



Investment Committee Agenda

REGULAR MEETING

TUESDAY, APRIL 11, 2023

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

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

Disclaimer to Participants

Please be advised that all LACERS Committee meetings are recorded.

LACERS Website Address/link:
www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Committee in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a non-exempt record related to an item on the agenda, please call (213) 855-9348 or email at ani.ghoukassian@lacers.org.

Chair: Elizabeth Lee

Committee Members: Thuy Huynh
Janna Sidley

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

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

Notice to Paid Representatives

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

Request for Services

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[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
- II. [APPROVAL OF MINUTES FOR THE MEETING OF MARCH 14, 2023 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [INVESTMENT MANAGER CONTRACT WITH WASATCH ADVISORS, INC. D/B/A WASATCH GLOBAL INVESTORS REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- V. [INVESTMENT MANAGER CONTRACT WITH EAM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, May 9, 2023, at 10:30 a.m., or immediately following the Board Meeting in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.
- VIII. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, APRIL 11, 2023

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

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

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

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
- II. APPROVAL OF MINUTES FOR THE MEETING OF MARCH 14, 2023 AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. INVESTMENT MANAGER CONTRACT WITH WASATCH ADVISORS, INC. D/B/A WASATCH GLOBAL INVESTORS REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- V. INVESTMENT MANAGER CONTRACT WITH EAM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, May 9, 2023, at 10:30 a.m., or immediately following the Board Meeting in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.
- VIII. ADJOURNMENT

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

March 14, 2023

1:19 p.m.

PRESENT:	Chair:	Elizabeth Lee
	Committee Members:	Nilza R. Serrano Janna Sidley
	Legal Counselor:	Josh 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 – 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 MEETING OF FEBRUARY 14, 2023 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 PGIM, INC. REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO – Due to technical issues, this item was continued to a future Investment Committee Meeting.

V

INVESTMENT MANAGER CONTRACT WITH GRANAHAH INVESTMENT MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Bryan Fujita, Investment Officer III, 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.

VI

ADAPTIVE ASSET ALLOCATION POLICY AND POSSIBLE COMMITTEE ACTION – Bryan Fujita, Investment Officer III, presented this item to the Committee. After some discussion, Chair Lee requested adjustments to the policy that were noted by staff. Committee Member Serrano moved approval, and adopted by the following vote: Ayes, Committee Members Serrano, Sidley, and Chair Lee -3; Nays, None.

VII

OTHER BUSINESS – There was no other business.

VIII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, April 11, 2023, at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.

X

ADJOURNMENT – There being no further business before the Committee, Chair Lee adjourned the meeting at 1:41 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: APRIL 11, 2023
ITEM: IV

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH WASATCH ADVISORS INC. D/B/A WASATCH GLOBAL INVESTORS REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS SMALL CAP 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 Wasatch Advisors Inc. for management of an active emerging markets small cap equities portfolio.

Executive Summary

Wasatch Advisors Inc. (Wasatch) has managed an active emerging markets small cap equities portfolio for LACERS since October 2020. LACERS' portfolio was valued at \$280 million as of February 28, 2023. Wasatch 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

Wasatch manages an active emerging markets small cap equities portfolio for LACERS benchmarked against the MSCI Emerging Markets (EM) Small Cap Index. Wasatch employs a team-based, bottom-up research approach seeking companies with high returns on capital, exceptional management teams, sustainable competitive advantages, and reasonable valuations. The portfolio is managed by a team of portfolio managers including Ajay Krishnan, CFA (28 years of experience), Dan Chace, CFA (24 years of experience), Scott Thomas, CFA, CPA (17 years of experience), Anh Hoang, CFA (10 years of experience), and Kevin Unger, CFA (10 years of experience). LACERS' portfolio was valued at \$280 million as of February 28, 2023.

The Board hired Wasatch through the 2020 Active Emerging Market Small Cap Equities Mandate investment manager search process and authorized a three-year contract on July 28, 2020; the contract became effective on October 1, 2020. The current contract expires on June 30, 2023. Representatives of Wasatch most recently presented a portfolio review to the Investment Committee on February 14, 2023.

Organization

Wasatch is an investment management firm located in Salt Lake City, Utah. The firm is 100% employee-owned and has over 91 employees, with 34 investment professionals. As of December 31, 2022, the firm managed over \$22.4 billion in total assets with over \$1.7 billion in the Emerging Markets Small Cap strategy.

