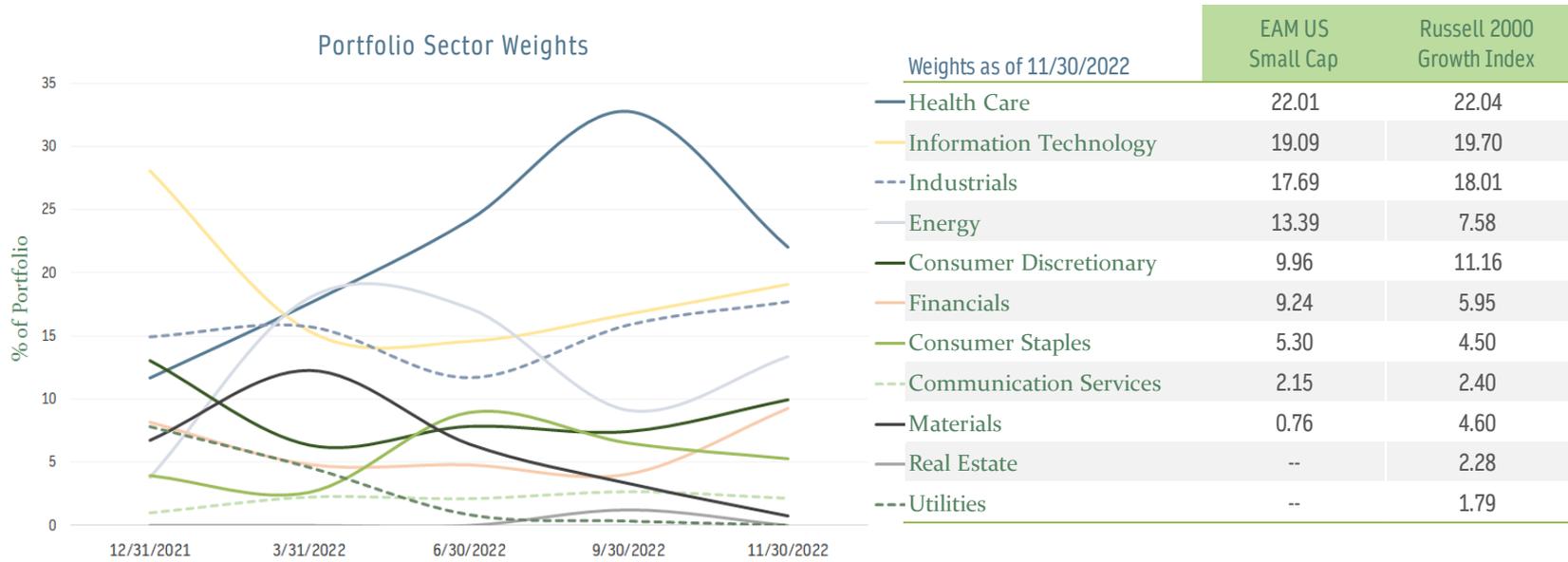
September 30, 2015 - November 30, 2022

	EAM Account Performance			Performance Attribution			Risk Attribution		
	EAM SCG (gross of fees)	Russell 2000 Growth	Excess	Allocation Effect	Selection Effect	Total Effect	Factor Effects	Selection Effect	Total Effect
2015*	1.66	4.32	-2.66	0.27	-2.93	-2.67	0.23	-2.90	-2.67
2016	5.54	11.32	-5.78	-0.49	-4.56	-5.05	-2.66	-2.39	-5.05
2017	23.60	22.17	1.43	-1.88	3.80	1.92	0.89	1.03	1.92
2018	-0.70	-9.31	8.61	1.75	7.81	9.55	5.80	3.75	9.55
2019	33.29	28.48	4.81	-0.05	5.23	5.18	-4.64	9.83	5.18
2020	46.76	34.63	12.13	3.97	9.48	13.45	3.19	10.26	13.45
2021	4.81	2.83	1.98	2.84	0.43	3.27	5.25	-1.98	3.27
YTD 2022	-27.38	-21.31	-6.07	1.35	-7.08	-5.73	2.60	-8.33	-5.73

* Calendar year 2015 returns are for the period since inception of the LACERS EAM US Small Cap account, 9/30/2015 - 12/31/2015.

YTD 2022 returns and attribution are through 11/30/2022. Attribution results from Factset may not exactly equal account performance as they are calculated using end of day pricing.

Source: Axioma US Fundamental Equity Risk Model, Factset



Characteristics as of 11/30/2022	EAM US Small Cap	Russell 2000 Growth Index	Russell 2000 Index
# of Portfolio Holdings	128	1,112	1,955
% of Portfolio in the Top 10	12.0%	5.9%	3.0%
Market Capitalization, Weighted Average, \$M	4,627	3,379	2,954
Active Share vs. Russell 2000 Growth Index	84%	-	-
Active Share vs. Russell 2000 Index	88%	-	-
% of Stocks with Positive Earnings Surprise	67%	56%	54%
% of Stocks with Upward Earnings Revisions	70%	55%	52%
Exposure to Medium-Term Momentum (Axioma)	1.27	0.16	0.13
Earnings Growth, FY2	13.5%	11.5%	9.9%
Price/Earnings, FY2	13.5x	14.7x	12.6x
Enterprise Value/Sales, FY2	1.18x	1.78x	1.63x

Top 10 Holdings as of 11/30/2022	Sector	EAM US Small Cap Weight
MGP Ingredients, Inc.	Consumer Staples	1.54%
Digi International Inc.	Information Technology	1.40%
Iridium Communications Inc.	Communication Services	1.20%
Sanmina Corporation	Information Technology	1.18%
Haemonetics Corporation	Health Care	1.17%
EMCOR Group, Inc.	Industrials	1.13%
Halozyme Therapeutics, Inc.	Health Care	1.11%
Kinsale Capital Group, Inc.	Financials	1.09%
Crocs, Inc.	Consumer Discretionary	1.09%
Comfort Systems USA, Inc.	Industrials	1.07%

Data presented is for the EAM US Small Cap Composite.

