



## MINUTES OF THE JUNE 4, 2025, INVESTMENT COMMITTEE MEETING

To: Members of the Investment Committee

From: George Wood, Chair

**Subject: Summary of the June 4, 2025 Investment Committee Meeting**

The Investment Committee ("Committee") met on Wednesday, June 4, 2025, at 11:21 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Ross Clippinger, Tarrell Gamble, Henry Levy, Elizabeth Rogers, Kellie Simon, Steven Wilkinson, and George Wood. Also present was Alternate Retired Member Cynthia Baron. ACERA Senior Managers and Presenting Staff were David Nelsen – Chief Executive Officer, Harsh Jadhav – Chief of Internal Audit, Lisa Johnson – Assistant Chief Executive Officer, Jeff Rieger – Chief Counsel, Julius Cuaresma – Investment Analyst, Clint Kuboyama – Senior Investment Officer, Stephen Quirk – Investment Officer, Noe Reynoso – Investment Analyst, John Ta – Senior Investment Officer, Betty Tse – Chief Investment Officer, and Susan Weiss – Investment Counsel

### **PUBLIC COMMENT:**

Ms. Margaret Belmondo, NEPC Partner – Public Fund Team Leader, expressed her enthusiasm in joining the meeting. She is stepping in during Sam Austin's absence. Margaret assured the Committee that Sam, along with Dan Hennessy and Rose Dean remain fully committed to ACERA and will be present for most if not all meetings.

### **Action Item: Matters for discussion and possible motion by the Committee**

1. Discussion and Possible Motion to Recommend that the Board Discontinue the Directed Brokerage (DB) Program
  - Trustee Gamble moved to accept Staff's recommendation without discussion, stating his agreement with Staff. Trustee Gamble believes that the DB Program should have been discontinued long ago.
  - Trustee Rogers inquired if there were any additional comments from Staff on this matter. Staff confirmed that they would continue to ensure best execution by the external investment managers via our Transaction Cost Consultant "Abel Noser Solutions, L.L.C." which is a wholly owned subsidiary of Trading Technologies International Inc.
  - Trustee Gamble moved, seconded by Trustee Basgal, to recommend that the Board discontinue the Directed Brokerage Program effective immediately.
  - The motion carried unanimously with 9 Yes (Basgal, Carson, Clippinger, Gamble, Levy, Rogers, Simon, Wilkinson, and Wood), 0 No, and 0 Abstention.

**Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports**

1. Semiannual Performance Review for the Period Ending December 31, 2024 – Real Estate

- As of 12/31/24, the Real Estate Portfolio had a total market value of \$824.21 million, which represented 6.86% of the Total Fund (asset-class target is 9%<sup>1</sup>). For the last 6-months ending 12/31/2024, ACERA's Real Estate portfolio had a net return of 1.10%, outperforming the NFI-ODCE benchmark return of 0.99%. For the trailing 3-year period, ACERA's Real Estate portfolio had a net return of -2.31% outperforming the NFI-ODCE benchmark return of -3.14%.

2. Review of the current Public Equity Structure and Possible Restructure of the same - Part 2

- A refreshed asset allocation was adopted in 2024, and the new public equity benchmark adopted as a result is the MSCI ACWI IMI. Thus, this is an appropriate time to review the public equity structure. In the first part of the review at the April ICM, three questions were posed, and Part 2 of the review at this ICM was an attempt to answer those questions, as follows:
- Which are high conviction strategies? Staff considers only one current strategy, which has the highest NEPC rating, to be high conviction based on long-term performance and qualitative factors. Trustee Wilkinson inquired about the process to form opinions on which strategies are high conviction.
- What is the appropriate construction? Staff, as supported by NEPC research, deemed global mandates to be superior to regional mandates as the basis for an optimal manager structure. Smaller allocations to regional mandates may complement global equity strategies, particularly in areas where active management has historically added value. Trustees Wilkinson and Gamble inquired about globalization trends and their impact on various structures.
- How much active risk? While implementing a largely passive structure in 2018 was likely a good decision then, Staff now recommends significantly increasing the active risk in light of current market conditions, so as to improve the Total Fund performance. Trustee Gamble requested back test modelling data to compare structure options more effectively.
- Trustees Gamble and Wood inquired about the potential implications of the proposed restructure. Staff assured the Trustees that there would be a methodical approach to any restructure, with input from NEPC. There will be back testing of multiple structures, such structures will be modelled with results analyzed, and, if necessary, a revised structure will