Due Diligence

Staff conducts routine due diligence of the manager; since inception of the contract, quarterly due diligence meetings have been conducted virtually. Based upon these due diligence activities, as well as staff's and NEPC's continuous monitoring, Wasatch's organization, investment philosophy, strategy, and process have not changed materially over the contract period. The next comprehensive onsite due diligence visit to Wasatch's headquarters is currently being planned for the second calendar quarter of 2023.

Performance

As of February 28, 2023, Wasatch has underperformed the benchmark over all periods since inception periods, as presented in the table below.

Annualized Performance as of 2/28/23 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception 12/30/20
Wasatch	1.32	-18.91	-8.35	-5.30
MSCI EM Small Cap Net	1.84	-9.48	-2.80	0.12
<i>% of Excess Return</i>	<i>-0.52</i>	<i>-9.43</i>	<i>-5.55</i>	<i>-5.42</i>

Most of Wasatch's underperformance came during the first half of 2022 as the Fed and global central banks raised interest rates, leading to underperformance in growth and technology stocks, in which Wasatch is meaningfully overweight relative to the benchmark. Significant underperformance in 2022 has more than offset the outperformance of LACERS' account prior to this period; at the beginning of 2022, the account had a since inception net of fee excess return of 2.65% (28.49% account return vs. 25.84% benchmark return). The companies currently held in the portfolio continue to post robust year-over-year revenue and earnings growth and Wasatch anticipates that this earnings growth will be rewarded over time, resulting in long term outperformance of the portfolio.

Wasatch is in compliance with the LACERS Manager Monitoring Policy; the short performance track record of the LACERS account does not provide adequate time to fully evaluate the effectiveness of the manager and strategy. Evaluating Wasatch's composite performance (performance of all accounts managed in the strategy) as presented in Attachment 1, Exhibit 1A, Wasatch has consistently outperformed over the 5-year, 7-year, 10-year, and since inception (October 2007) periods. Staff and NEPC recommend renewing Wasatch's contract for another three-year period and will continue to monitor the manager and strategy pursuant to the Policy.

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

Calendar Year Performance as of 12/31/22 (Net-of-Fees)			
	2022	2021	12/30/20- 12/31/20
Wasatch	-39.22	35.30	1.05
MSCI EM Small Cap Net	-18.02	18.75	0.09
<i>% of Excess Return</i>	<i>-21.20</i>	<i>16.55</i>	<i>0.96</i>

Fees

LACERS pays Wasatch an effective fee of 75 basis points (0.75%), which is approximately \$210,000 annually based on the value of LACERS' assets as of February 28, 2023. This fee ranks in the 13th percentile of fees charged by similar managers in the eVestment database (i.e., 87% of like-managers have higher fees). Since inception, LACERS has paid Wasatch a total of \$4.4 million in investment management fees as of December 31, 2022.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Wasatch will allow the fund to maintain a diversified exposure to the active emerging markets small cap equities markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's organization, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices that affirm transparency, accountability, and fiduciary duty (Goal V).

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

NMG/RJ/BF/EC:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: April 11, 2023

Subject: Wasatch Global Investors - Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract that is currently in place with Wasatch Global Investors ('Wasatch') for a period of three years from the date of contract expiry.

Background

Wasatch has been an investment manager for LACERS since December 30, 2020. As of December 31, 2022, Wasatch managed \$278.6 million, or 1.3% of Plan assets. The portfolio is benchmarked against the MSCI Emerging Markets Small Cap Index and has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The Wasatch portfolio is currently compliant with LACERS' manager monitoring policy.

Wasatch Global Investors was established in October 1975. The firm was formed to manage assets for clients in a style that relies on intensive, fundamental research of individual companies. The firm's research pointed to earnings growth as an essential indicator of future stock prices – a premise that remains the underlying core of Wasatch's investment culture. On January 1, 2023, Wasatch effected a corporate entity restructuring. Since its founding in 1975, Wasatch Advisors (d/b/a Wasatch Global Investors) has been a Utah corporation with Subchapter S tax status (S-Corp). To increase tax efficiency and flexibility in administering the employee equity program, the legal structure was converted to a Delaware limited partnership (Wasatch Advisors LP). Wasatch Advisors will continue to be registered with the U.S. Securities and Exchange Commission as an investment adviser and will continue to do business as Wasatch Global Investors.

