

Investment Committee Agenda

REGULAR MEETING

TUESDAY, AUGUST 13, 2024

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 public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

Chair: Elizabeth Lee

Committee Members: Annie Chao
Gaylord "Rusty" Roten

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.

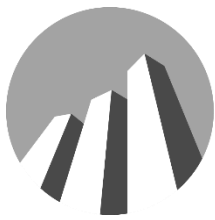
Sign Language Interpreters, Communications Access Real-Time Transcription, Assisted Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, please make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days notice is strongly recommended. For additional information, please contact (800) 779-8328 or RTT (888) 349-3996.

Si requiere servicios de traducción, llámenos tres días (72 horas) antes de la reunión o evento al (800) 779-8328.

For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at lacers.board@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
- II. [APPROVAL OF MINUTES FOR THE MEETING OF JUNE 11, 2024 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING SEARCH SEMI-FINALIST INTERVIEW AND POSSIBLE COMMITTEE ACTION](#)
- V. [INVESTMENT MANAGER CONTRACT WITH AXIOM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EMERGING MARKETS 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, September 10, 2024, 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, AUGUST 13, 2024

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

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LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

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President: Annie Chao
Vice President: Janna Sidley

Commissioners: Thuy T. Huynh
Elizabeth Lee
Gaylord "Rusty" Roten
Sung Won Sohn
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

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

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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 lacers.board@lacers.org.

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- VIII. ADJOURNMENT

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

June 11, 2024

12:37 p.m.

PRESENT:	Chair:	Elizabeth Lee
	Committee:	Annie Chao Gaylord "Rusty" Roten
	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 – Chair Lee asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there were no public comment cards submitted.

II

APPROVAL OF MINUTES FOR THE MEETING OF MAY 14, 2024 AND POSSIBLE COMMITTEE ACTION – Committee Member Chao moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee-3; Nays, None.

III

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

- Distribution of the IC Forward Calendar

IV

INVESTMENT MANAGER CONTRACT WITH POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jeremiah Paras, Investment Officer II, presented and discussed this item with the Committee for six minutes. Committee Member Roten

moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten and Chair Lee-3; Nays, None.

V

CONTINUED DISCUSSION OF INVESTMENT GOVERNANCE AND REVIEW PROCESSES PROPOSED POLICY AND POSSIBLE COMMITTEE ACTION – Rod June, Chief Investment Officer, and Wilkin Ly, Investment Officer III, presented and discussed this item with the Committee for ten minutes. Committee Member Chao made recommendations to the report that will go to the Board for approval. Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Member Chao, Roten and Co-Chair Lee-3; Nays, None

VI

Committee Member Chao recused herself from the closed session, and left the meeting at 12:56 p.m.

Chair Lee recessed the Regular meeting at 12:57 p.m. to convene in closed session.

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO ARC CAPITAL PARTNERS FUND I LP AND POSSIBLE COMMITTEE ACTION

Chair Lee reconvened the Regular meeting at 1:44 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, July 9, 2024, at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.

IX

ADJOURNMENT – There being no further business before the Chair Lee, adjourned the meeting at 1:45 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary



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

MEETING: AUGUST 13, 2024
ITEM: IV

Neil M. Guglielmo

**SUBJECT: MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING SEARCH
SEMI-FINALIST INTERVIEW AND POSSIBLE COMMITTEE ACTION**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee:

1. Interview The Northern Trust Company (Northern Trust) as the sole qualifying semi-finalist under the Master Trust/Custodial Services and Securities Lending Request for Proposal search process.
2. Recommend Northern Trust as a finalist to the Board for contract award.

Executive Summary

The Board-approved request for proposal (RFP) for the Master Trust/Custodial Services and Securities Lending search opened on September 11, 2023, and closed on November 28, 2023. Proposals were received from two firms, The Northern Trust Company (Northern Trust) and State Street Corporation (State Street). Following review, both firms met the minimum qualifications and were evaluated by staff; both firms were recommended to proceed as semi-finalists. Staff conducted further due diligence on each semi-finalist and has advanced Northern Trust as the sole qualified semi-finalist for interview by the Investment Committee.

Discussion

Consistent with LACERS' contracting practices, staff requested that the Board initiate a competitive bidding process to reassess the marketplace for custodial and securities lending services. The Board approved the request on August 22, 2023, and the resulting search opened on September 11, 2023, and closed on November 28, 2023.

LACERS received two proposals; both offered custodial and securities lending services. The two proposals were from Northern Trust (incumbent custodian) and State Street. Both proposals were determined to have met the minimum qualifications set forth in the RFP documents. Staff assessed the candidates based on LACERS' organizational needs, with the Fiscal, Investment, and Systems divisions of LACERS collaborating in the evaluation process. Both proposals demonstrated the

respective firms' organizational strength and breadth of services provided. On February 13, 2024, the Committee considered staff's evaluation of the proposals and advanced both firms to proceed as semi-finalists for staff to conduct further due diligence.

Staff's due diligence consisted of on-site meetings at the semi-finalists' offices, teleconferences, and reference checks. Staff confirmed the organizational resources, service infrastructure, and capabilities of each firm as described in the proposals and follow-on materials, and has determined both semi-finalists to be qualified to provide master trust/custodial services and securities lending program management services that meet LACERS requirements. Based on the evaluation of its findings, staff believes that Northern Trust, notwithstanding its incumbency, is better matched to fulfill LACERS custodial service needs, as outlined in the following key points:

- Northern Trust has a larger share of public funds as its clients with an internal team of operational specialists that reflects Northern Trust's prioritized commitment to addressing critical and time-sensitive issues of public fund clients such as LACERS.
- Staff has identified that Northern Trust's proposed service model better complements LACERS' current resources, thus allowing the optimal delivery of service and access to key senior and operational managers to elevate LACERS as a significant and highly-valued client.
- Staff identified robust internal controls and risk management practices to ensure compliance with LACERS' unique set of policies, guidelines, and practices.

Based on the aforementioned factors and other information contained in their proposal and confirmed during due diligence, staff therefore recommends Northern Trust to advance as the sole finalist in the search.

As the finalist candidate, Northern Trust has been requested to deliver a presentation covering its service capabilities, its proposed offerings, and its future initiatives. In accordance with the RFP process, staff requests the Investment Committee to interview the candidate to better understand relevant topics including current trends in the custody marketplace, the firm's vision and culture, cybersecurity and technology, artificial intelligence, internal controls and risk management, and fees. Based on a survey of other peer plans' fee structures, staff finds Northern Trust's proposed fee structure to be market-competitive. However, further examination and questioning by the Investment Committee regarding additional competitiveness around services and fees would be appropriate.

Upon Investment Committee interview and concurrence with the staff recommendation, the proposed finalist will be moved forward to the Board for consideration and a possible award of contract. The Board will be provided the opportunity to meet and interview the finalist team, which is consistent with the process approved by the Board on August 22, 2023.

Strategic Plan Impact Statement

The RFP for master trust/custodial services and securities lending program management assists the fund with optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP is aligned with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Jeremiah Paras, Investment Officer II, Investment Division

NMG/RJ/WL/EC/JP:rm

- Attachments:
1. Qualified Semi-finalist Information Matrix
 2. Presentation by The Northern Trust Company



**MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING SEARCH
QUALIFYING SEMI-FINALIST OVERVIEW MATRIX**

Firm Name	The Northern Trust Company		
Assets Under Custody (Assets Under Administration)	\$12.8 trillion (\$16.5 trillion)*		
Ownership Structure	Publicly Traded		
Headquarters	Chicago, IL		
Year Founded	1889		
Number of Firm Employees	~23,000*		
Number of Clients Globally	2,800*		
Number of U.S.-based Clients	1,832*		
Number of Public Clients (U.S.-based)	351 (200)*		
Services Covered	Master Custody Services Securities Lending Services Compliance Analyst Enhanced Services Risk Services Integrated Disbursement Service Private Monitor Analytical Services Fair Value Reporting Tools		
Proposed Relationship Contacts	Brad Blackwell, Client Executive and Division Manager-Public Funds Fausto Ponce, Client Service Manager Shane Crea, Performance Consultant Enayet Mawla, Securities Lending Relationship Manager		
Proposed Fee	<p>Fixed Fees</p> Custody Flat Fee: \$0 Fund Analytics Enhanced Reporting: \$20,000 Fair Value Reporting Tool: \$3,000	<p>Variable Fees</p> Integrated Disbursements: Estimated at \$228,000 for each calendar year (based on current level of service) Short Term Investment Fund (STIF): 7 basis points on average daily balance Securities Lending Split: 80%(LACERS)/20% (Northern Trust) for first \$5 million gross earnings each year, 90%/10% thereafter	<p>Subject to (1) the reinstatement of securities lending guidelines on individual security duration restrictions, (2) the removal of a hard number lending limit and (3) the non-introduction of any further restrictions meant to reduce securities lending revenue.</p>

