



Investment Update for ACERA Website

Investment Update – 1st Quarter First Quarter 2017

Developed economies continued to experience steady, moderate expansion with fourth quarter real GDP growth in the U.S., the Eurozone, and Japan all between 1.5 – 2.0%.

During the first quarter, the global economy exhibited a coordinated pick up in economic activity. Data generally exceeded expectations, especially in the U.S. and the Eurozone.

The U.S. Treasury curve flattened in the first quarter. Short term rates were driven higher by the Fed, while the long end of the curve remained unchanged. Even with Fed tightening, the U.S. may not be in a typical rising rate environment.

A better outlook for commodity performance, as well as a flattening of the futures curve in some markets increases the attractiveness of commodities as an inflation hedge.

While central banks are still accommodative outside of the U.S., most appear to be in later stages of the easing cycle. Developed central banks appear to be broadly entering a period of policy normalization.

For the quarter ending March 31, 2017, ACERA's Total Fund had gross returns of 5.8%, ranking it in the 2nd percentile among its peers, and finished the first quarter at a market value of \$7.3 billion.

Domestic Equities returned 6.5% (15th percentile), International Equities returned 10.1% (10th percentile) and Fixed Income returned 2.9% (6th percentile) in the quarter. ACERA's Real Estate managers composite and Private Equity and Alternatives Return Leading Strategies¹ (PEARLS) composite returned 1.6% and 2.4% respectively, during the first quarter. Gross return for the Real Assets class was -0.9%.

ACERA is a long term investor with a well-diversified portfolio and has generated 7.9% annualized returns over the last 20 years, ranking it in the 1st percentile among its peers.

¹ Real Estate and PEARLS composite returns are subject to a quarter lag in reporting results.