As a result, Wasatch announced the addition of 17 new employee shareholders, bringing the total number of employee shareholders to 49. The new shareholders are employees from departments across the firm, including Investment Research, Operations, Compliance, Marketing and Sales. The new equity grants are intended to reward employees who have meaningfully contributed to Wasatch's success and ensure the firm will remain 100% employee-owned. Resulting from the new equity distribution, more than half of all employees at Wasatch are owners of the firm. All previous shareholders of the firm remain equity owners. As of December 31, 2022, Wasatch had \$22.35 billion in assets under management.

Wasatch believes in independent research, and they generate 90% of their research internally through bottom up fundamental work (company visits, channel checking, building proprietary earnings models and valuation metrics etc.). The Emerging Markets Small Cap portfolios source ideas from internal database as well as screening using their front-end multi-factor scoring model which narrows the universe down to top 10% quality roughly. The team further utilizes single

company Dupont model for quant screening. Even though sector and country weights are driven by bottom- up stock views, the team routinely evaluates country risk scores particularly for larger weight and overweight countries. Currency risk is also incorporated in their risk management framework. The Emerging Markets strategy does not hold over 5% of the float for any of the portfolio's securities. Wasatch has a policy of not owning more than 15% of a company across all of the firm's portfolios without prior approval from the Audit Committee.

Ajay Krishnan is the lead portfolio manager on the strategy. The portfolio manager is supported by over 10 other portfolio managers and analysts across the firm under the "Multiple Eyes" structure at Wasatch. Analysts and portfolio managers are incentivized to contribute to other strategies across the platform since a significant portion of their compensation is tied to the firm's overall success. Portfolio managers at Wasatch also have primary analyst responsibilities. Additional resources at the firm include investigative journalists.

Performance

Referring to Exhibit 1, as of January 31, 2023, since the portfolio's inception date of January 1, 2021, the portfolio has underperformed its benchmark by 7.7%. Over the last year, ended January 31, 2023, the portfolio has underperformed its benchmark by 18.3%. Referring to Exhibit 1A, over longer periods of time, Wasatch has been a more consistent performer. Noting that this performance is taken from a composite of all of Wasatch's clients in the Emerging Markets Small Cap portfolio and is not based on LACERS account data. Over the last 10 years, the portfolio has outperformed the benchmark by 0.70%. Over the last seven years, the portfolio has outperformed by 1.2% and over the last five years the portfolio has outperformed 3.3%.

Referring to Exhibit 2, as of December 31, 2022, since inception the portfolio has underperformed its benchmark by 8.0% and ranked in the 90th percentile in its peer group of small cap growth managers. Over the past one-year, the portfolio underperformed its benchmark by 21.2% and ranked in the 100th percentile among peers.

Referring to Exhibit 3, since inception, the cumulative effect of underperformance in the strategy has been stark. The portfolio has experienced strong drawdowns in 2022 that have overcome the cumulative outperformance prior to this period. The strong underperformance is driven by the growth orientation in the portfolio and overweight positions in Information Technology, Financials and Industrials. The portfolio typically holds 50-80 names and their active approach is subject to periods of underperformance. Over longer periods of time, the firm has been able to add value over and above their benchmark.

Fees

The portfolio has an asset-based fee of 0.75% annually. This fee ranks in the 13th percentile among its peers in the eVestment Global Emerging Markets Small Cap Equity universe. In other words, 87% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

Wasatch has underperformed its benchmark index quite strongly since January 1, 2021. While the performance of the portfolio is disappointing, the outcomes experienced over the last year are not outside of expectation given the portfolio growth orientation. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.



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

Exhibit 1: Performance Comparison Net of Fees as of January 31, 2023

	Market Value (\$)	1 Month	FTYD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Wasatch Global Investors	278,621,004	6.5	5.8	-27.4			-6.2	21-Jan
MSCI Emerging Markets Small Cap (Net)		5.9	8.6	-9.1			1.5	
Over/Under		0.6	-2.8	-18.3			-7.7	

Exhibit 1A: Performance Comparison Net of Fees Wasatch Separately Managed Accounts Composite Net of Fees as of January 31, 2023

	3 Months	1 Year	3 Year	5 years	7 Years	10 Years	Since Inception 15.33 Years 10/2007 - 01/2023
Wasatch Global Investors	6.8	-26.6	5.0	4.4	8.7	4.2	5.4
MSCI EM Small Cap-ND	5.9	-9.1	8.6	1.1	7.5	3.5	2.4
Over/Under	0.9	-17.4	-3.6	3.3	1.2	0.7	3.0

