



Alameda County Employees' Retirement Association  
BOARD OF RETIREMENT

INVESTMENT COMMITTEE/BOARD MEETING

THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE  
SEE GOV'T CODE § 54953(e).

ACERA MISSION:

To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

Wednesday, June 8, 2022  
9:30 a.m.

ZOOM INSTRUCTIONS	COMMITTEE MEMBERS	
The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below. <a href="https://zoom.us/join">https://zoom.us/join</a> Webinar ID: 879 6337 8479 Passcode: 699406 1 (669) 900-6833 US For help joining a Zoom meeting, see: <a href="https://support.zoom.us/hc/en-us/articles/201362193">https://support.zoom.us/hc/en-us/articles/201362193</a>	TARRELL GAMBLE CHAIR	APPOINTED
	GEORGE WOOD VICE CHAIR	ELECTED GENERAL
	DALE AMARAL	ELECTED SAFETY
	OPHELIA BASGAL	APPOINTED
	KEITH CARSON	APPOINTED
	JAIME GODFREY	APPOINTED
	LIZ KOPPENHAVER	ELECTED RETIRED
	HENRY LEVY	TREASURER
	KELLIE SIMON	ELECTED GENERAL
	NANCY REILLY	ALTERNATE RETIRED <sup>1</sup>
DARRYL WALKER	ALTERNATE SAFETY <sup>2</sup>	

1 The Alternate Retired Member votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General members, or the Safety Member and an Elected General member, are absent.

2 The Alternate Safety Member votes in the absence of the Elected Safety, either of the two Elected General Members, or both the Retired and Alternate Retired members.

Note regarding accommodations: The Board of Retirement will provide reasonable accommodations for persons with special needs of accessibility who plan to attend Board meetings. Please contact ACERA at (510) 628-3000 to arrange for accommodation.

Note regarding public comments: Public comments are limited to four (4) minutes per person in total.

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes, and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure), are available online at www.acera.org.

# **INVESTMENT COMMITTEE/BOARD MEETING**

**NOTICE and AGENDA June 8, 2022**

**Call to Order:** 9:30 a.m.

## **Roll Call**

**Public Input (The Chair allows public input on each agenda item at the time the item is discussed)**

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

1. Discussion and Possible Motion to Recommend that the Board Approve an Investment of up to \$36 million in Atalaya Special Opportunities Fund VIII as part of ACERA's Private Equity Portfolio – Debt Related/Special Situations<sup>3</sup>, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations

9:30 – 10:15

Vincent DiGiorgio, Atalaya Capital Management  
Ivan Zinn, Atalaya Capital Management  
Faraz Shooshani, Verus Advisory  
Clint Kuboyama, ACERA

## **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, 2021 – Private Equity

Faraz Shooshani, Verus Advisory  
Clint Kuboyama, ACERA  
John Ta, ACERA

2. Semiannual Performance Review for the Period Ending December 31, 2021 – Private Credit

Faraz Shooshani, Verus Advisory  
Clint Kuboyama, ACERA

3. Semiannual Performance Review for the Period Ending December 31, 2021 – Real Assets

John Nicolini, Verus Advisory  
Clint Kuboyama, ACERA

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<sup>3</sup> Written materials and investment recommendations from the consultants, fund managers and ACERA Investment Staff relating to this alternative investment are exempt from public disclosure pursuant to CA Gov. Codes § 6254.26 and § 6255.

# ***INVESTMENT COMMITTEE/BOARD MEETING***

**NOTICE and AGENDA June 8, 2022**

## 4. Status Report on ESG Implementation

Ariane de Vienne, Institutional Shareholders Inc.  
Valerie Sullivan, Institutional Shareholders Inc.  
Richard Clark, Institutional Shareholders Inc.  
Eileen Neill, Verus Advisory  
Margaret Jadallah, Verus Advisory  
Julius Cuaresma, ACERA  
Serafin Lim, ACERA  
John Ta, ACERA

## **Trustee Remarks**

## **Future Discussion Items**

## **Establishment of Next Meeting Date**

July 13, 2022 at 9:30 a.m.