Medium-Term Momentum exposure represents z-scores calculated using the Axioma US Fundamental Equity Risk Model.

Source: EAM Investors, FactSet, Axioma, FTSE Russell

Appendix

Culture is built on grit, where teamwork and results take precedence over ego

Entire team shares absolute commitment to process and philosophy

Every decision is made with a client-first mentality

Marketing & Client Service

Investments

Operations & Compliance

FRANK P. HURST
President & Managing Director of Marketing & Client Service

MARK OSTERKAMP
Senior Director of Institutional Sales & Marketing

MARK MYERS
Director of Institutional Sales & Marketing

STACY ROSE
Director of Marketing & Client Service

GARRETT HEINE
Marketing Analyst

BERNADETTE HOWARTH
Executive Assistant

TRAVIS PRENTICE
CEO and Chief Investment Officer
Portfolio Manager/Analyst
US & Global Strategies

MONTIE WEISENBERGER
Managing Director
Portfolio Manager/Analyst
US Small Cap Growth

NICHOLAS DAME, CFA
Director
Portfolio Manager/Analyst
Global Strategies

CAELAN NESS, CFA
Research Analyst
Generalist

RICHARD HORNBUCKLE
Managing Director
Lead Equity Trader

JOSHUA MOSS
Managing Director
Portfolio Manager/Analyst
Non-US Strategies

ADAM RUBIN, CFA
Director
Portfolio Manager/Analyst
Global Strategies

ZACHARY KAVAJECZ, CFA
Research Analyst
Generalist

KEVIN O'CONNELL
Senior Associate
Equity Trader

JOHN SCRIPP
Managing Director
Portfolio Manager/Analyst
Non-US Strategies

BRIAN CHU
Research Analyst
Generalist

KHADE MUANGKROOT
Research Analyst
Generalist

MARY NECOCHEA
Senior Associate
Equity Trader

MICHELE RODRIGUES
Director of Communications,
ESG Lead

DAVID WROBLEWSKI, PHD
Director of Applied Research

DEREK GAERTNER
Chief Operating Officer,
Chief Compliance Officer

IRIS KELLY
Operations & Compliance Manager

Strategic Partners

Outsourced Middle Office
NORTHERN TRUST

Hosted Order Management System
CHARLES RIVER

Calendar Year Performance

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007**
EAM US Small Cap (Gross)	5.11%	46.35%	33.29%	-0.80%	23.62%	5.49%	-0.54%	5.61%	50.40%	18.92%	-0.10%	30.19%	31.73%	-38.70%	-1.64%
EAM US Small Cap (Net)	4.32%	45.26%	32.30%	-1.54%	22.70%	4.70%	-1.28%	4.83%	49.28%	18.03%	-0.85%	29.22%	30.75%	-39.16%	-1.83%
Russell 2000 Growth Index	2.83%	34.63%	28.48%	-9.31%	22.17%	11.32%	-1.38%	5.60%	43.30%	14.59%	-2.91%	29.09%	34.47%	-38.54%	-4.34%
Russell 2000 Index	14.82%	19.96%	25.52%	-11.01%	14.65%	21.31%	-4.41%	4.89%	38.82%	16.35%	-4.18%	26.85%	27.17%	-33.79%	-6.81%
Russell 2000 Value Index	28.27%	4.63%	22.39%	-12.86%	7.84%	31.74%	-7.47%	4.22%	34.52%	18.05%	-5.50%	24.50%	20.58%	-28.92%	-9.50%

Performance as of November 30, 2022

	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD*
EAM US Small Cap (Gross)	7.96%	-27.37%	-26.77%	4.81%	8.03%	8.91%	11.97%	9.08%
EAM US Small Cap (Net)	7.83%	-27.87%	-27.32%	4.03%	7.22%	8.10%	11.13%	8.27%
Russell 2000 Growth Index	11.27%	-21.31%	-20.96%	3.68%	4.91%	7.36%	10.24%	7.34%
Russell 2000 Index	13.60%	-14.91%	-13.01%	6.44%	5.45%	8.14%	10.13%	7.06%
Russell 2000 Value Index	16.03%	-8.48%	-4.75%	8.33%	5.35%	8.44%	9.67%	6.51%

Inception Date: October 2, 2007

Past performance does not guarantee future results. Please see the "Important Disclosures" page for detailed performance disclosures.

*Inception date is October 2, 2007. All periods greater than 1 year are annualized.

**Represents partial year from October 2, 2007 - December 31, 2007

Source: Northern Trust, EAM Investors, FTSE Russell

EAM Investors, LLC | Important Disclosures

Past performance does not ensure future results, and there is no assurance that the portfolios will achieve their investment objectives.

Gross and net composite returns are presented net of brokerage commissions and include income from interest and dividends as well as capital gains less applicable withholdings. The returns do not reflect the deduction of other taxes a typical investor may accrue or custodial fees. The U.S. Dollar is the currency used to express performance. All periods greater than one year are annualized.

EAM US Small Cap

The inception date for the EAM US Small Cap composite is October 2, 2007. Net returns are net of the maximum annual management fee of 0.75%. The Russell 2000 Index consists of the smallest 2,000 securities in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization. The Russell 2000 Value Index (R2KVI) measures the performance of those Russell 2000 companies with relatively lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index and the Russell 2000 Value Index are being presented for informational purposes only. The Russell 2000 Growth Index (R2KGI) measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Growth Index has been chosen as a benchmark to the EAM US Small Cap composite because the Advisor believes that it is the most appropriate broad-based securities index to be used for comparative purposes given the investment growth-oriented strategy of the portfolio.