Source: eVestment





Exhibit 2: Universe Performance Comparison Net of Fees Ending December 31, 2022

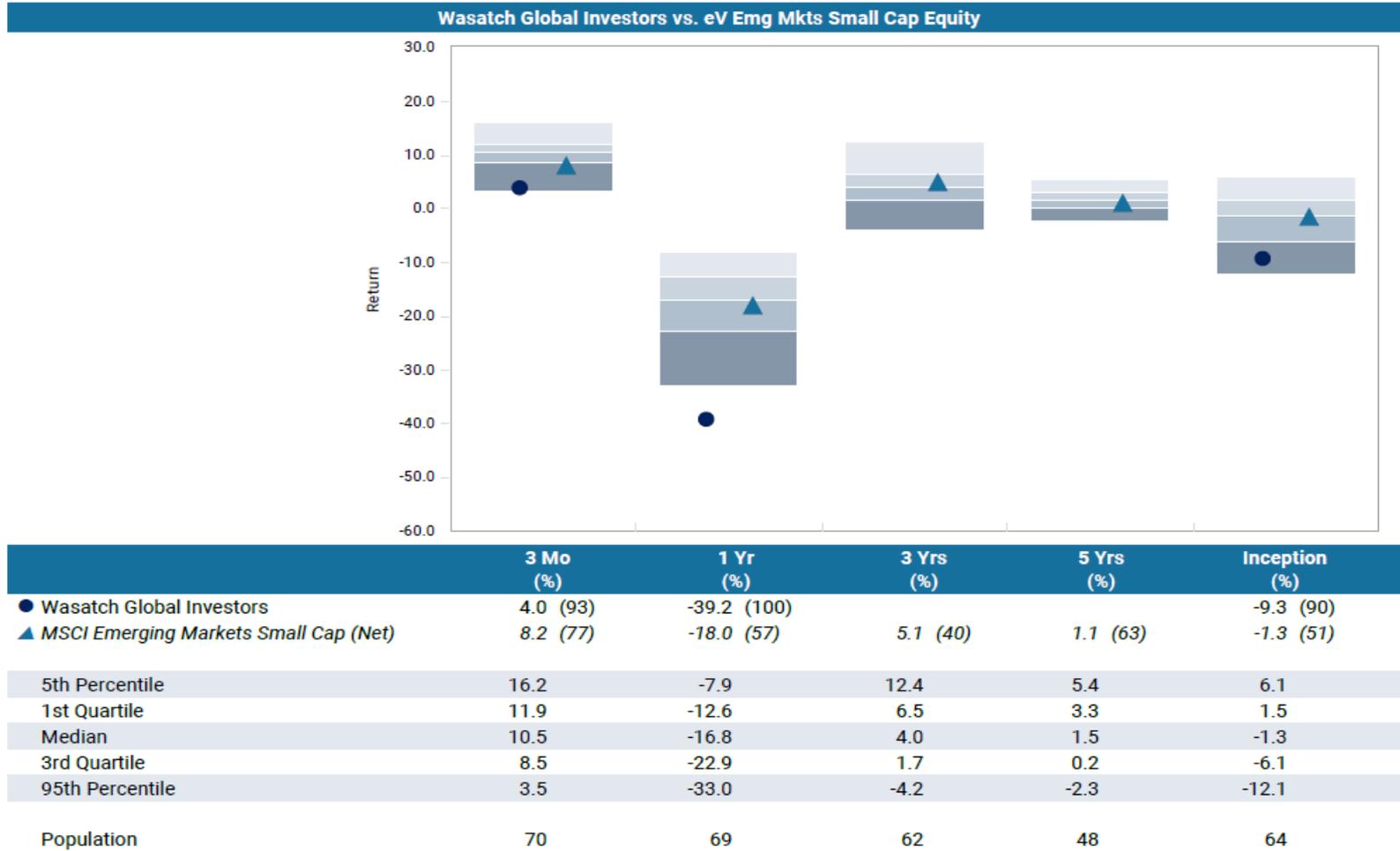
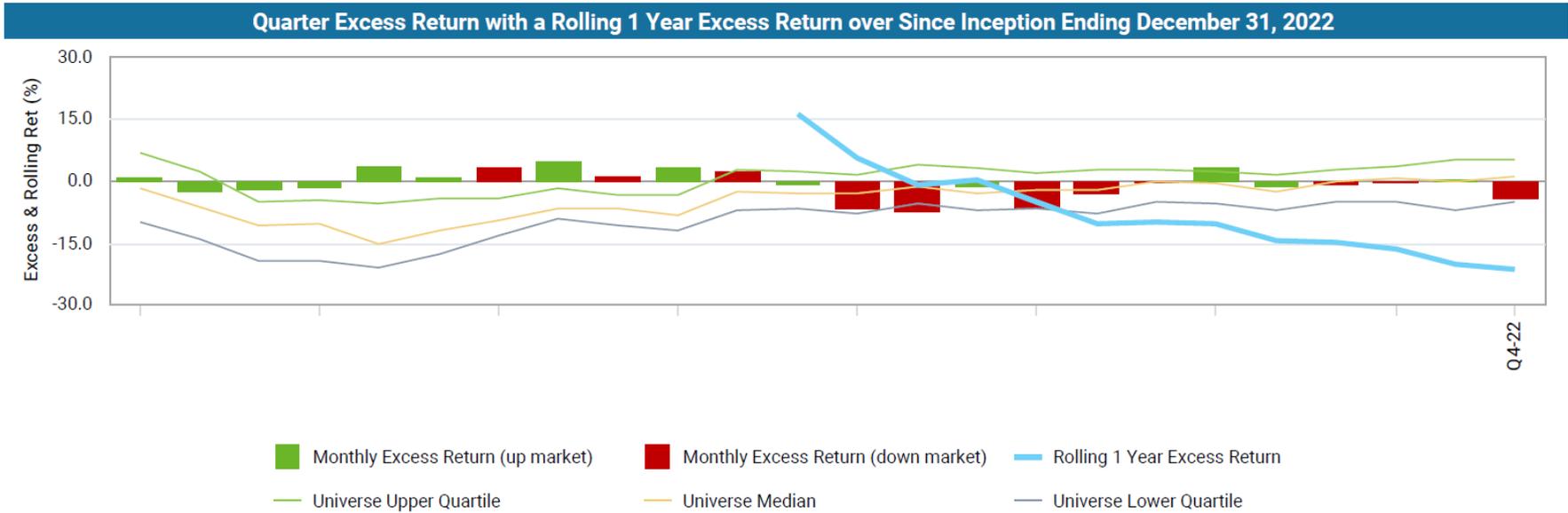