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



PERIOD ENDING: MARCH 31, 2022

Investment Performance Review for

**Alameda County Employees' Retirement Association - Public**

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PITTSBURGH 412-784-6678

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Private Equity & Private Credit Q4 21 **TAB I**

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Real Assets Q4 21 **TAB II**

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**PERSPECTIVES  
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PERIOD ENDING DECEMBER 31, 2021

Private Equity Review

**Alameda County Employees' Retirement Association**

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Market Commentary

PG 4

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Significant Events /  
Material Expectations

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Portfolio Overview

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Appendix

PG 15

— Private Credit Portfolio

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Portfolio Performance

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Portfolio Diversification

PG 11

- By Strategy
  - By Geography
  - By Industry
  - By Vintage Year
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# Market Commentary

## DEBT RELATED

- **HY issuance stable, leveraged loan issuance up.** In 2021, US high yield issuance was stable, with a small increase of 0.3% at \$429.7 billion compared to \$429.7 billion in 2020<sup>1</sup>. Leverage loan issuance volume was \$1,403.4 billion in 2021, up 62.9% from the same time last year<sup>1</sup>.
- **Spreads tightened across the board.** US HY Credit Index tightened by 60 bps or 15.4%<sup>2</sup> decrease in 2021 versus the same period last year. BB and B index tightened by 2 bps and 25 bps, decreasing by 0.7%<sup>2</sup> and 5.3%<sup>2</sup> versus the same period last year. In the meantime, CCC index spread decreased by 19.0%<sup>2</sup> in 2021 from 2020 same period.
- **Slight increase in LBO debt, coupled with slight improvement in interest coverage in US.** Total leverage averaged 5.8x (Debt / EBITDA) in 2021 for US new issue loans, up 1.7% from 2020<sup>3</sup>. Interest coverage averaged 3.5x (EBITDA / Cash Interest), up 1.7% from 2020<sup>3</sup>. In Europe with 2021 LBO Loan volume at \$109.1 billion, up 149.1% from 2020 and down 20.8% from \$137.7 billion peak in 2007<sup>4</sup>, leverage multiples decreased 1.7% to 5.7x in 2021<sup>4</sup>, below 6.4x peak in 2007<sup>4</sup>.

## GLOBAL

- **Both investment activity and average deal size increased.** During 2021, global PE firms invested in \$2.1 trillion worth of deals, up 79.1% from the same time prior year, and closed on 61,866 transactions, up 21.3%<sup>5</sup>.
- **PE dry powder decreased globally.** In the 2021, global total PE dry powder was at \$5.2 trillion, down 12.3% from 2020<sup>5</sup>. US total PE was down by 9.7% to \$3.6 trillion<sup>5</sup>; Europe total PE decreased by 16.0% to \$1.2 trillion<sup>5</sup>; Asia total PE was down by 23.8% to \$277.1 billion<sup>5</sup>; and the rest of world total PE was down by 19.6% to \$111.0 billion<sup>5</sup>.

## US BUYOUTS

- **Fundraising activity slowed down.** In 2021, US firms across all buyout strategies raised \$223.4 billion, down by 13.8% from same time prior year<sup>5</sup>. Average fund size was up 26.2%, from \$634.4 million in 2020 to \$800.8 million in 2021.
- **Investment activity was up significantly.** During 2021, US buyout firms invested in \$1.0 trillion (+50.2% from 2020) into 7,044 deals (+23.4%)<sup>5</sup>.
- **Dry powder decreased.** In 2021, US buyout dry powder was \$1.9 trillion, down by 15.6% from the same time in 2020<sup>5</sup>.
- **LBO price multiples down slightly.** As of December 31, 2021, US LBO purchase price multiple (Enterprise Value / EBITDA) was at 11.4x, a 0.4% decrease from December 31, 2020<sup>3</sup>.
- **Exit activity increased.** During 2021, US buyout firms exited 1,393 companies, representing \$741.6 billion in total transaction value<sup>5</sup>. This represented a 105.1% increase in the number of exits and a 39.7% increase in total transaction value compared to the same time last year<sup>5</sup>.