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<sup>1</sup> Asset Allocation Targets are consistent with Total Fund's Performance Report dated 12/31/2024 which was distributed to the Investment Committee at the 03/05/2025 Investment Committee Meeting.

be presented as an Information Item at a future ICM ( i.e, *Review of the Current Public Equity Structure and Possible Restructure - Part 3*).

3. Semiannual Performance Review for the Period Ending December 31, 2024 – Private Equity
  - As of 12/31/2024, the Private Equity Portfolio had a total market value of \$1.15 billion, which represented 9.5% of the Total Fund in comparison to its 11.0%<sup>1</sup> asset class target. As of 12/31/24, the Private Equity Portfolio produced a one-year annualized, net time-weighted return of 9.0% and 5.3% for the three-year-annualized, net time-weighted return, versus a 7.6% and 2.4% return, respectively, of its Cambridge Associate Global All PE 1Q Lagged benchmark.
4. Semiannual Performance Review for the Period Ending December 31, 2024 – Private Credit
  - As of 12/31/2024, the Private Credit Portfolio had a total market value of \$307.69 million which represented 2.5% of the Total Fund (asset-class target was 4.0%<sup>1</sup>). As of 12/31/24, the Private Credit Portfolio produced one- and three-year-annualized, net time-weighted returns of 9.1% and 8.2%, respectively, versus 10.9% and 8.9% returns, respectively, for its benchmark the Morningstar LSTA U.S. Leveraged Loan 100 Index plus 175 basis points.
5. Semiannual Performance Review for the Period Ending December 31, 2024 – Real Assets
  - As of 12/31/24, the Real Assets Portfolio had a total market value of \$736.39 million, representing 6.1% of ACERA's Total Fund (asset-class target is 6.0%<sup>1</sup>). As of 12/31/2024, the Real Assets Portfolio produced one- and three-year annualized, net time-weighted returns of 8.4% and 6.6%, respectively, versus 7.1% and 5.4% returns, respectively, for its blended benchmark (60% S&P Global Infrastructure Index/35% S&P Global LargeMidCap Commodity and Resources Index/5% Bloomberg Commodity Index).
6. Semiannual Performance Review for the Period Ending December 31, 2024 – Absolute Return
  - As of 12/31/2024, the Absolute Return Portfolio had a total market value of \$1.00 billion, which represented 8.3% of the Total Fund (asset-class target was 8.0%<sup>1</sup>). As of 12/31/2024, the Absolute Return Portfolio produced one- and three-year annualized net returns of 11.2% and 8.0%, respectively, versus 9.1% and 3.1% returns, respectively, for its HFRI Fund of Funds Composite Index benchmark.
7. Report on Private Credit Investment Made Under Delegated Authority after Distribution of the Last Investment Committee Meeting Agenda: ICG Europe Fund IX (€37 million)
  - Staff and the Investment Committee discussed the process of notifying the Committee and the public after Staff makes an investment under delegated authority. This process was followed with the ICG Europe Fund IX commitment and will be followed going forward. The process includes: 1) closing on the investment following the completion of the due-

diligence requirements under the relevant asset class investment policy; 2) notifying the Committee soon after the investment closes and providing the Committee, through BoardEffect, the documents required to be provided to the Committee under the relevant asset class investment policy; and 3) notifying the public via an Information Item on the agenda at the next scheduled Investment Committee Meeting after the investment closed.

**TRUSTEE REMARKS:**

**FUTURE DISCUSSION ITEMS**

**ESTABLISHMENT OF NEXT MEETING DATE**

July 2, 2025 at 10:30 a.m.

**ADJOURNMENT**

The meeting ended at 12:57 p.m.

**To view the June 4, 2025 Investment Committee Meeting in its entirety, click on the link below: <https://www.youtube.com/watch?v=344KuMgSMUg>**