*As of 3/31/2024



Los Angeles City Employees' Retirement System – Semi-finalist Presentation

August 13, 2024

Agenda

Topic

Overview of Northern Trust

Presenter Biographies

Northern's Growth Plan, Organizational Structure & Practices for Retaining Talented Staff

Overview of Current Trends in the Custody Marketplace

Northern Trust Distinguishing Factors

Client Service

Securities Lending and Cash Management

Custodian Safekeeping and Securities Processing

Accounting and Performance Measurement

Integrated Disbursements

Technology

Internal Controls and Risk Management Processes

Northern Trust Overview

A Focused Business Model

Asset servicing, administration, investment, banking and fiduciary trust solutions for sophisticated institutional and individual investors worldwide



OUR CLIENTS

Asset Servicing

- Pensions
- Sovereign entities
- Fund managers
- Insurance companies
- Not-for-profits

Asset Management

- Alternative managers
- Fiduciary managers
- Investment managers

Wealth Management

- Families
- Family offices
- Individuals
- Private businesses
- Trusts

\$16.6T

UNDER CUSTODY / ADMINISTRATION

\$13.0T

UNDER CUSTODY

\$1.5T

UNDER MANAGEMENT

26

GLOBAL LOCATIONS

Asset Servicing Overview

2,700+

CLIENTS

53

CLIENT COUNTRIES

\$12.0T

ASSETS UNDER CUSTODY

\$1.1T

ASSETS UNDER MANAGEMENT

MARKET-LEADING SOLUTIONS:

Global Custody

- Asset servicing
- Alternative assets
- Audited accounting
- Tax reclamation

Fund Services

- Cross-border pooling
- Fund administration
- Retirement solutions
- Trustee & depository

Data Solutions

- Compliance analytics
- Middle office solutions
- Performance and risk
- Regulatory solutions

Capital Markets

- Brokerage and execution
- Foreign exchange
- Securities lending
- Transition management

Banking Services

- Credit facilities
- Cash funds
- Cash management
- Treasury management

DIFFERENTIATED BY OUR:



Service



Expertise



Integrity



Technology



Focus



Solutions

Presenter Biographies



MELANIE PICKETT

Head of Asset Owners, Americas

Melanie joined Northern Trust in January 2017, charged with creating a new line of business centered on meeting the portfolio management and technology needs of complex asset allocators across the globe.

After starting Front Office Solutions, her responsibilities now span the entirety of the Asset Owner segment in the Americas, directing the firm's strategy, growth and delivery of all firmwide products & services for asset owners and allocators in the Americas region.

Before Northern Trust, Melanie was Managing Director & COO of Emory Investment Management, one of the top 20 endowment investment programs in the U.S. Prior to Emory, Melanie played a key leadership role in driving the Operations & Technology strategy for Morgan Stanley Private Wealth Management.

Melanie's background provides a unique perspective on asset owners because she understands what it's like to face the same opportunities & challenges our clients face.



BRAD BLACKWELL

Division Manager, Public Funds

Brad is the Division Manager of the Public Fund, Taft-Hartley, and Supranational segments within Asset Servicing, Americas. Brad has been with Northern Trust for 18 years and has spent most of his career focused on serving large and complex asset owners across segments and regions. In his current role, Brad manages a team of client executives who deliver Northern Trust's Whole Office portfolio of solutions to Public Fund, Taft-Hartley and Supranational clients. His team is responsible for client satisfaction and serve as our clients' liaison with Northern Trust. As the senior oversight for these segments, Brad is both a strategic leader for client servicing professionals and a point of escalation for any client issues.

Prior to joining the Public Fund, Taft Hartley and Supranational team, he was on the Capital Markets Risk and Resiliency team and responsible for first line risk management globally across the Securities Lending, Foreign Exchange, and Brokerage businesses.



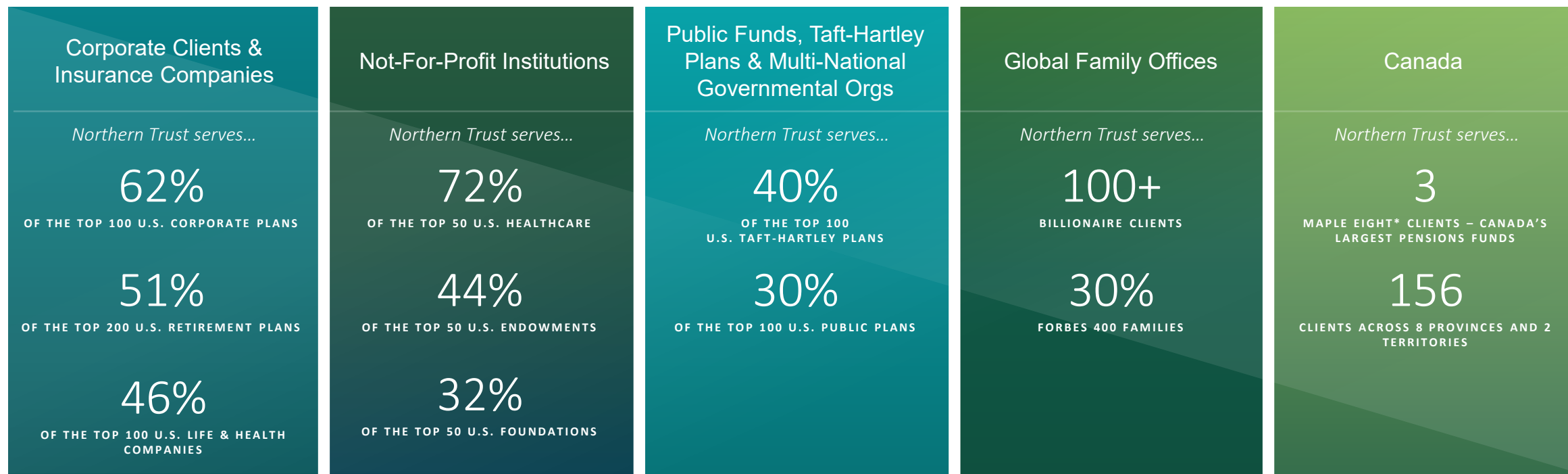
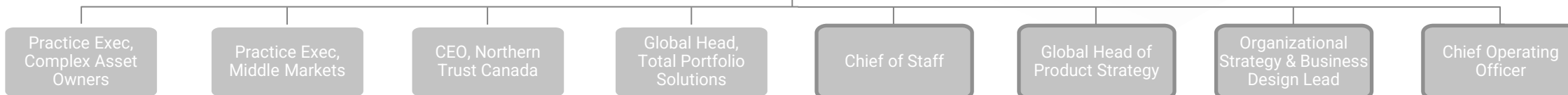
ENAYET MAWLA

Senior Relationship Manager, Securities Lending

Enayet Mawla joined the Securities Finance organization in November 2022 as Senior Relationship Manager for Canadian clients and US Public Funds. He started in the industry in 2008, spent time at Credit Suisse before finding his place at Northern Trust in January 2013. Prior to Securities Finance, Enayet spent 7 years within Global Fund Services business, first within Middle Office Outsourcing and then as Custody Services Relationship Manager. In these role, Enayet was focused on promoting service level and partnership with asset managers, while improving operational efficiency in order to deliver a better client experience. Enayet joined NT in 2013 within the Derivatives Client Services focusing on service levels for key institutional relationships

Asset Owners Americas (AOA)

Head of Asset Owner Americas



*Maple 8 is a term used to reference Canada's 8 largest pension funds

Note: Statistics indicate the percentage of clients (not assets) we service in each sector; US asset owner statistics include asset servicing, asset mgmt, credit and banking. Figures updated in Q4 2023 based on most recently published lists. Sources: Pensions & Investments, S&P's Money Market Directory

AOA Strategic Focus

Empowering the missions of our clients.

Our vision is to be the market-leading partner of choice in the asset owner segment through innovative technology, unparalleled service, impeccable operational outcomes, and unyielding integrity and alignment to our clients.



PEOPLE

We surround everything we do with service, integrity, and expertise.



CLIENT EXPERIENCE

We put clients at the center of our mission and vision.



TECH & INNOVATION

We evolve alongside our clients as forward-looking leaders who are uniquely invested in the asset owner space.



RESILIENCY

We are making significant investments in our tech infrastructure and overall risk and control environment.