Exhibit 3: Cumulative Excess Performance Net of Fees Ending December 31, 2022





LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: APRIL 11, 2023
ITEM: V

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH EAM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH 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 EAM Investors, LLC for management of an active U.S. small cap growth equities portfolio.

Executive Summary

EAM Investors, LLC (EAM) has managed an active U.S. small cap growth equities portfolio for LACERS since October 2015 and was awarded a new contract in January 2020 as a result of the 2019-2020 Active U.S. Small Cap Equities Request for Proposal process. LACERS' portfolio was valued at approximately \$86 million as of February 28, 2023. EAM 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

EAM manages an active U.S. small cap growth equities portfolio for LACERS benchmarked to the Russell 2000 Growth Index. EAM's strategy seeks to identify companies undergoing positive fundamental changes that will potentially accelerate the companies' earnings growth rates. The strategy is co-led by Travis Prentice, Chief Executive Officer and Chief Investment Officer, and Montie Weisenberger, Managing Director, both of whom have over 25 years of industry experience. LACERS' portfolio was valued at approximately \$86 million as of February 28, 2023.

EAM has managed assets for LACERS since October 2015. The Board initially hired the firm through the 2014-2015 Active U.S. Small Cap Growth Equities search. At the time of hire, EAM qualified as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy. The firm rebid for the Small Cap Growth Equities mandate through the 2019-2020 Active U.S. Small Cap Equities manager search process and was reselected by the Board on January 28, 2020 to manage the existing mandate under a new three-year contract. The contract became effective on August 1,

2020 and expires on July 31, 2023. Representatives of EAM most recently presented a portfolio review to the Investment Committee on January 10, 2023.

Organization

EAM was founded in 2007 and currently is 56% employee-owned and 44% owned by Roth Capital Partners. The firm is headquartered in Solana Beach, California, and has a total of 23 employees. As of February 28, 2023, EAM managed \$2.3 billion in assets, with \$448 million of assets in the U.S. small cap growth equities strategy.

