



## Investment Update for ACERA Website

### Investment Update – 1<sup>st</sup> Quarter First Quarter 2018

Economic growth remained near expansion highs in the fourth quarter. U.S. real GDP growth was 2.6% from the previous year. Consumer spending and investment pushed the economy ahead, while falling exports were a drag on growth.

The U.S. enacted a 25% tariff on steel and 10% tariff on aluminum which went into effect March 23, 2018. The U.S. has engaged with China over allegations of asymmetrical trade policies and intellectual property theft, creating concern over the risks of a trade war.

Core CPI inflation moved from 1.8% to 2.1% year over year during the quarter, the highest rate in more than a year. Prices jumped in March primarily due to the low base effect from an unexpected drop in wireless telecom prices one year ago.

The Fed raised interest rates on March 21, 2018 to 1.50% - 1.75%. Comments made during the March meeting suggest the Federal Open Market Committee expects continued moderate economic activity, spending, and business investment. Unsurprisingly the Committee stated that the U.S. inflation rate is expected to stabilize at the 2% target over the near-term.

Global economic growth has improved – low inflation, strong employment, and accommodative foreign central bank policies have been supportive of equity prices. In the U.S. monetary tightening has yet to have a major impact on equities.

For 1Q2018, ACERA's Total Fund returned 0.91% gross (0.87% net of fees)\*, compared to the Policy Index return of - 0.03%. For the year ending 03/31/2018, the Total Fund returned 14.0% gross (13.7% net of fees) compared to the Policy Index of 12.6%. The Total Fund's results ranked in the top 10th and 3rd percentile for the quarter and one year periods, respectively.

As of 03/31/2018, the market value of the Total Fund was \$8,125,417,975.

ACERA's Real Estate portfolio, including the Oakland Building, returned 2.26% gross (1.95% net) for 1Q2018 and 10.14% gross (8.99% net) for the 1-year period ending 03/31/2018 versus the NCREIF-ODCE benchmark of 2.20% gross (1.97% net) and 8.07% gross (7.11% net), respectively.

As of 03/31/2018, the market value of ACERA's real estate portfolio was \$523.5 million comprising 6.4% of the Total Fund (class target is 8.0%).

\* Net of fees reflects management fees that were paid in this quarter.