Northern Trust enables our partners through 4 core talent practices:

- **Selection:** Identifying skills and characteristics to make partners successful at the onset
- **Training:** Intentional training – we can't rely on everyone to come in with experience & relationships
- **Job Design:** Supplementing human capital with organizational capital to help simplify responsibilities
- **Performance Management:** Continuous monitoring; consistent standards; recognize and reward

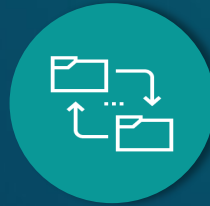
Market Dynamics & Trends

While growing at a steady pace, asset owners are facing multiple asset servicing challenges with increasing portfolio complexity, changes in technology, and the continued regulatory demands in terms of reporting and servicing



Changes in Asset Allocation

- Transition to total fund management or more data-driven investing
- Continued growth in alternative investment allocations
- ESG-and SRI lens for endowments & foundations
- Digital assets and market infrastructure changes: expected move from passive to active exposure



Move from Defined Benefits to Defined Contribution

- Pension Risk Transfer: transitioning from custody to benefit payments and asset management revenues
- Growth in State Savings / Retirement plans – DC like structures
- Record keeper alignment drives custody decisions
- Anticipating operational complexity will increase with inclusion of alternative investments and tokenized assets



Right-Sizing between Insourcing & Outsourcing

- More Chief Investment Officers and internal management teams
- Cost pressures drive insourcing, including trading and asset management
- Shift to OCIOs / Fiduciary Managers for smaller asset owners to gain scope and scale
- Demand for software tools to track and analyse portfolios across all asset classes

Why Asset Owners Americas?

Strength in Numbers

We are committed to supporting some of the world's most complex asset owners and allocators with 1,800+ clients across corporations, not-for-profits, public funds, insurance companies, and OCIOs. Because of our client base, we understand your unique challenges and opportunities. Our values-driven teams evolve to meet your needs and growing complexities, surrounding everything they do with service, integrity, and expertise.



Unwavering Commitment to the Space

We are uniquely committed to the asset owner space –investing and innovating for our clients in a way that mirrors their missions and their values.



Global Reach with a Boutique Touch

Our unique size allows us to provide a high-touch client experience with access to our leadership team and executives.



Client-Centric Partnership at Our Core

A commitment to service, integrity and expertise with a client-centric approach. At the heart of each of our core values are our Northern Trust employees – whom we call "partners".



We Own Operations

Operations is our business, and we retain control of how we invest. IT and Ops are an elevator ride away from each other allowing for close collaboration and agile development.



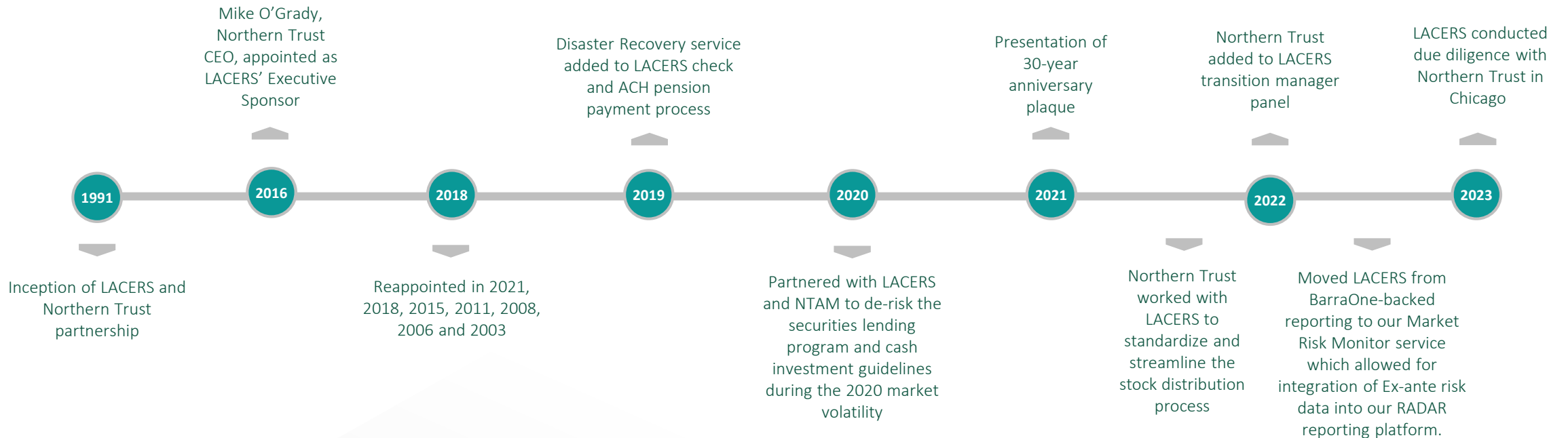
Strong Culture & Heritage Evolves Through Innovation

Our 133-year heritage is undiluted by mergers and strengthened by strategic acquisitions and partnerships within the fin-tech ecosystem.

Client Service Model

STRONGER TOGETHER – A 33 YEAR PARTNERSHIP

Our Commitment to LACERS



Client Servicing Team Approach

Executive Leadership



Mike O'Grady
Chairman & Chief Executive Officer



Melanie Pickett
Head of Asset Owners, Americas

Segment Leadership



Chris Dvorak
Practice Executive

Relationship Management



Brad Blackwell
Division Manager,
Public Funds & Taft-Hartley



Fausto Ponce
Client Service Manager,
Public Funds & Taft Hartley

Servicing Team

Shane Crea
Consultant,
Performance and Compliance

Jim Lesiak
Consultant,
Risk

Fran Wawrzyniak
Consultant,
Treasury Management

Enayet Mawla
Relationship Manager,
Securities Lending

Danielle Kilpatrick
Consultant,
Alternative Asset Services

Core Custody Functions

- Asset Pricing & Coding
- Cash Management
- Income Processing
- Corporate & Class Actions
- Proxy Services
- Trade Settlement
- Tax Reclamation
- Foreign Exchange
- Derivatives
- Business Continuity & Disaster Recovery

Delivering an Exceptional Client Experience

Differentiated through outstanding client engagement, across all businesses.

RELATIONSHIP MANAGEMENT

- Equal focus on strategic partnering and day to day service delivery
- Access to asset class and industry specialists
- Executive engagement and accountability

CLIENT GOVERNANCE

- Process, tools and best practice for consistent service delivery
- Benchmark reporting and client Key Performance Indicators
- Supporting governance, regulatory and transparency obligations



THOUGHT LEADERSHIP

- Direct access to industry experts
- Client advisory groups and peer to peer knowledge sharing
- Client events, seminars and whitepapers

ADVANCED TECHNOLOGY

- A single portal for all information and interrogation across your portfolio, Northern Trust Passport®
- Interactive dashboards: 100% customizable, incredible insight
- Access to data faster, in more flexible formats, in your own data environment

A-Suite – A Destination For Global Allocators

A-Suite serves as the community in which asset owners can learn, collaborate, and move the needle on issues that matter most to them. As a member of A-Suite, you have access to exclusive content, research, networking and more.



A CONTENT HUB | A DESTINATION | A COMMUNITY | MORE COMING SOON!



A DESTINATION FOR
ASSET ALLOCATORS



Securities Lending

Northern Trust's Securities Lending Program (USD)

Northern Trust has been a global industry leader in securities lending for almost 40 years. Our size, scale and technological innovation generates material value for our clients.

\$15B

ON LOAN WITH
 10.61% UTILISATION



\$165B

COLLATERAL HELD
 23% CASH AND 77% NON-CASH COLLATERAL



35

LENDING MARKETS
 INCLUDING CSDS



432

PARTICIPATING CLIENTS FROM
 31 COUNTRIES



67

APPROVED UNIVERSAL BANKS
 AND BROKER DEALERS



Aa2 / AA- / AA

TOP TIER CREDIT RATINGS



\$1.55tn

OF LENDABLE ASSETS



A single global platform,
 with an integrated forecast engine
 to enhance returns and a robust risk
 management with independent risk
 committees

