



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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October 8, 2014

To: Members of the Board of Retirement

From: George Wood – Vice Chair

**Subject: Summary of the October 8, 2014 Investment Committee Meeting**

The Investment Committee met on Wednesday, October 8, 2014 at 9:32 a.m. The Committee members present were Annette Cain-Darnes, George Dewey, Liz Koppenhaver, Elizabeth Rogers, Donald White, and George Wood. Also present was Alternate Safety member Darryl Walker. Members of the Staff present were, Vincent Brown – Chief Executive Officer, Kathy Foster – Assistant Chief Executive Officer, Harsh Jadhav – Chief of Internal Audit, Lori Schnall – Associate Counsel, and Betty Tse – Chief Investment Officer.

**ACTION ITEM**

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in PEARLS – Other Alternative Investments
  - The representatives from Angelo, Gordon & Co., L.P. (AG) presented to the Committee the goals, objectives, and six-month performance results of the AG Opportunistic Whole Loan Fund (OWL) which will take advantage of current market opportunities to purchase different types of mortgage loans at a discount from banks and HUD. AG also described the investment strategy and implementation process which includes modeling the risks and potential performance of virtually every loan offered to and purchased by OWL.
  - After discussion, Ms. Cain-Darnes moved, seconded by Ms. Elizabeth Rogers, to recommend to the Board to adopt the recommended \$15.0 million additional commitment to the existing \$35.0 million commitment to the AG Opportunistic Whole Loan Fund, L.P., pending completion of legal due diligence and successful contract negotiation. The motion passed unanimously.
  - The motion carried 7 yes (Cain-Darnes, Dewey, Koppenhaver, Rogers, White, Walker, and Wood), 0 no, and 0 abstention.

**INFORMATION ITEMS**

1. Review of Capital Group Institutional Services, Inc.
  - Representatives from Capital Group discussed its organization, investment philosophy, investment strategy, portfolio characteristics, and performance. The Committee asked questions of and discussed the portfolio with the representatives. The review found Capital Group to be in compliance with ACERA's investment guidelines.

For the quarter ending June 30, 2014, the International All Countries Equity account returned 3.0% (gross) and 19.3% (gross) for the trailing one year period compared to the benchmark (MSCI ACWI ex USA Gross) of 5.2% and 22.3%, respectively.

2. Quarterly Performance Review for the Second Quarter of 2014 – Equities, Fixed Income, and Real Return Pool

- ACERA's Total Fund returned 3.6% (gross) compared to the policy index of 4.3% in the second quarter of 2014 and 18.8% (gross) compared to the policy index of 19.9% for the latest one year period.
- As of 6/30/14, the market value of the total Fund exceeded \$6.9 billion.
- For the quarter, ACERA's U.S. equity, international equity, fixed income, PEARLS, Real Estate and Real Return Pool asset classes returned 3.2%, 4.2%, 3.4%, 3.6%, 2.4%, and 4.9% (gross), respectively.

3. Quarterly Performance Review for the Second Quarter of 2014 – Real Estate

- ACERA's real estate portfolio returned 2.4% (gross) for Q2 2014 and 13.6% (gross) for the latest one year period compared to the NCREIF-ODCE benchmark of 2.9% and 12.7%, respectively.
- As of 06/30/14, the total market value of ACERA's real estate portfolio was about \$392 million; approximately 5.7% of ACERA's total Fund.

4. Status Report on Lighthouse-Managed Fund Name: "Strategic Alpha Fund, LLC"

- Staff updated the Committee on the name selected for the approved \$100 million PEARLS investment in Lighthouse Strategic Alpha Fund, LLC., which is to be managed by Lighthouse Investment Partners.

5. Report on the meeting date of the November 2014 Investment Committee Meeting

- ACERA's monthly Investment Committee Meeting (ICM) is regularly scheduled on the second Wednesday of each month. However, the second Wednesday in November (November 12) coincides with SACRS Fall Conference which will be held from November 12 – 14, 2014. Staff proposed to postpone the November ICM to Wednesday, November 19, 2014 at 9:30 a.m.

**Recommendation**

- The Committee recommends, and I move that the Board adopt a \$15.0 million additional commitment to the AG Opportunistic Whole Loan Fund, L.P. pending completion of legal due diligence and successful contract negotiation. The motion passed unanimously.

Investment Committee Meeting  
October 8, 2014  
Page 3 of 3

**TRUSTEE/PUBLIC INPUT**

**FUTURE DISCUSSION ITEMS**

None

**ESTABLISHMENT OF NEXT MEETING DATE**

November 19, 2014 at 9:30 a.m.

**ADJOURNMENT**

The meeting adjourned at 11:06 a.m.