Due Diligence

Staff conducts routine due diligence of the manager; since inception of the contract, quarterly due diligence meetings have been conducted telephonically and virtually. The most recent comprehensive onsite due diligence meeting at EAM’s headquarters was conducted in March 2023; staff and NEPC had no adverse findings as result of this meeting. Based upon these due diligence activities as well as staff’s and NEPC’s continuous monitoring, EAM’s organization, investment philosophy, strategy, and process have not changed materially over the contract period.

Performance

As of February 28, 2023, EAM outperformed its benchmark, net-of-fees, over the 5-year and 7-year time periods and underperformed its benchmark over the 3-month, 1-year, 2-year, 3-year and since inception time periods as presented in the table below.

Annualized Performance as of 2/28/2023 (Net-of-Fees)							
	3-Month	1-Year	2-Year	3-Year	5-Year	7-Year	Since Inception ¹
EAM Investors, LLC	-1.01	-17.25	-16.68	4.87	6.60	11.44	8.39
Russell 2000 Growth Index	1.78	-7.92	-12.79	6.51	5.06	10.29	8.51
<i>% of Excess Return</i>	<i>-2.79</i>	<i>-9.33</i>	<i>-3.89</i>	<i>-1.64</i>	<i>1.54</i>	<i>1.15</i>	<i>-0.12</i>

¹Performance inception date: 10/1/2015.

EAM’s momentum-based strategy is expected to underperform in periods of high market volatility, which is characteristic of the current market environment; EAM’s strategy generally requires trends to capture excess returns. The underperformance of the portfolio over the past year has been specifically driven by a sharp rally in low momentum, high beta, non-earner, and low return on equity stocks that are contained in the benchmark, but not in EAM’s portfolio. EAM’s stock selection across the Industrials, Information Technology and Materials sectors also contributed to the underperformance.

Staff analyzed EAM’s composite performance history (aggregated performance history of all EAM account managed in the small cap growth style) and found that EAM has successfully managed through several highly volatile market periods, resulting in long term net of fee excess returns of 60 basis points (0.60%) since inception of the strategy in October 2007. Staff have conviction that EAM can successfully manage the portfolio through the current cycle of high volatility. Further, EAM is currently

in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC recommend renewing EAM’s contract for another three-year period and will continue to monitor the manager and strategy pursuant to the Policy.

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

Calendar Year Performance as of 12/31/2022 (Net-of-Fees)								
	2022	2021	2020	2019	2018	2017	2016	10/1/2015 – 12/31/2015
EAM Investors, LLC	-31.11	3.77	44.11	32.39	-1.41	22.68	4.65	1.63
Russell 2000 Growth Index	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32	4.32
% of Excess Return	-4.75	0.94	9.48	3.91	7.90	0.51	-6.67	-2.69

Fees

LACERS pays EAM an effective fee of 73 basis points (0.73%), which is approximately \$627,800 annually based on the value of LACERS’ assets as of February 28, 2023. This fee ranks in the 33rd percentile among its peers in the eVestment U.S. Small Cap Growth Universe (i.e., 67% of like-managers have higher fees). From contract inception on October 1, 2015 to December 31, 2022, LACERS has paid EAM 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 EAM will allow the LACERS total portfolio to maintain a diversified exposure to the U.S. small cap growth 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
Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/BF/BS/JP:rm

Attachment: 1. Consultant Recommendation – NEPC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: April 11, 2023

Subject: EAM Investors - Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract that is currently in place with EAM Investors ('EAM') for a period of three years from the date of contract expiry.

Background

EAM has been an investment manager for LACERS since October 1, 2015. As of February 28, 2023, EAM managed \$85.9 million, or 0.4% of Plan assets. The portfolio is benchmarked against the Russell 2000 Growth Index and has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The EAM portfolio is currently compliant with LACERS' manager monitoring policy.

The firm was founded by Montie Weisenberger, Travis Prentice and Joshua Moss. All three founders came from Nicholas-Applegate and started the firm in 2007. Their product lineup focuses on small and microcap names in the U.S. and outside of the U.S. The firm received venture funding by Roth Capital Partners, a boutique investment bank, in exchange for a 49% ownership stake. Today Roth owns 44% of the organization and they are a strategic, "evergreen" investor. EAM has an option to buy the firm if Roth wants to sell their interest. Approximately 60% of the firm's assets are managed across the Non-U.S. and Global product suite while 40% is managed across U.S. small and microcap strategies. The non-U.S. products were incepted in the 2011 to 2017 timeframe while the U.S. strategies have been managed since the firm began operations in 2007. All products use the same team, investment process and tools. As of December 31, 2022 the firm managed \$2.4 billion.