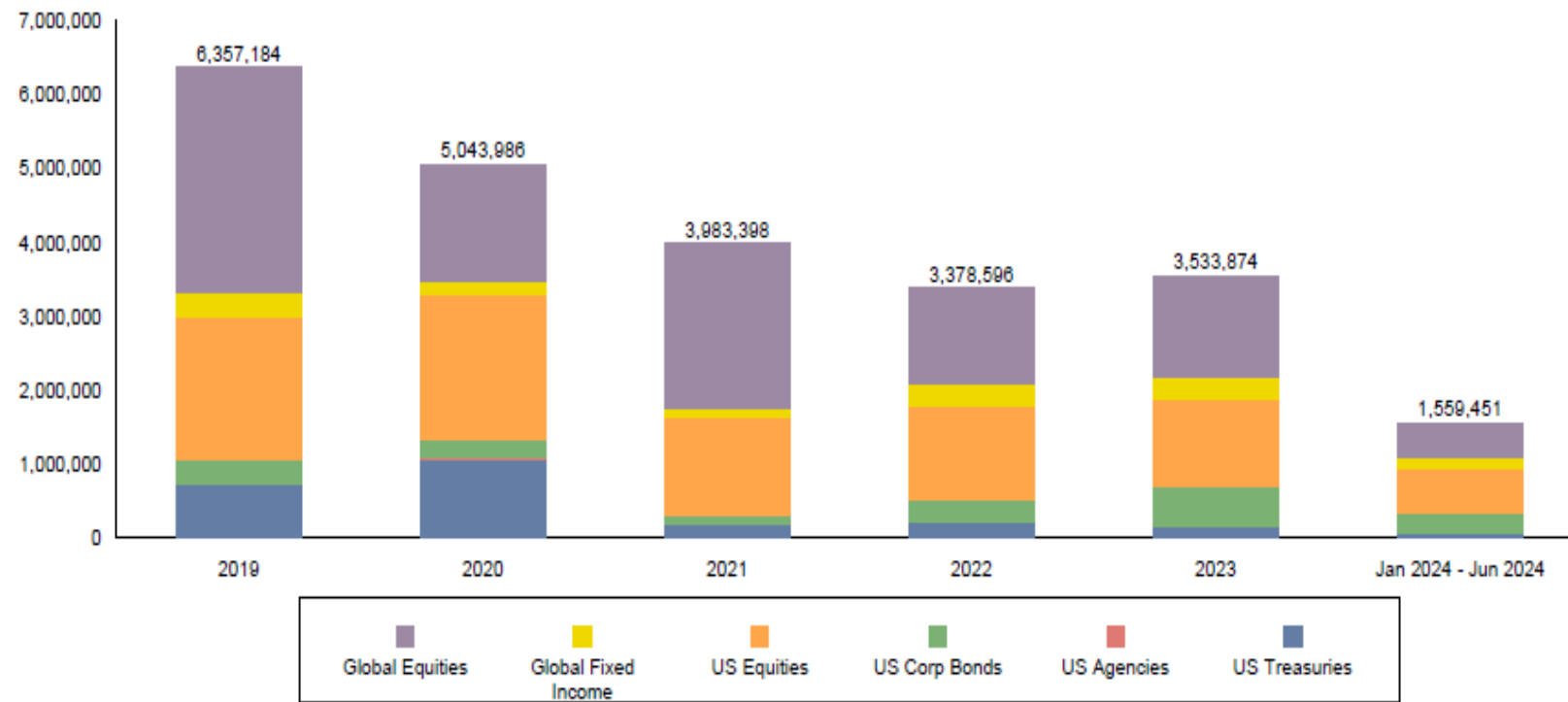
Top Ten Parent Borrowers (by Loan Volume):

BNP Paribas	Societe Generale	Royal Bank of Canada	Bank of America corporation	J.P. Morgan Chase
Barclays Plc	Citigroup Inc	UBS AG	Credit Agricole S.A.	HSBC Holdings PLC

Summary of Lending Program

Employees' Retirement System of the City of Los Angeles

Net Revenue



Notes:

- Employees' Retirement System of the City of Los Angeles (LACER) is receiving 85% of the total revenue and Northern Trust receiving 15%
- LACER receives compliance certification of cash collateral monthly.
- Cash collateral guidelines were adjusted to be more conservative (as compared to previous in-place guidelines) in March 2020
- Borrower restrictions in place for select borrowers
- Credit limit of \$1,219,267,845 set March 30, 2020.

** Equity collateral is only acceptable for equity trades

\$28.06M

GROSS REVENUE

\$23.87M

NET REVENUE

USD Cash in SMA;
US Treasuries and
Agencies, OECD
Debt,
Specific Equity
Indices**

COLLATERAL ACCEPTANCE

Custodian Safekeeping and Securities Processing

Asset Servicing Custody Group

Communication Link to Strong Performance

As part of our premier global custody services, Northern Trust has established teams dedicated to maintaining close relationships with the investment manager community. Your custody service team provides daily oversight and coordination of all aspects of custody operations at Northern Trust. This team serves as a central point of contact for operational inquiries, facilitating communication and simplifying information flow between various partner groups, including:



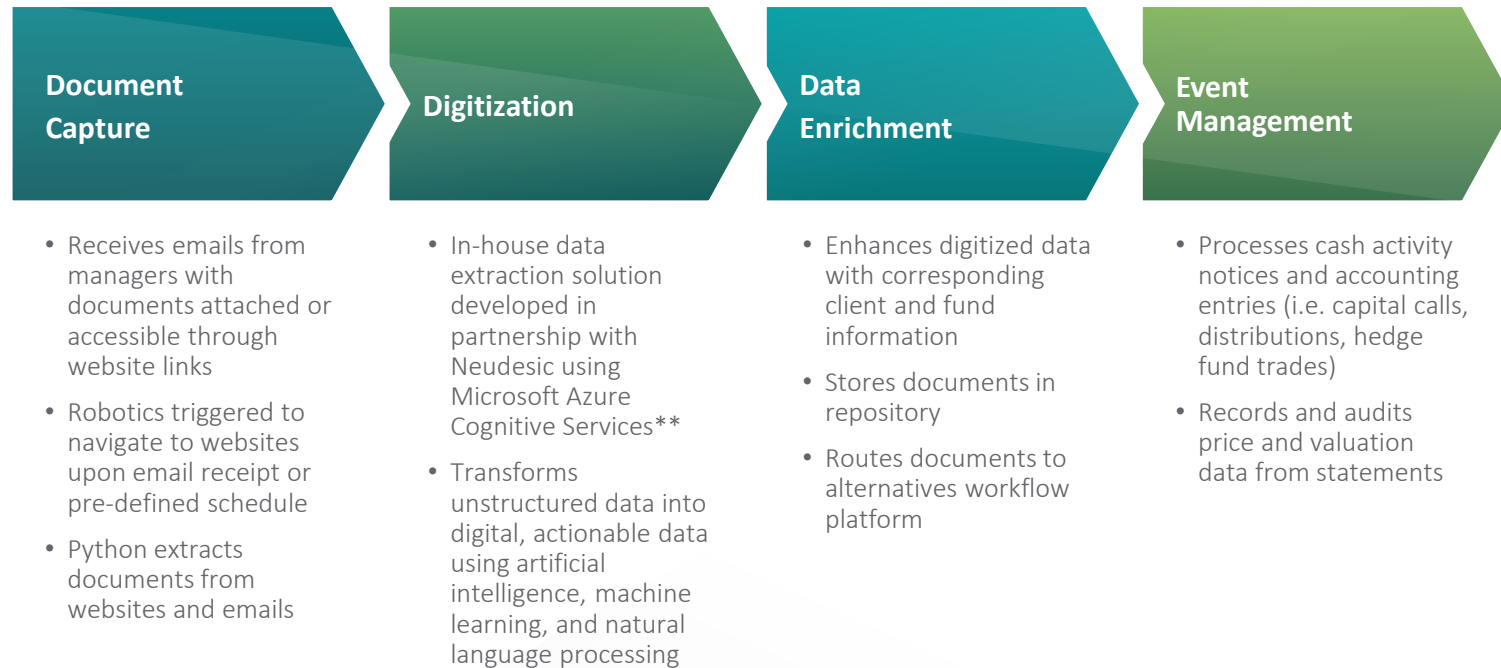
The Northern Trust custody servicing model pairs your needs with the best expertise available, aligning you with professionals who take the time to understand your specific investment strategy.

Your service team, comprised of people familiar with your organization, the industry, trade settlements, and all other operational processes, provides:

- Customized support to meet your unique needs based upon the knowledge of both your accounts and strategies
- Qualified backups in a team-based structure, ensuring each relationship receives prompt and courteous service
- Team managers who serve as resources for complicated issues and are available for escalation of your problems or queries
- “Pass the book” approach to servicing for our global clients with team members having access to the same systems and technology platforms for data retrieval across the globe.

How Alternatives is Leveraging Digitalization

Integrating proprietary, cloud-based technology with a streamlined operational model.*



Enhanced onboarding and event management of investment activity

Increased data transparency and accessibility

Faster delivery of investment administration services and reporting

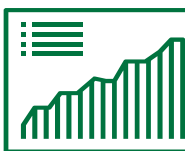
*Delivery of functionality will be phased incrementally

**Services include Custom Text Based Classification, Forms Recognizer, Language Understanding (LUIS) and will evolve over time

Accounting and Performance Measurement

Accounting & Reporting: State & Local Governmental Client Support

Operational excellence and flawless execution enhances the client journey. Process Optimization with a focus on automation drives times savings and data accuracy.