EAM US Micro Cap

The inception date for the EAM US Micro Cap composite is October 2, 2007. Net returns are net of the maximum annual management fee of 0.80%. The Russell Microcap Index consists of the smallest 1,000 companies in the small-cap Russell 2000 Index plus the next 1,000 securities. The Russell Microcap Value Index measures the performance of those Russell Microcap companies with lower price-to-book ratios and lower forecasted growth values. The Russell Microcap Index and the Russell Microcap Value Index are being presented for informational purposes only. The Russell Microcap Growth Index (RMGI) measures the performance of those Russell Microcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap Growth Index has been chosen as a benchmark to the EAM US Micro Cap composite because the Advisor believes that it is the most appropriate broad-based securities index to be used for comparative purposes given the investment growth-oriented strategy of the portfolio.

EAM US Ultra Micro Cap

The inception date for the EAM US Ultra Micro Cap composite is October 2, 2007. Net returns are net of the maximum annual management fee of 0.80%. The Russell Microcap Index consists of the smallest 1,000 companies in the small-cap Russell 2000 Index plus the next 1,000 securities. The Russell Microcap Value Index measures the performance of those Russell Microcap companies with lower price-to-book ratios and lower forecasted growth values. The Russell Microcap Index and the Russell Microcap Value Index are being presented for informational purposes only. The Russell Microcap Growth Index (RMGI) measures the performance of those Russell Microcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap Growth Index has been chosen as a benchmark to the EAM US Ultra Micro Cap composite because the Advisor believes that it is the most appropriate broad-based securities index to be used for comparative purposes given the investment growth-oriented strategy of the portfolio.

EAM Non-US Small Cap

The inception date for the EAM Non-US Small Cap composite is May 1, 2011. Net returns are net of the maximum annual management fee of 0.80%. The MSCI ACWI ex-US Small Cap Index captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 25 Emerging Markets (EM) countries. The index is designed to measure small cap equity market performance in the global developed and emerging markets excluding the United States. The MSCI ACWI ex-US Small Cap Index has been chosen as a benchmark to the EAM Non-US Small Cap strategy because the Advisor believes that it is the most appropriate broad-based securities index available to be used for comparative purposes given the investment strategy of the portfolios. The MSCI ACWI ex-US Small Cap Growth Index captures small cap securities exhibiting overall growth style characteristics across 22 of 23 DM countries (excluding the US) and 25 EM countries. The MSCI ACWI Small Cap Value Index captures small cap securities exhibiting overall value style characteristics across 23 DM countries and 25 EM countries. The MSCI ACWI ex-US Small Cap Growth Index and the MSCI ACWI ex-US Small Cap Value Index are being presented for informational purposes only.

EAM Emerging Markets Small Cap

The inception date for the EAM Emerging Markets Small Cap composite is April 1, 2012. Net returns are net of the maximum annual management fee of 0.85%. The MSCI Emerging Markets Small Cap Index includes small cap representation across 25 Emerging Markets countries (EM) and is designed to measure small cap equity market performance in the global emerging markets. The MSCI Emerging Markets Small Cap Index has been chosen as a benchmark to the EAM Emerging Markets Small Cap strategy because the Advisor believes that it is the most appropriate broad-based securities index available to be used for comparative purposes given the investment strategy of the portfolios. The MSCI Emerging Markets Small Cap Growth Index captures small cap securities exhibiting overall growth style characteristics across 25 EM countries. The MSCI Emerging Markets Value Index captures small cap securities exhibiting overall value style characteristics across 25 EM countries. The MSCI Emerging Markets Small Cap Growth Index and the MSCI Emerging Markets Small Cap Value Index are being presented for informational purposes only.

EAM Investors, LLC | Important Disclosures

EAM Non-US Micro Cap

The inception date for the EAM Non-US Micro Cap composite is June 1, 2014. Net returns are net of the maximum annual management fee of 1.00%. The Linked Global ex-US Micro Cap Index represents the linked index returns of the Russell Global ex-US Micro Cap Index from June 1, 2014 through December 31, 2018 and the index returns of the FTSE Global ex-US Micro Cap Index effective January 1, 2019 and thereafter. The Russell Global ex-US Micro Cap Index was no longer supported effective December 31, 2018 and the FTSE Global ex-US Micro Cap Index is initiated effective January 1, 2019. The Adviser has linked the returns of these two indexes for comparison purposes because it believes that the linked return stream is the most appropriate broad-based securities indexing available to be used for comparative purposes given the investment strategy of the EAM Non-US Micro Cap Composite. The FTSE Global ex-US Micro Cap Index is a market-capitalization weighted index representing the performance of Micro cap stocks in Developed and Emerging markets (excluding the US). The FTSE Global ex-US Micro Cap index is constructed to represent the Micro-cap segment of the global equity market, excluding companies assigned to the United States.

EAM Global Opportunities

The inception date for the EAM Global Opportunities composite is July 1, 2017. Net returns are net of the maximum annual management fee of 0.75% for the EAM Global Opportunities Strategy. The MSCI ACWI Small Cap Index captures small cap representation across 23 Developed Markets (DM) countries and 25 Emerging Markets (EM) countries. The index is designed to measure small cap equity market performance in the global developed and emerging markets. The MSCI ACWI Small Cap Index has been chosen as a benchmark to the EAM Global Opportunities strategy because the Adviser believes that it is the most appropriate broad-based securities index available to be used for comparative purposes given the investment strategy of the portfolios. The MSCI ACWI Small Cap Growth Index captures small-cap securities exhibiting overall growth style characteristics across 23 DM countries and 25 EM countries. The MSCI ACWI Small Cap Value Index captures small cap securities exhibiting overall value style characteristics across 23 DM countries and 25 EM countries. The MSCI ACWI Small Cap Value Index and the MSCI ACWI Small Cap Growth Index are being presented for informational purposes only.