# Market Commentary

## US VENTURE CAPITAL

- **Fundraising activity increased.** US VC firms raised \$128.3 billion during 2021, a 47.5% increase from the same period last year<sup>5</sup>. 730 funds closed in 2021, a 0.4% decrease from the same period last year<sup>5</sup>. The average US VC fund size increased to \$175.7 million by 48.1% versus the same period last year<sup>5</sup>.
- **Investment activity increased.** US VC firms deployed \$329.9 billion in capital in 2021, a 98.0% increase from 2020. With deal activity skewing from early to angel & seed stage<sup>5</sup>, the number of deals closed at 15,500, a 27.3% increase from the same time last year<sup>5</sup>.
- **Dry powder decreased.** In 2021, US VC dry powder was at \$220.6 billion, down 11.9% from 2020<sup>5</sup>.
- **Increases across all stages:**
  - **Entry valuations.** Compared to December 31, 2020, the average pre-money valuations increased for all stages in 2021: up 25.7% at \$6.3 million<sup>5</sup> for Angel stage, 58.3% at \$9.5 million<sup>5</sup> for Seed stage, 53.3% at \$46.0 million<sup>5</sup> for early-stage VC, and 76.2% at \$114.5 million<sup>5</sup> for late-stage VC. Over the past 3 years, the average pre-money valuations of Angel-, Seed-, Early- and Late-stage investments were up 25.7%, 58.3%, 109.1%, and 129.0%, respectively<sup>5</sup>.
  - **Deal sizes.** Average deal size increased for all stages as well: up 41.4% at \$1.8 million<sup>5</sup> for Angel stage, 33.1% at \$4.0 million<sup>5</sup> for Seed stage, 45.8% at \$23.2 million<sup>5</sup> for early-stage VC, and 51.1% at \$56.1 million<sup>5</sup> for late-stage VC. Across all stages, the average investment per deal increased to \$21.3 million, a 48.5% increase from prior year<sup>5</sup>. Over the past 3 years, the average deal size of Angel-, Seed-, Early- and Late-stage investments were up 33.2%, 35.3%, 67.2%, and 55.6%, respectively<sup>5</sup>.
- **Exit activity increased significantly with larger transactions.** US VC firms exited 1,612 companies in 2021, up by 43.5% from last year and 40.8% from three years ago<sup>5</sup>. This represented the record high \$774.1 billion in transaction value, up by 168.0% from the same period last year and 524.9% from three years ago<sup>5</sup>. Largest sectors exited were Software and Pharma & Biotech.

## EX US

- **Ex-US fundraising activity was up.** In 2021, ex-US fundraising increased 39.2% from 2020 to \$349.7 billion<sup>5</sup>. Fundraising in Asia increased by 51.8% to \$76.0 billion<sup>5</sup>, while Europe was flat to 2020, decreasing by just 0.4% to \$127.5 billion<sup>5</sup>.
- **Capital deployment increased by VCs and Buyout managers in Europe and Asia.**
  - **In both Europe and Asia, VCs invested more capital into more deals.** Investment activity increased by 8.6% in Europe and 54.0% in Asia from 2020<sup>5</sup>. Capital deployed increased by 119.8% to \$117.0 billion and by 65.5% to \$191.3 billion, respectively, in Europe and Asia<sup>5</sup>.
  - **Buyout deal activity and capital deployment rose in Europe and Asia.** In Europe, buyout firms transacted \$677.1 billion in aggregate value (+37.9% from 2020)<sup>5</sup>. Asia buyout firms invested \$65.7 billion in aggregate value (+61.7%)<sup>5</sup>.

# Market Commentary

- **Dry powder decreased ex-US.** PE dry powder outside the US decreased 17.7% to \$1.6 trillion<sup>5</sup> in 2021. Dry powder outside the US was 55.1% less than dry powder in the US (\$3.6 trillion)<sup>5</sup>.
  - **Europe VC and buyout dry powder both down.** VC at \$16.5 billion and buyout at \$686.3 billion were down 17.4% and 19.1% from 2020, respectively<sup>5</sup>.
  - **In Asia, VC, buyout and growth dry powder decreased in parallel with US and Europe.** VC at \$12.8 billion, buyout at \$223.6 billion, and growth at \$12.8 billion were down 26.3%, 21.9% and 54.6% from 2020, respectively<sup>5</sup>.
- **Purchase price multiples increased ex-US.** As of December 31, 2021, European buyout median purchase price multiples increased 15.0% from 8.0x to 9.3x EBITDA from the same time last year<sup>5</sup>. Asia buyout median purchase price multiples increased 23.1% from 6.1x to 7.5x EBITDA from the same time last year<sup>5</sup>.
- **Exit activity strengthened in Europe but weakened in Asia.** Europe PE aggregate exit value amounted to \$552.7 billion, a 125.6% increase from 2020, while Asia PE exit value dropped by 12.7% to \$171.5 billion<sup>5</sup>.

## Outlook

- **PE allocations likely to continue rising steadily.** Based on a survey of more than 350 LPs by Preqin (prior to escalation of the Russia-Ukraine conflict), more than a third of LPs (35%) plan to invest more in private capital over the next 12 months, with a further 51% expecting to invest the same amount, and just 14% planning to invest less<sup>6</sup>.