Accounting & Reporting

- Controlled Daily and Monthly data review with focus on accuracy
 - Deadlines driven by client requirements
 - Proactive Manager Reconciliation
- Plan Accounting – Plan Allocation
 - Plan Accounting Application
- Alternative Asset Processing – Standard Suite of Reports
- Derivatives Processing – Standard Suite of Reports
- Extensive Suite of Portfolio Statements with Report Writer Capabilities
- Full Trial Balance Reporting
- General Ledger Interface



Year-end Reporting Assistance

- Participate in annual audit planning meetings
- Assist clients on audit inquiries
- Assist clients on GASB disclosures and Northern Trust’s related tools
 - Client Business Solutions
 - Fair Value Tables and Leveling assistance
 - Rollforward Reconciliation
- GASB Support Coordination



GASB Reporting & Disclosure Tools

- **GASB 28** - Northern Trust suite of Securities Lending reports
- **GASB 40** - Northern Trust suite of Risk reports
- **GASB 53** - Northern Trust suite of Derivatives reports
- **GASB 67** – “Money Weighted Rate of Return” analysis (Northern Trust IRAS solution)/Statement of Changes in Fiduciary Net Assets
- **GASB 72** - Comprehensive Fair Value tool kit

Performance, Risk & Analytical Services

Northern Trust helps you meet the demands for greater governance and insight into your investments. We draw on our innovative technology, long-standing expertise, and consultative approach to support your total portfolio.



PERFORMANCE & EX-POST RISK MEASUREMENT

- Daily & monthly performance analytics across your total portfolio
- Rates of Return, asset allocation analysis, ex-post risk metrics
- Sophisticated attribution models
- Peer Universe Comparisons
- And more...



COMPLIANCE MONITORING

- Post-trade guideline monitoring and exposure analysis tool
- Expansive guideline range including credit rating, maturity, sector and country allocation and prohibited securities
- Breach management and workflow tools
- And more...



EX-ANTE RISK ANALYSIS

- Ex-ante risk analysis including factor risk models, Value-at-Risk simulation, and stress testing
- Multiple risk measures including asset liability modeling
- Numerous Scenario Analyses based on historical events and market movement
- And more...



PRIVATE EQUITY ANALYTICS

- PE performance tracking & fund analysis, including metrics like (IRR, TVPI, etc.)
- Private equity company holdings analysis; geographic, sector, and industry exposures
- Private Equity universe reporting metrics and benchmarking capabilities
- And more...



DATA DELIVERY SOLUTIONS

- Performance, Risk, and Compliance RADAR Dashboards
- Excel Integration via Data Direct
- Full suite of published reporting
- APIs and data feeds for seamless data delivery
- And more...

Disbursement Services

Northern Trust and LACERS

A long-standing partnership and provider of Treasury Management Services since 1999.

CURRENT CONFIGURATION:



Integrated Disbursement Processing for 2 accounts and payment types:

Monthly Retiree Benefit Payments

- ACH payment processing and Advice fulfillment for 22,600 members monthly
- Check print and fulfillment for 850 members monthly
- Monthly insert processing
- Special sort of checks to be sent c/o LACERS

Extraordinary Payments

Check print and fulfillment

Disaster Recovery Services



Tax Payment Account

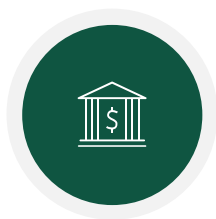
Electronic debits from tax authorities



Health & Benefit Account

ACH Payment Processing

Where We are Investing



Treasury Passport

- Increased ease of use with a roll-out of modernized user interface
- Redesigned Information Reporting and search feature
- Phased roll out



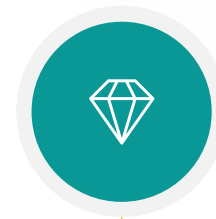
Receivables Management

- Enhancements to lockbox platform
- Integration of multiple payment channels for seamless reporting and payment posting



Payments

- Same-day origination and receipt of ACH payments
- Account Verification Services
- ISO20022



APIs

- Banking and payment API development
- Northern Trust API store



Cyber Security


- Multi-factor authentication
- Numerous investments to maintain compliance with FFIEC standards

Technology

Focus of our asset owner investments in 2024


Go beyond the traditional role of custodian and be a trusted asset servicing partner

STRATEGIC PILLARS:



Market differentiation

- Client Service Evolution
- Total Portfolio Solutions
- A-Suite



Capabilities Expansion

- General Partner Due Diligence Support
- OCIO support model
- Additional partnerships with innovative fintech's

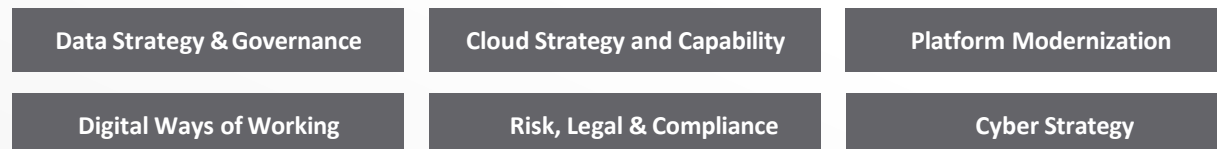


Alternative Investment Support

- Alternative digitization
- New private market partnership
- Enhanced support for direct investments

FOUNDATION ENABLERS:

Our digital modernization and technology strategy



Highlight of Our Capital Plan

Continue automation and digital efforts to enhance client experience with our core asset servicing capabilities

Complete execution of our multi-year Alternative Evolution Program to enhance processing timeliness and accuracy

Enhance our defined contribution capabilities, including new rebalancing client portal

Modernize our valuations and reporting functions for enhanced quality, flexibility, timeliness and accessibility

We're On a Journey

Sustained investment over the last several years has laid the groundwork for a new way of operating.

BUILDING THE FOUNDATION

Investments to date pave the way for our future state architecture:

Consistent, quality data | Interoperability with partners and third parties | Architectural scalability and efficiency | Adaptive, purpose-driven delivery

MARKET INTEGRATION

We've extended our network of industry relationships:

- Order Management System (OMS) Integrations
- Investment process tools
- Allocation analytics
- ESG solutions
- Distribution support

APP MODERNIZATION

We've supported the seamless modernization of core functions:

- Income processing
- Derivatives
- US Domestic Custody
- Cash systems

DELIVERY AND UX

We've expanded our delivery channels (with more to come):

- API store launch
- Passport enhancements
- Data Direct 2.0
- Data sharing capability
- Mobile wire approvals

NEW DATA PARADIGM

We've introduced new tools to improve data practices:

- First production product in public cloud (Front Office Solutions)
- Event-driven data streaming
- MVP for "mesh" methodology
- Snowflake integration

Internal Controls / Risk Management

Asset Owners Americas Risk and Control

Focus

- Lead Business Unit Risk and Control Activities
- Governance Oversight & Partnerships
- Provide Input for Process Improvement & Transformation



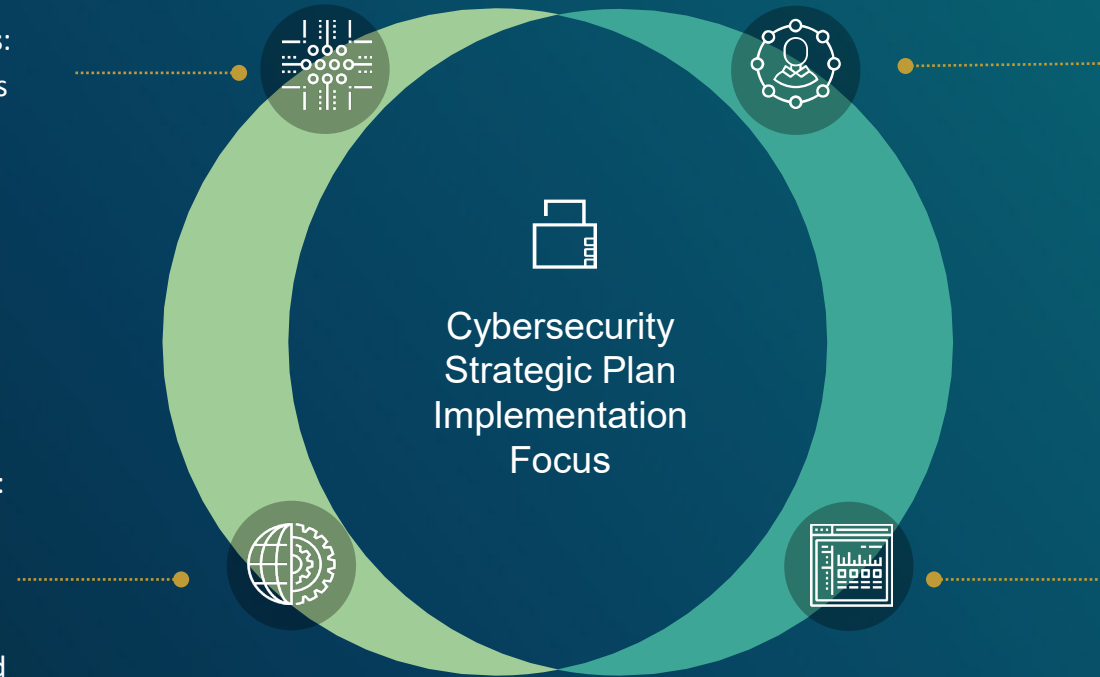
Design Principles for Northern Trust's Cybersecurity Strategic Plan

Focus on Enterprise Systemic Improvements:

While there are current initiatives in-progress across cybersecurity, the strategy must focus on systemic improvements to ensure an effective multifaceted Strategic Plan that will balance new initiatives with on-going operations.