The performance of the Indexes reflects dividends net of foreign tax withholdings applicable to a typical foreign investor and capital gains but does not reflect the deduction of any investment management fees or other expenses or taxes. The indexes are unmanaged and cannot be invested in directly.

Under no circumstances does the information contained within represent a recommendation to buy or sell securities. The securities identified in the materials are used for illustrative purposes in the discussion of our investment philosophy and processes. We may or may not have held, currently hold, or will hold any of the securities.

The portfolio(s) are actively managed and holdings are subject to change. We believe the information presented is reliable, but we do not guarantee its accuracy. The opinions expressed will evolve as future events unfold. The investment risk of the portfolio(s) may be increased by the portfolios' ability to invest in smaller company stocks, and IPOs. Investing in growth stocks involves certain risks, in part, because the value of securities is based upon future expectations that may or may not be met. Small company stocks are generally riskier than large company stocks due to greater volatility and less liquidity.

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LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: JANUARY 10, 2023
ITEM: V

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH PRINCIPAL GLOBAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. MID CAP CORE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Principal Global Investors, LLC for management of an active U.S. mid cap core equities portfolio.

Executive Summary

Principal Global Investors, LLC (Principal) has managed an active U.S. mid cap core equities portfolio for LACERS since July 2014. LACERS' portfolio was valued at approximately \$293 million as of November 30, 2022. Principal is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal.

Discussion

Background

Principal manages an active U.S. mid cap core equities portfolio for LACERS benchmarked to the Russell Midcap Index. Principal's investment strategy is driven by fundamental research and seeks companies with strong competitive advantages trading at discounts to intrinsic values, as determined by free cash flows. The portfolio is managed by Bill Nolin, Chief Investment Officer, and Thomas Rozycki, Head of Research, who are supported by a team of seven research analysts. LACERS' portfolio was valued at approximately \$293 million as of November 30, 2022.

The Board hired Principal through the 2013 Active U.S. Mid Cap Core Equities manager search process and authorized a three-year contract on January 28, 2014; the contract became effective on July 1, 2014. Subsequently, the Board authorized three-year contract renewals on January 24, 2017 and January 28, 2020. The current contract expires on June 30, 2023.

Organization

Principal is headquartered in Des Moines, Iowa and has approximately 1,932 employees of which 671 are investment personnel. The firm is the wholly-owned global investment management business of Principal Financial Group, Inc., a publicly traded financial services company (NASDAQ ticker symbol

PFG). As of September 30, 2022, Principal managed approximately \$485 billion in total assets, with \$31 billion in the mid cap equities strategy.

Due Diligence

Principal's organization, investment philosophy, strategy, and process have not changed materially over the contract period. Staff and NEPC have no concerns about Principal's ability to manage assets for LACERS.

Performance

As of November 30, 2022, Principal outperformed its benchmark, net-of-fees, over the 5-year, 7-year, and since inception time periods and underperformed in more recent time periods as presented in the table below.

Annualized Performance as of 11/30/22 (Net-of-Fees)							
	3-Month	1-Year	2-Year	3-Year	5-Year	7-Year	Since Inception ¹
Principal	4.66	-12.37	4.61	8.00	11.07	12.59	11.96
Russell Midcap Index	4.72	-9.02	5.91	8.68	8.50	10.05	8.94
<i>% of Excess Return</i>	-0.06	-3.35	-1.30	-0.68	2.57	2.54	3.02

¹Performance inception date: 7/24/14. Strategy was funded after contract inception date of 7/1/14.

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

Calendar Year Performance as of 11/30/22 (Net-of-Fees)									
	1/1/22-11/30/22	2021	2020	2019	2018	2017	2016	2015	7/24/14-12/31/14
Principal	-17.27	26.67	18.68	43.96	-5.56	25.56	10.96	2.35	6.65
Russell Midcap Index	-12.59	22.58	17.10	30.54	-9.06	18.52	13.80	-2.44	4.40
<i>% of Excess Return</i>	-4.68	4.09	1.58	13.42	3.50	7.04	-2.84	4.79	2.25

Principal is in compliance with the LACERS Manager Monitoring Policy.

Fees

LACERS pays Principal an effective fee of 37 basis points (0.37%), which is approximately \$1.1 million annually based on the value of LACERS' assets as of November 30, 2022. This fee ranks in the 5th percentile among its peers in the eVestment U.S. Mid Cap Universe (i.e., 95% of like-managers have higher fees). From contract inception in July 2014 to September 30, 2022, LACERS has paid Principal a total of \$5.7 million in investment fees.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Principal Global Investors, LLC will allow the LACERS total portfolio to maintain a diversified exposure to the U.S. mid cap equities markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is 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

Attachment: 1. Consultant Recommendation – NEPC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: January 10, 2023

Subject: Principal Global Investors, LLC – Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract with Principal Global Investors, LLC ('Principal') for a period of three years from the date of contract expiry.

Background

Principal was funded on July 24, 2014 to provide the Plan with exposure to middle capitalization equity exposure within the U.S. Equity asset class. As of October 31, 2022, Principal managed \$272.2 million, or 1.3% of Plan assets. The performance objective is to outperform the Russell MidCap Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing based on LACERS' Manager Monitoring Policy.

Principal is a wholly-owned, indirect subsidiary of Principal Financial Group, Inc., a public company listed on the Nasdaq. Principal Financial Group, Inc. was founded in 1879, began managing retirement assets in 1941, and today operates four primary business segments: Principal Global Investors, Retirement and Investor Services, Principal International and Insurance Solutions. Principal Global Investors, LLC was formed as a Delaware Limited Liability Company in 1998 and became a registered investment advisor with the SEC on October 26, 1998. The portfolio is managed by a team led by Bill Nolin supported by Thomas Rozycki who are both supported by a team of six equity research professionals within a subsidiary of Principal Global Investors named Aligned Investors. As of September 30, 2022, Principal managed \$484.6 billion in assets.