The firm's investment philosophy is rooted in identifying companies undergoing positive fundamental change that will accelerate their growth rate and where the implications are not yet fully appreciated by market participants. EAM's process has three broad phases which include: Discover, Analyze and Challenge. The Discover phase is where they evaluate the technical side of change relative to price screening with above average volume. They want to see at least one sign that a company is already performing. They screen in real time using the William O'Neil system and the Portfolio Manager sets the priority for what gets covered. During the Analyze phase, each analyst builds out the fundamental analysis to identify positive changes. During the Challenge phase, new names are evaluated against the existing names in the portfolio. Portfolios typically hold 150 names and position sizes are capped at 2%. Portfolio tracking error is 4%-6%.

All ten members of the portfolio management and research analyst teams function as generalists and all participate in the fundamental research of investment ideas. Travis Prentice and Montie Weisenberger are the portfolio managers responsible for all decisions with regard to the EAM Small

Cap Growth strategy. In the research effort, the product is supported by Portfolio Managers Josh Moss, John Scripp, Nick Dame and Adam Rubin, and Research Analysts Brian Chu, Zak Kavajecz, Khade Muangkroot, and Caelan Ness.

Performance

Referring to Exhibit 1, as of February 28, 2023, since the portfolio's inception date of October 1, 2015, the portfolio has underperformed its benchmark by 0.1%. Over the last seven-years ended February 28, 2023, the portfolio has outperformed its benchmark by 1.3%. Over the five-years, ended February 28, 2023 the portfolio has outperformed by 1.5%. Referring to Exhibit 1A, over longer periods of time EAM clients in the US Small Cap product have experienced outperformance. The composite outperformed by 0.6% over the last 10 years and 0.6% since inception over 15.4 years.

Referring to Exhibit 2, as of December 31, 2022, since inception the portfolio has outperformed its benchmark by 0.6% and ranked in the 85th percentile in its peer group of small cap growth managers. In the past five-years, ended December 31, 2022, the portfolio outperformed its benchmark by 2.6% and ranked in the 68th percentile in its peer group. Over the past one-year, the portfolio underperformed its benchmark by 4.7% and ranked in the 73rd percentile among peers.

Referring to Exhibit 3, since inception, the cumulative effect of the short-term underperformance over the last year has eroded the portfolio's outperformance over longer-term rolling periods since the portfolio has underperformed 0.1% since inception ended February 28, 2023. Underperformance in the portfolio over the past year has been driven by a sharp rally in low momentum, high beta, non-earners, and low return on equity stocks. More specifically, stock selection across the Industrials, Information Technology and Materials sectors contributed to underperformance in the short-run. Over the longer-run, the portfolio's emphasis on delivering the momentum risk premium has provided value to LACERS and has been driven by stock selection in the Information Technology and Healthcare economic sectors.

Fees

The portfolio has an asset-based fee of 0.73% annually. This fee ranks in the 33rd percentile among its peers in the eVestment US Small Cal Growth universe. In other words, 67% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

EAM has slightly underperformed its benchmark index since October 1, 2015. However, longer-term underperformance has been heavily influenced by near-term challenges to their investment approach. For example, through May 31, 2022, the strategy had outperformed the Russell 2000 Growth Index by 240 basis points since inception (compared to 10 basis points of underperformance through February 28, 2023). The firm has exhibited stability in their investment process, investment team, strategy and philosophy. EAM's strategy employs a behaviorally-based, fundamentally-driven investment philosophy, focused on companies that are accelerating their potential earnings growth due to positive, fundamental change through innovation, reinvention and/or disruption. The strategy offers a number of positive traits and we believe that it can play an appropriate role in the LACERS portfolio. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

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



Exhibit 1: Performance Comparison Net of Fees as of February 28, 2023

	1 Month	YTD	1 Year	3 Years	5 Years	7 Years	Inception	Inception Date
EAM Investors	-0.9	3.6	-17.2	4.9	6.6	11.4	8.4	Oct-15
Russell 2000 Growth	-1.1	8.8	-7.9	6.5	5.1	10.3	8.5	
Over/Under	0.2	-5.2	-9.3	-1.6	1.5	1.2	-0.1	

Exhibit 1A: Performance Comparison Net of Fees EAM Separately Managed Accounts Composite as of February 28, 2023