Focus on Emerging Cyber Threat Protection:

The cyber threat landscape is continually changing, and the cybersecurity strategy must be tailored to be adaptive to ensure that emerging threats and risks are mitigated appropriately.



Focus on Consistent Implementation across Northern Trust:

The cybersecurity strategy must be implemented to reach across enterprise silos to ensure that it is implemented consistently across the entire Northern Trust technology environment and its technology supply chain.

Focus on Enterprise-wide Security Ownership:

The cybersecurity strategy must focus on creating awareness and education across Northern Trust to enable enterprise-wide ownership and responsibility for Northern Trust's cybersecurity posture.

Why Northern Trust?

Why Northern Trust?

We're unique...



Product Leadership & Innovation

We are a diversified, world-class asset servicer offering comprehensive product capabilities.



Service Model

We approach every client as a fiduciary aligned with their best interests, free of conflict.



Client Standards

Our client-centric approach is committed to providing service, expertise and integrity.



Business Focus

We are highly focused, client-centric and lead in the industry markets we serve.



Financial Strength & Stability

Market opinion assigns us a P/E premium up to twice our peers, especially reassuring during difficult economic times.



Strong Culture & Heritage

Our 130+ year heritage is undiluted by mergers and strengthened by strategic acquisitions

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NORTHERN
TRUST



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

MEETING: AUGUST 13, 2024
ITEM: V

Neil M. Guglielmo

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

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a one-year contract extension with Axiom Investors, LLC for management of an active non-U.S. emerging markets growth equities portfolio.

Executive Summary

Axiom Investors, LLC (Axiom) has managed an active non-U.S. emerging markets growth equities portfolio for LACERS since April 2014. LACERS' portfolio is currently valued at \$323 million as of June 30, 2024. Axiom is currently on watch status since April 2023 for underperformance. Considering the timing of the 2024 Asset Allocation study and the high transition cost of an Emerging Markets strategy, staff and NEPC recommend a one-year contract extension and will continue to monitor the organization and performance of the strategy in accordance with the LACERS Manager Monitoring Policy (Policy).

Discussion

Background

Axiom has managed an active non-U.S. emerging markets growth equities portfolio for LACERS since April 2014 and is benchmarked against the MSCI EM Index. Axiom uses a fundamental research-based investment strategy that focuses on companies exhibiting key growth drivers, such as company-specific improvements and favorable macroeconomic and political factors. Such drivers tend to be indicators of positive company financial and stock price performance. The 13-person investment team is led by four Co-lead Portfolio Managers: Andrew Jacobson, Chief Executive Officer, and Chief Investment Officer (37 years of experience); Donald Elefson, CFA (42 years of experience); Jose Morales, CFA (36 years of experience); and Young Kim (26 years of experience).

The Board hired Axiom through the 2013 Active Emerging Market Growth Equities manager search process and authorized a three-year contract on July 23, 2013; the contract became effective on January 1, 2014. Axiom was awarded a three-year contract renewal on September 27, 2016, and one-year extensions on July 23, 2019; July 28, 2020; October 26, 2021; November 22, 2022; and on November 28, 2023. The current contract expires on December 31, 2024.

Organization

Axiom is 100% employee-owned, with 60 employees, and is headquartered in Greenwich, Connecticut. As of June 30, 2024, Axiom managed over \$23.7 billion in total assets with \$7.7 billion in the emerging markets growth equities strategy.

Due Diligence

Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff and NEPC last conducted an onsite meeting at Axiom's headquarters on October 18, 2023, that included interviews with key personnel across the organization. Staff notes that Axiom's investment philosophy, strategy, and process have not changed materially since the most recent contract extension. In addition, NEPC's research team has also held several meetings with Axiom, both in person and via video, over the past year, and continues to rate Axiom a 1-rated manager (NEPC's highest rating) for emerging markets.

Axiom was initially placed on "On Watch" status for performance on April 17, 2019. After conducting a thorough review of Axiom's underperformance relative to its benchmark in place at the time, the MSCI EM Growth Index, staff and NEPC determined that the MSCI EM Growth Index had become increasingly concentrated in a few stocks since inception of LACERS' account and that the benchmark was no longer an effective measure by which to compare Axiom's strategy. As of June 30, 2020, Axiom no longer triggered watch status due to performance. However, on July 28, 2020, the Board approved a change of Axiom's benchmark from the MSCI EM Growth Index to the more diversified MSCI EM Index with the condition that Axiom remain on watch through August 1, 2021, to monitor Axiom for consistency with its stated strategy. The benchmark change became effective on August 1, 2020.

Subsequently, two material organizational changes at Axiom led to further extensions of Axiom's watch status. First, on September 29, 2020, Axiom announced that Chris Lively would be stepping down from his role as co-lead portfolio manager of the emerging markets growth equities strategy for personal reasons, triggering an extension of Axiom's existing watch status to October 1, 2021. Andrew Jacobson, Axiom's founder, CEO and CIO, and the original architect of the strategy, replaced Mr. Lively as co-lead of the strategy alongside Donald Elefson and Jose Morales. In addition, Axiom hired Young Kim in March 2021 as a fourth co-lead portfolio manager to expand the team's capabilities.

Second, on August 18, 2021, Axiom announced that Kurt Polk, Axiom's President, would be leaving the firm at the end of the year for personal reasons, triggering a further extension of Axiom's existing watch status to October 1, 2022. The firm has no plans to fill the President position. Axiom's existing management committee has assumed Mr. Polk's responsibilities and currently consists of the following members: Edward Azimi, Chief Operating Officer; Lindsay Chamberlain, Managing Director of Client Partnerships; Jonathan Ellis, Director of Research and Portfolio Manager; Andrew Jacobson, CEO and CIO; and Denise Zambardi, Senior Vice President and Chief Compliance Officer and Controller. Further, Axiom has hired additional support personnel for the management committee members.

After closely monitoring and conducting routine due diligence on Axiom's organizational changes and the strategy's benchmark change over the last few years, staff and NEPC are satisfied that Axiom has appropriately addressed these matters. The changes have not resulted in any changes to Axiom's

stated investment philosophy and strategy, nor have they had a material adverse impact to the management of the investment strategy and LACERS assets.

Performance

Axiom has underperformed in the 3-Year, 5-Year, 10-Year, and Since Inception time periods compared to the Axiom Blended Benchmark as presented in the following table. However, recent performance of the 3-Month and 1-Year performance has outperformed its benchmark.

Annualized Performance as of 6/30/24 (Net-of-Fees)						
	3-Month	1-Year	3-Year	5-Year	10-Year	Since Inception
Axiom	5.58	15.28	-9.46	2.63	2.81	3.29
Axiom Blended Benchmark*	5.00	12.55	-5.07	6.21	5.02	5.32
<i>% of Excess Return</i>	<i>0.58</i>	<i>2.73</i>	<i>-4.39</i>	<i>-3.58</i>	<i>-2.21</i>	<i>-2.03</i>

*Axiom Blended Benchmark incorporates MSCI EM Growth Index returns prior to August 1, 2020 and MSCI EM Index returns from August 1, 2020 to present.

While Axiom has underperformed from 3-Year and longer periods, recent 1-Year performance has shown that the manager’s investment thesis may be unfolding in a positive direction. Both staff and NEPC believe that the underperformance over the past is not indicative of a broader structural issue with their investment philosophy.

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

Calendar Year Performance as of 12/31/23 (Net-of-Fees)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Axiom	5.67	-31.17	-4.28	32.46	24.70	-17.64	40.56	8.40	-12.44
Axiom Blended Benchmark*	9.83	-20.09	-2.54	32.02	25.10	-18.26	46.80	7.59	-11.34
<i>% of Excess Return</i>	<i>-4.16</i>	<i>-11.08</i>	<i>-1.74</i>	<i>0.44</i>	<i>-0.40</i>	<i>0.62</i>	<i>-6.24</i>	<i>0.81</i>	<i>-1.10</i>

*Axiom Blended Benchmark incorporates MSCI EM Growth Index returns prior to August 1, 2020 and MSCI EM Index returns from August 1, 2020 to present.