Principal's investment philosophy believes that individual stock selection based on in-depth original fundamental research results in superior investment returns over market cycles. They believe in long-term, low turnover, purely bottom-up fundamental investing. The firm's strategy focuses on the following four pillars of investing:

- 1) High quality companies with sustainable competitive advantages – The focus is on fundamental research and investing in companies that possess sustainable competitive advantages such as: industry leadership, innovation, low-cost production, barriers to entry, and efficient capital allocation.
- 2) Owner-operator management and culture – Through understanding who is managing the companies in prospective investments and a preference toward management teams with CEOs that have substantial ownership stakes, Principal believes they can identify alpha opportunities. Their belief is that owner-operators have incentives that are aligned with outside shareholders and run

efficient organizations allocating capital in a counter-cyclical fashion. Principal prefers management teams that clearly exhibit an owner-operator mentality. For example, one metric considered with every prospective name for the portfolio is the 'Aligned Ratio' which compares the CEO's ownership stake in the company's stock to the amount of cash compensation they receive per year.

3) Valuation discipline builds a margin of safety – Principal relies on a discounted cash flow assessment process whereby the goal is to identify companies selling at a discount to long term intrinsic value, thereby providing not only appreciation potential, but also a margin of safety to dampen potential volatility relative to the market.

4) Focus on risk reduction – Principal seeks to reduce risk through company selection, that is, through owning companies with sustainable competitive advantages that have lower business risk, less financial risk and less accounting risk.

Performance

Referring to Exhibit 1, as of October 31, 2022, since the portfolio's inception date of August 1, 2014, the portfolio has outperformed its benchmark by 2.7%. Over the last five-years, ended October 31, 2022, the portfolio has outperformed its benchmark by 2.2%. Over the past year, ended October 31, 2022, the portfolio has underperformed its benchmark by 3.6%.

Referring to Exhibit 2, as of September 30, 2022, the portfolio has outperformed its benchmark by 3.0% and ranked in the 6th percentile in its peer group of midcap managers. In the past five-years, ended September 30, 2022, the portfolio outperformed its benchmark by 2.6% and ranked in the 14th percentile in its peer group. Over the past one-year, the portfolio underperformed its benchmark by 1.1% and ranked in the 59th percentile among peers.

Referring to Exhibit 3, since inception, the cumulative effect of the short-term underperformance over the last year has not eroded the portfolio's outperformance over longer time periods. Primarily, underperformance in the portfolio over the past year has been driven by Principal's decision to not invest in the Energy sector. Over the longer-run, the portfolio's emphasis on high quality companies that have a sustainable business model has provided excess returns to LACERS and was driven by stock selection in the Industrials, Financials and Consumer Discretionary economic sectors.

Fees

The portfolio has an asset-based fee of 0.37% annually. This fee ranks in the 5th percentile among its peers in the eVestment US MidCap universe. In other words, 95% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

LACERS has experienced strong outperformance from the Principal portfolio as compared to its benchmark index over the past five years and since inception ended October 31, 2022. The firm's research-driven bottom-up approach to middle capitalization domestic equities investing is supported by a large stable organization while executing the investment strategy through a small and focused team environment. NEPC recommends a three-year contract renewal.

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



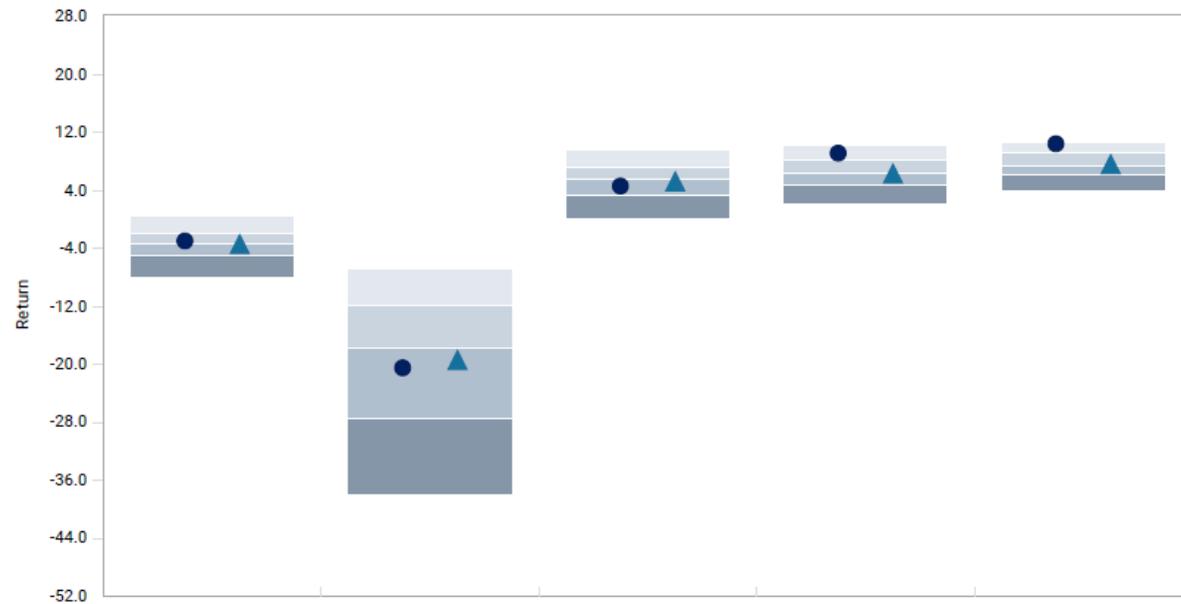
Exhibit 1: Performance Comparison Net of Fees as of October 31, 2022

	Market Value (\$)	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception Date
Principal Global Investors	272,167,612	-6.5	-20.8	6.5	10.1	11.4	Aug-14
Russell MidCap Index		-4.3	-17.2	7.8	7.9	8.7	
Over/Under		-2.2	-3.6	-1.3	2.2	2.7	