Product Name	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Returns - Since Inception 15.42 Years 10/2007 - 02/2023
EAM US Small Cap*	3.7	-17.3	5.4	6.9	11.6	9.9	8.1
Russell 2000 Growth	8.8	-7.9	6.5	5.1	10.3	9.3	7.5
Over/Under	-5.1	-9.3	-1.2	1.8	1.3	0.6	0.6

*Source: eVestment, EAM US Small Cap composite return net of fees separately managed accounts





Exhibit 2: Universe Performance Comparison Net of Fees Ending December 31, 2022

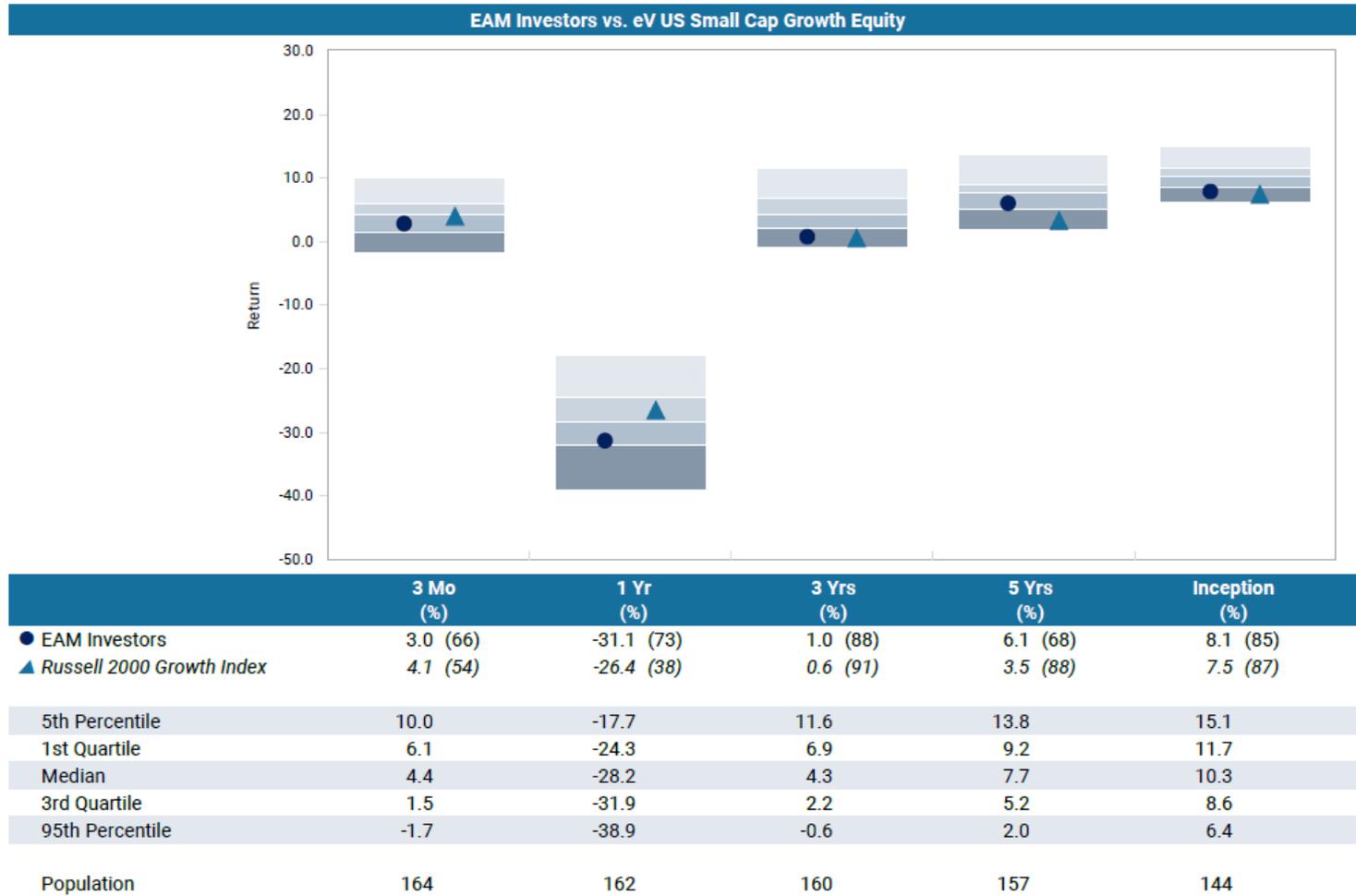


Exhibit 3: Cumulative Excess Performance Net of Fees Ending December 31, 2022