Staff recognizes that Axiom’s strategy has underperformed and had placed Axiom “On Watch” as of April 11, 2023. Despite continued disappointing performance, the watch period was extended on April 16, 2024, due to the pending asset allocation changes around several asset classes (including discussion of reducing public market non-US equity exposure) and the potential cost efficiencies of conducting such an asset transition project under a comprehensive asset class restructuring approach following a possible Board decision on its asset allocation policy in Q3 2024. Staff and NEPC will

continue to closely monitor Axiom's performance in accordance with investment managers on watch and take appropriate action pursuant to Policy, as necessary.

Fees

LACERS pays Axiom an effective fee of 56 basis points (0.56%), which is approximately \$1.8 million annually based on the value of LACERS' assets as of June 30, 2024. This fee ranks in the 22nd percentile among its peers in the eVestment All Emerging Markets Equity Universe (i.e., Axiom's fee is lower than 78% of peers).

General Fund Consultant Opinion

NEPC concurs with these recommendations.

Strategic Plan Impact Statement

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

Prepared by: James Wang, CFA, CAIA, Investment Officer I, Investment Division

NMG/RJ/WL/EC/JW:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System

From: NEPC, LLC

Date: August 13, 2024

Subject: Axiom Investors – Contract Extension

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) extend their contract with Axiom for a period of one year from the date of contract expiry. NEPC has held several meetings with Axiom, both in person and via video, over the past year. NEPC continues to support a 1-rating for the firm and the emerging market equity product. NEPC's rating of 1 represents the highest rating. NEPC believes the team is very capable and committed to implementing their growth philosophy.

Background

LACERS hired Axiom on April 11, 2014 to provide the Plan with public equity exposure to emerging markets. The portfolio's strategy is benchmarked against the MSCI Emerging Markets Index and has a performance inception date of May 1, 2014. As of May 31, 2024, Axiom managed \$306.7 million, or 1.3% of Plan assets in a separately managed account. The performance objective is to outperform the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years).

The firm has been on and off "Watch" status for various reasons over the past few years. Axiom is currently on Watch for performance reasons. In late 2021, Axiom's President retired and the firm elected to not replace him. His duties were spread across the members of the firm's Executive Committee. The team added Young Kim to the portfolio management team of the Emerging Markets strategy. Young Kim came to the firm from Columbia Threadneedle where he was a co-portfolio manager. In 2020, one of the portfolio managers left the firm due to medical reasons and he was replaced by the Chief Investment Officer, Andrew Jacobson. Mr. Jacobson was the original architect of the strategy. All of these actions triggered a Watch status.

With the passage of time, the team has remained stable. NEPC feels confident that the team will be able to manage the strategy in accordance with Axiom's investment philosophy and portfolio guidelines. Because of this confidence in the team, NEPC Research recommended upgrading the status of the Axiom Emerging Markets strategy from "Watch" to "No Action".

Starting in August of 2020, the benchmark was changed from the MSCI Emerging Markets Growth index to the broader MSCI Emerging Markets index. The benchmark change request was granted given the growing level of concentration in the growth index. The change to the benchmark did not result in a change to the portfolio's style or investment strategy.

The current structure of LACERS' total emerging market equity exposure includes an anchor index portfolio, coupled with two style-specific active portfolios including Axiom (growth) and DFA (value). The emerging markets allocation is rounded out with an active small cap growth portfolio. Emerging markets is an asset class where we see the majority of active managers outperforming the MSCI

Emerging Markets index over longer periods of time. We are supportive of maintaining the current structure.

Firm Overview

Axiom is an independent, employee-owned investment management firm based in Greenwich, CT with a 25+ year history of managing global, international, and emerging market equity portfolios and was founded in 1988 by Andres Jacobson. Firm assets under management (AUM) as of March 31, 2024, were \$22.8 billion. The Emerging Markets Equity strategy's AUM is \$5.0 billion as of March 31, 2024. This is down from the strategy's peak AUM of \$8.88 billion that occurred in June of 2021.

Most of the decline in AUM has come from the negative performance of the strategy with product assets down 31% from the high AUM of June 2021. The strategy has seen poor relative performance versus the MSCI EM index. Despite this under-performance, the firm has experienced cash flows into the strategy in 2021, 2022, and 2023. This is quite surprising as many other growth managers in the emerging markets equity space have experienced outflows from their strategies. Axiom attributes the inflows and steadiness of assets to the type of clients that are invested in the strategy. Axiom prefers institutional clients since they believe this client type is more understanding of the vicissitudes of relative performance which Axiom's strategies can sometimes experience. Axiom seeks investors who are willing to be with them for long periods of time and they try to avoid retail investors.

The Axiom Emerging Markets team is currently co-led by Andrew Jacobson and three co-Portfolio Managers. Don Elefson and Jose Gerardo Morales have been on the team overseeing the strategy since 2012 and 2017 respectively. Young Kim joined the emerging markets team as co-Portfolio manager in early 2021. Andrew Yoon departed from the firm at the end of 2023 after only joining the firm in 2021. While Andrew Yoon was not a named portfolio manager on the Emerging Markets Equity strategy he was a portfolio manager on the Emerging Markets World strategy. The strategy is supported by Axiom's team of Global Research Analysts, Portfolio Research Analysts, and Research Associates.

The Axiom investment philosophy employs an active, fundamental, bottom-up, growth-oriented investment discipline across all strategies firm-wide. Axiom does not begin the research process with screening databases. This approach tends to be more backward looking, assumptions need to be made on future growth and valuation metrics and they believe there is an inordinate amount of forecast error associated with these assumptions. In order to reduce forecast error and better understand how enterprises currently operate and will perform going forward, Axiom's investment team conducts detailed fundamental stock analysis to identify companies whose current operational metrics are materially pacing ahead of market expectations, where these operational improvements are not yet reflected by the market and where these improvements will lead to earnings upgrades and share price appreciation. The investment team monitors these operational metrics against consensus expectations in real time and Axiom seeks to provide 200 - 400 basis points of outperformance over a full market cycle by investing in dynamic growth opportunities.

Performance

Referring to Exhibit 1, as of March 31, 2024, since inception (May 1, 2014) the portfolio has trailed the blended benchmark. Over the past year ending March 31, 2024, the portfolio has underperformed the benchmark by 130 basis points and ranked in the 71st percentile of its peer group.



Referring to Exhibit 2, the portfolio has exhibited many calendar years of strong performance versus peers and its benchmark. However, performance in 2021, 2022, and 2023 trailed peers and the benchmark. This time period has been particularly unkind to growth stocks. After three years of underperformance, the strategy is off to a promising start in 2024. Year-to-date as of March 31, 2024, the strategy is outperforming the benchmark by 410 basis points and ranked in the 8th percentile of its peers. New holdings in the portfolio have done well so far in 2024.

The team does not believe the underperformance over the last three calendar years is a sign of a larger structure issue with their investment philosophy. The team believes that growth will continue to lead value into the future. This is in part because they believe that growth will become more scarce. This is based on a few factors: demographics, debt, de-globalization, and disruption from information technology. Andrew has described the years from 1926-2006 as a time when value mostly outperformed growth. Each of the four D's were advantageous to growth stocks. Growing populations favored cyclical stocks that would rise with the growth of the populations. Debt provided extra capital to leverage the growth. Globalization kept prices low and increased trade. Disruption in information technology allowed people to reduce costs. All four of these phenomenon will likely reverse according to Axiom.

Fees

The portfolio has an asset-based fee of 0.56% annually. This fee ranks in the 22nd percentile among its peers in the eVestment All Emerging Markets Equity universe. In other words, 78% of the products included in the peer universe have a higher fee than the LACERS Account.

Conclusion

NEPC believes the investment team is extremely capable and exhibits their deep commitment to implementing the team's growth investment philosophy. Despite the recent underperformance of the strategy, the team remains committed to their investment philosophy and they believe the most recent market environment is one where their investment philosophy would underperform. They believe their strategy will have difficulty in environments where there are drastic rotations out of growth stocks into value stocks. This type of environment tends to favor cyclical stocks that have less sustainable earnings growth than the Axiom team is looking for in companies. Finally, the strategy will have difficulty in markets driven by extreme policy intervention which has historically discounted typical earnings drivers and caused rotations into distressed stocks.