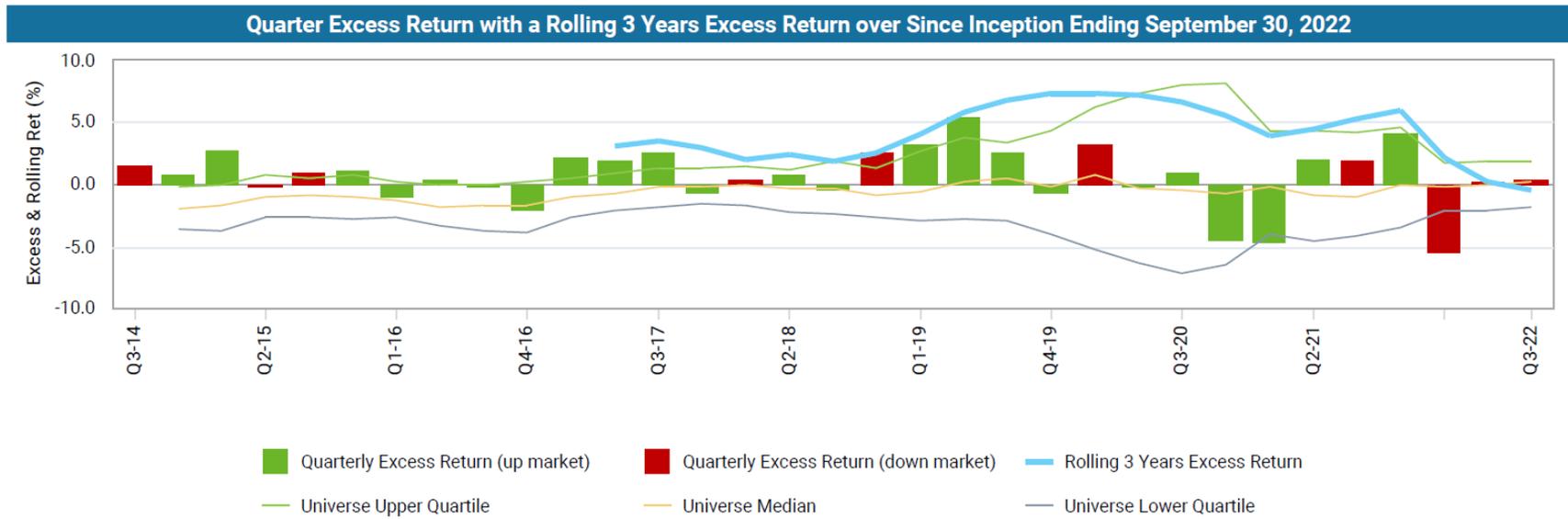


Exhibit 2: Universe Performance Comparison Net of Fees Ending September 30, 2022



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)
● Principal Global Investors	-3.0 (42)	-20.5 (59)	4.7 (60)	9.1 (14)	10.6 (6)
▲ Russell Midcap Index	-3.4 (52)	-19.4 (56)	5.2 (54)	6.5 (49)	7.6 (48)
5th Percentile	0.6	-6.8	9.5	10.3	10.6
1st Quartile	-1.8	-11.8	7.1	8.2	9.1
Median	-3.4	-17.6	5.4	6.3	7.5
3rd Quartile	-4.9	-27.4	3.4	4.9	6.2
95th Percentile	-7.8	-38.0	0.1	2.1	4.1
Population	247	244	235	226	209

Exhibit 3: Cumulative Excess Performance Net of Fees Ending September 30, 2022





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

MEETING: JANUARY 10, 2023
ITEM: VI

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EMERGING MARKETS VALUE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Dimensional Fund Advisors LP for management of an active emerging markets value equities portfolio.

Executive Summary

Dimensional Fund Advisors LP (DFA) has managed an active emerging markets value equities portfolio for LACERS since July 2014. LACERS' portfolio was valued at approximately \$471 million as of November 30, 2022. DFA is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal.

Discussion

Background

DFA manages an active emerging markets value equities portfolio for LACERS benchmarked to the MSCI Emerging Markets Value Index. DFA's strategy provides diversified exposure to deep value emerging markets stocks and invests across all market capitalizations with a tilt to small capitalization stocks. DFA believes consistent exposure to the market, value, and size risk premiums are compensated with increased expected returns. The portfolio is managed by a team of over 40 equity portfolio management professionals led by Jed Fogdall, Head of Portfolio Management and Chairman of the Investment Committee, who has 18 years of industry experience. LACERS' portfolio was valued at approximately \$471 million as of November 30, 2022.

The Board hired DFA through the 2013 Active Non-U.S. Equity Emerging Markets Value manager search process and authorized a three-year contract on February 25, 2014; the contract became effective on July 1, 2014. Subsequently, the Board authorized three-year contract renewals on January 24, 2017 and on January 28, 2020. The current contract expires on June 30, 2023.

Organization

DFA is headquartered in Austin, Texas, and has more than 1,500 employees globally. As of November 30, 2022, the firm managed approximately \$612 billion in total assets, with \$16.5 billion in the emerging markets value equities strategy.

Due Diligence

DFA has undergone several leadership changes since DFA's previous contract renewal in January 2020. In July 2020, Chris Crossan, DFA's Global Chief Compliance Officer, passed away. Selwyn Notelovitz, previously Deputy Chief Compliance Officer, was appointed Global Chief Compliance Officer for DFA. Randy Olson was also appointed Chief Compliance Officer of DFA's U.S.-registered mutual funds.

In September 2020, Bernie Grzelak joined DFA as the new Chief Financial Officer and Treasurer, overseeing all aspects of DFA's financial and accounting functions at the firm and fund levels. He replaced Greg Hinkle, who retired in March 2020.

Joseph Chi, who had served as Head of Responsible Investment since November 2019, retired in December 2021. Effective November 2021, Jim Whittington was appointed as Head of Responsible Investment and leads DFA's global responsible investment efforts. Prior to his appointment, Jim served as a Senior Portfolio Manager and was a member of DFA's Investment Stewardship Committee. Additionally, Lacey Huebel was appointed as the North America Head of Responsible Investment while retaining her existing role as a Portfolio Manager.

Staff and NEPC consider all of these leadership transitions to have no material impact to the firm or investment strategy. DFA's investment philosophy, strategy, and process have not changed over the contract period.

Performance

As of November 30, 2022, DFA has outperformed the benchmark, net-of-fees, for all time periods, as presented in the table below.

Annualized Performance as of 11/30/22 (Net-of-Fees)							
	3-Month	1-Year	2-Year	3-Year	5-Year	7-Year	Since Inception ¹
DFA Emg Mkts Value	0.46	-5.66	4.32	4.12	1.15	6.54	1.26
MSCI EM Value Index	0.05	-11.50	-1.78	0.12	-0.48	4.30	-0.27
<i>% of Excess Return</i>	<i>0.41</i>	<i>5.84</i>	<i>6.10</i>	<i>4.00</i>	<i>1.63</i>	<i>2.24</i>	<i>1.53</i>

¹Performance inception date: 7/28/14. Strategy was funded after contract inception date of 7/1/14.

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

Calendar Year Performance as of 11/30/22 (Net-of-Fees)									
	1/1/2022- 11/30/22	2021	2020	2019	2018	2017	2016	2015	7/28/14- 12/31/14
DFA Emg Mkts Value	-9.77	12.01	4.48	10.13	-12.46	32.59	17.86	-19.26	-13.57
MSCI EM Value Index	-14.53	4.00	5.48	11.94	-10.72	28.07	14.90	-18.57	-12.89
<i>% of Excess Return</i>	4.76	8.01	-1.00	-1.81	-1.74	4.52	2.96	-0.69	-0.68

DFA is in compliance with the LACERS Manager Monitoring Policy.

Fees

LACERS pays DFA an effective fee of 38 basis points (0.38%), which is approximately \$1.8 million annually based on the value of LACERS' assets as of November 30, 2022. This fee ranks in the 8th percentile among its peers in the eVestment U.S. Global Emerging Markets All Cap Value Equity Universe (i.e., 92% of like-managers have higher fees). From contract inception in July 2014 to September 30, 2022, LACERS has paid DFA a total of \$14.3 million in investment fees.

General Fund Consultant Opinion

NEPC concurs with staff recommendation.

Strategic Plan Impact Statement

A contract renewal with DFA will allow the LACERS total portfolio to maintain a diversified exposure to the emerging markets equities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Ellen Chen, ESG Risk Officer, Investment Officer II, Investment Division.

NMG/RJ/BF/EC:jp

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: January 10, 2023

Subject: Dimensional Fund Advisors LP – Emerging Market Value Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract with Dimensional Fund Advisors, LP ('DFA') for a period of three years from the date of contract expiry.

Background

DFA was funded on July 28, 2014 to provide emerging markets exposure within the Public Equity asset class. As of October 31, 2022, DFA managed \$413.2 million, or 2.0% of Plan assets. The performance objective is to outperform the MSCI Emerging Markets Value Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing based on LACERS' Manager Monitoring Policy.

DFA was founded in 1981 by University of Chicago MBA students David Booth and Rex Sinquefeld, whose intention was to start a fund management firm that would rely fully on academic theories of efficient markets. Papers from Finance Professors Eugene Fama and Kenneth French framed their thinking. Eugene Fama and Kenneth French remain Directors and Consultants to the company today, and the firm maintains its ties to the University of Chicago. Other notable Board Members include George Constantinides of the University of Chicago, Robert Merton of Harvard University, Myron Scholes of Stanford University, and Roger Ibbotson of Yale. Mr. Booth remains at the firm as Founder and Executive Chairman and Mr. Sinquefeld retired in 2005. The firm is a private company owned primarily by employees, directors and former employees (70%) and outside investors (30%). Headquartered in Austin, Texas, the firm has offices around the globe and as of September 30, 2022, the firm had approximately \$540 billion in assets under management ('AUM') with over 1,500 employees.

The firm's core philosophy is to focus on a rules-based systematic investment approach that combines academic theory and empirical research. DFA believes that prices in liquid and competitive markets reflect available information about fundamental values and the aggregate risk and return expectations of market participants. They believe that diversification helps reduce uncertainty, manage risk, increase the reliability of outcomes and provide flexibility. They identify and focus on the tradeoffs that matter to targeting market premiums efficiently.

The strategy is designed to cost-effectively target premiums along the dimensions of expected returns. The strategy invests in value stocks across all market capitalizations within eligible emerging markets and offers broad diversification across and within countries. Within the value universe, securities with smaller market caps or higher profitability trading at lower relative prices are emphasized. Country weights are based broadly on the free-float adjusted market capitalization of the eligible universe (index). Exposure to individual countries may be capped, subject to the

discretion of the firm's Investment Committee. The strategy invests across the entire size spectrum including large, mid, small and micro-cap stocks in approved countries; with a minimum market capitalization of \$50 million (USD). Within each eligible country, relative price screens are applied to capture approximately the lowest third of the universe by price-to-book ratio. Within the small cap portion of the selected emerging markets stocks with low profitability trading at high relative prices are excluded from purchase. Over time, DFA has been relaxing their limit on their allowable allocation to China. The original limit of 12.5% started in the 1990s and was increased in 2010 and 2016 to 15% and 17.5% respectively. In the third quarter of 2019 the limit was removed, allowing exposures to be more in line with the benchmark, as DFA has become more comfortable with China market risks from trading and market mechanisms related to accounting and fundamentals. Within the large cap portion, securities with higher expected returns, that is, lower relative price, higher profitability and lower market capitalization are emphasized relative to their respective market weights. To ensure portfolios remain broadly diversified and fully invested, holdings in a single industry are generally limited to a maximum of 25% and individual security weights are based on free-float adjusted market capitalization and eligibility criteria. The current maximum security weight is 5% at time of purchase. Cash is kept at nominal levels with the goal of remaining fully invested.