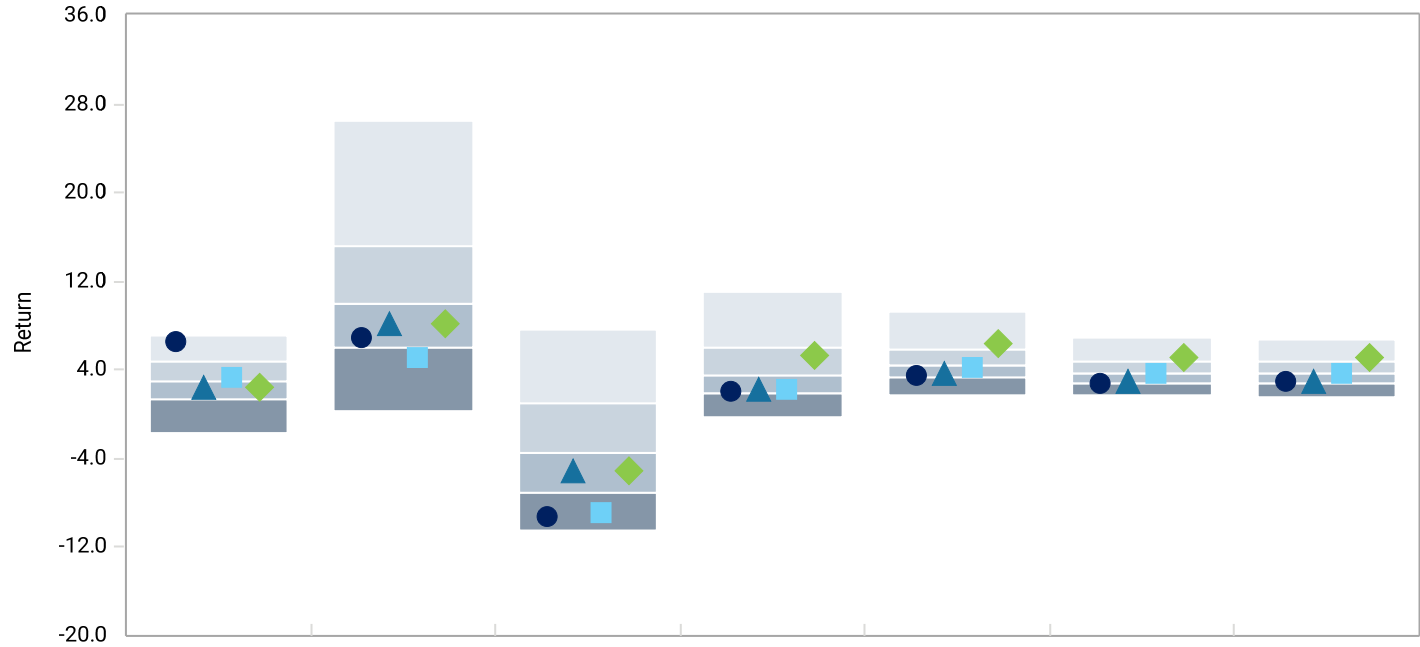
The following tables provide specific performance information, net of fees referenced above.



Los Angeles City Employees' Retirement System

AXIOM EMERGING MARKETS

Axiom Emerging Markets vs. eV Emg Mkts Equity

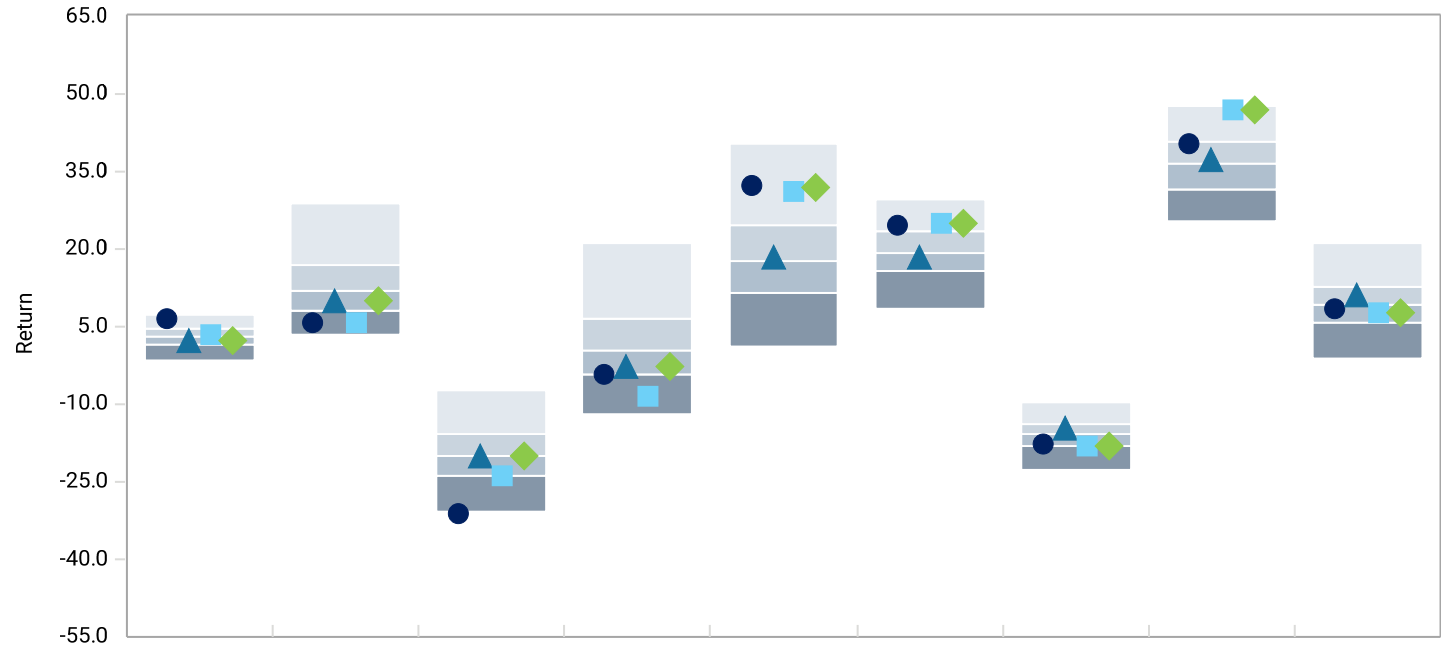


	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)
● Axiom Emerging Markets	6.5 (8)	6.9 (71)	-9.2 (91)	2.0 (75)	3.5 (74)	2.8 (77)	3.0 (71)
▲ MSCI Emerging Markets (Net)	2.4 (57)	8.2 (62)	-5.1 (60)	2.2 (73)	3.7 (68)	2.9 (74)	2.9 (74)
■ MSCI Emerging Markets Growth (Net)	3.4 (44)	5.2 (80)	-8.9 (89)	2.2 (73)	4.2 (56)	3.6 (54)	3.7 (52)
◆ Axiom Custom Blended BM	2.4 (57)	8.2 (62)	-5.1 (60)	5.2 (31)	6.3 (21)	5.1 (18)	5.2 (18)
5th Percentile	7.2	26.6	7.6	11.1	9.2	6.9	6.8
1st Quartile	4.7	15.3	0.9	6.1	5.9	4.7	4.7
Median	3.0	9.9	-3.5	3.6	4.4	3.7	3.7
3rd Quartile	1.4	6.0	-7.0	1.9	3.4	2.9	2.9
95th Percentile	-1.6	0.3	-10.5	-0.2	1.6	1.7	1.6
Population	455	443	399	358	314	259	259

Los Angeles City Employees' Retirement System

AXIOM EMERGING MARKETS

Axiom Emerging Markets vs. eV Emg Mkts Equity



	YTD (%)	2023	2022	2021	2020	2019	2018	2017	2016
● Axiom Emerging Markets	6.5 (8)	5.7 (91)	-31.2 (96)	-4.3 (76)	32.5 (12)	24.7 (19)	-17.6 (69)	40.6 (26)	8.4 (55)
▲ MSCI Emerging Markets (Net)	2.4 (57)	9.8 (63)	-20.1 (50)	-2.5 (67)	18.3 (47)	18.4 (57)	-14.6 (33)	37.3 (42)	11.2 (35)
■ MSCI Emerging Markets Growth (Net)	3.4 (44)	5.8 (90)	-24.0 (76)	-8.4 (89)	31.3 (13)	25.1 (19)	-18.3 (76)	46.8 (7)	7.6 (62)
◆ Axiom Custom Blended BM	2.4 (57)	9.8 (63)	-20.1 (50)	-2.5 (67)	32.0 (13)	25.1 (19)	-18.3 (76)	46.8 (7)	7.6 (62)
5th Percentile	7.2	28.8	-7.3	21.1	40.3	29.8	-9.8	47.8	21.0
1st Quartile	4.7	16.9	-15.8	6.7	24.7	23.6	-13.7	40.7	12.8
Median	3.0	12.0	-20.1	0.5	17.8	19.4	-15.8	36.4	9.2
3rd Quartile	1.4	8.3	-23.9	-4.3	11.6	15.9	-18.3	31.4	5.7
95th Percentile	-1.6	3.6	-30.8	-11.9	1.0	8.6	-22.8	25.3	-1.2
Population	455	451	471	478	475	482	457	444	433