DFA uses a team approach to investment management. The Investment Policy Committee focuses on any changes to long-term investment strategy through the combined contributions of Portfolio Research, Portfolio Management, and Trading. The Investment Committee supervises day-to-day investment management operations for all portfolios. They do not employ a traditional portfolio manager / research analyst structure. Investment Associates and Portfolio Analysts are part of the team that assists Portfolio Managers in the implementation of policies and procedures for the strategies. DFA's internal research team is comprised of research professionals engaged in academic research and product development.

Performance

Referring to Exhibit 1, as of October 31, 2022, since the portfolio's inception date of August 1, 2014, the portfolio has outperformed its benchmark by 1.5%. Over the last five-years, ended October 31, 2022, the portfolio has outperformed its benchmark by 1.6%. Over the past year, ended October 31, 2022, the portfolio has underperformed its benchmark by 4.9%.

Referring to Exhibit 2, as of September 30, 2022, the portfolio has outperformed its benchmark by 1.5% and ranked in the 65th percentile in its peer group of emerging markets managers. In the past five-years, ended September 30, 2022, the portfolio outperformed its benchmark by 1.6% and ranked in the 32nd percentile in its peer group. Over the past one-year, the portfolio outperformed its benchmark by 4.2% and ranked in the 10th percentile among peers. The portfolio's value, size and profitability bias has contributed positively to excess returns as markets have rewarded DFA's fundamentals-driven factor-based investing strategy.

Fees

The portfolio has an asset-based fee of 0.38% annually. This fee ranks in the 8th percentile among its peers in the eVestment Global Emerging Markets Equity universe. In other words, 92% of the products included in the peer universe have a higher fee than the LACERS account.



Conclusion

DFA has outperformed its benchmark index over the past five years and since inception ended October 31, 2022. The team has been stable in the past three years. The firm’s understandable systematic approach to fundamental investing has resulted in relative gains for LACERS. NEPC recommends a three-year contract renewal.

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

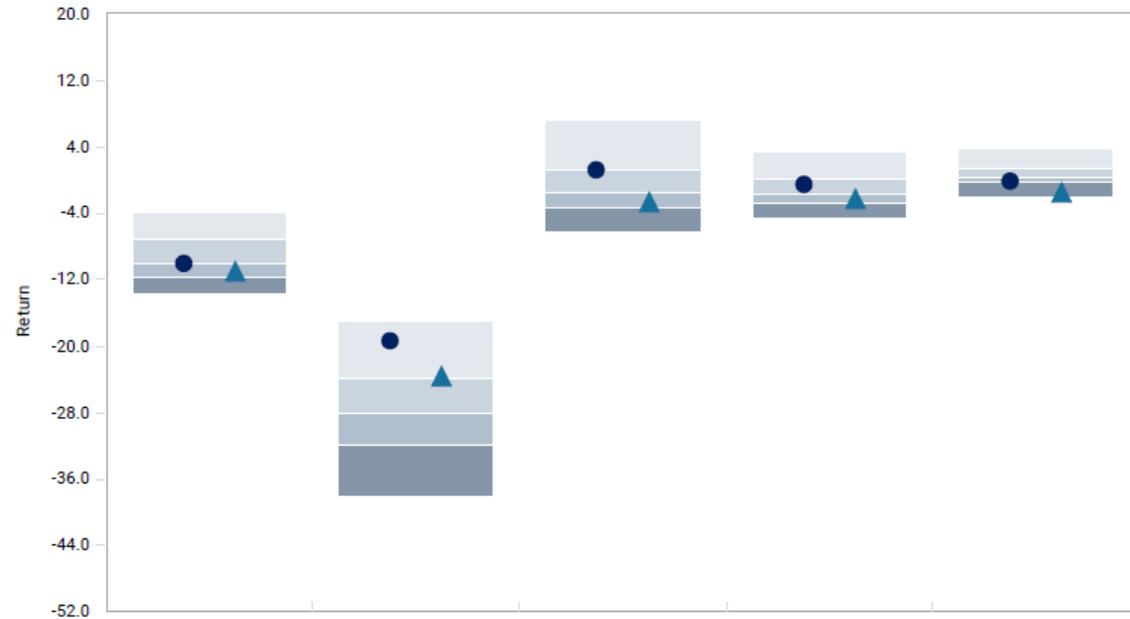
Exhibit 1: Performance Comparison Net of Fees as of October 31, 2022

	Market Value (\$)	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception Date
DFA Emerging Markets	413,183,464	-11.2	-20.3	-0.5	-1.5	-0.2	Aug-14
MSCI Emerging Markets Value Index		-11.7	-25.2	-4.2	-3.1	-1.7	
Over/Under		0.5	4.9	3.7	1.6	1.5	





Exhibit 2: Universe Performance Comparison Net of Fees Ending September 30, 2022



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)
● DFA Emerging Markets	-9.9 (50)	-19.4 (10)	1.3 (26)	-0.5 (32)	0.0 (65)
▲ MSCI Emerging Markets Value (Net)	-11.0 (63)	-23.6 (25)	-2.6 (67)	-2.1 (62)	-1.5 (92)
5th Percentile	-3.8	-17.0	7.3	3.4	3.9
1st Quartile	-7.1	-23.7	1.4	0.2	1.6
Median	-10.0	-28.1	-1.4	-1.5	0.4
3rd Quartile	-11.8	-32.0	-3.4	-2.7	-0.3
95th Percentile	-13.7	-38.2	-6.4	-4.5	-1.9
Population	394	386	349	304	246