## Notes

1. *White & Case Debt Explorer (February 14, 2022)*
2. *Guggenheim High-Yield Bank Loan Outlook (March 2022)*
3. *S&P Global US LBO Review (4Q 2021)*
4. *S&P Global LCD European Leveraged Buyout Review (4Q 2021)*
5. *Pitchbook (December 31, 2021)*
6. *Preqin (H1 2022)*

# Private Equity portfolio

	Policy Target	Policy Range	Market Value %	Market Value \$(000)	Unfunded Commitment \$(000)	Market Value + Unfunded \$(000)
<b>ACERA Plan Assets - Total</b>				<b>\$11,886,131</b>		
<b>Private Equity:</b>	<b>11.0%</b>	<b>8-13%</b>	<b>8.3%</b>	<b>\$987,125</b>	<b>\$465,092</b>	<b>\$1,452,217</b>
Buyouts	60.0%	30-80%	52.6%	\$519,579	\$276,484	\$796,063
Venture Capital	20.0%	0-40%	30.9%	\$305,376	\$23,904	\$329,280
Debt-Related/Special Situations	20.0%	0-30%	16.4%	\$162,170	\$164,704	\$326,874

### Portfolio Summary

- As of December 31, 2021, the Private Equity portfolio had a total market value of \$987.1M, with \$519.6M in Buyouts, \$305.4M in Venture Capital, and \$162.2M in Debt-Related / Special Situations. Total market value is the current reported value of investments, excluding the remaining amount of unfunded commitments.
- Since its initial allocation to Private Equity in Q4 2008, ACERA has contributed \$1.2B towards its total \$1.6B Private Equity commitments. Aggregate commitments since 2019 total \$562.0M, approximately 34.5% of total commitments since inception. The preponderance of funds since 2019 are actively engaged in making new investments. Unfunded commitments total \$465.1M.
- The portfolio exposure at 8.3% is below the new 11.0% policy target approved in 2021, but within its 8-13% target range. Compared to December 31, 2020, portfolio exposure is down 0.4%, in part due to significant growth in plan value (\$2.2B), coupled with strong distributions from Private Equity (\$341.0M) in 2021. Buyout remains under its policy target, Venture Capital above its target, and Debt-Related / Special Situations below its policy target; but all sub-asset classes are within policy ranges.

### Portfolio Activity

- In 2021, ACERA committed \$20M to Peak Rock Capital III, \$30M to Genstar Capital Partners X, \$60M to Great Hill VIII, \$25M to Summit Growth Equity XI, \$27M to ABRY Senior Equity VI, \$27M to SVP Special Situations Fund V, \$36M to AG Credit Solutions Fund II.

# Private Equity Portfolio Performance

Period Ending: December 31, 2021

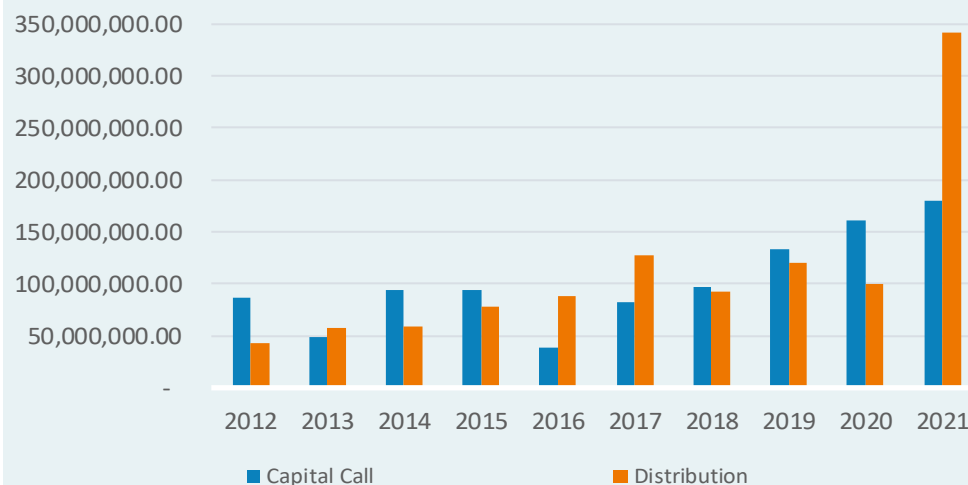
## Performance

- Current Private Equity portfolio is valued at \$987.1M. Portfolio investments have a capital-weighted average life of 5.3 years. Since inception (2008):
  - The portfolio has produced +17.75% net IRR, outperforming its Thomson Reuters C|A Global PE benchmark pooled IRR of 16.96% by 79 basis points. Portfolio returns rank above Median on net IRR, Total Value Multiple (TVPI), and Distribution Multiple (DPI).
  - Relative to same Vintage global benchmark peers, Buyout ranks above Median on DPI, at Median on TVPI and below Median on IRR; Venture Capital ranks above Top-Quartile on TVPI and DPI and above Median on IRR; and Debt Related/ Special Situations ranks above Median on IRR and slightly below Median on TVPI and DPI.
- Together with \$1,129.8M in realized distributions (0.96x cost), Private Equity’s Total Value at \$2,116.9M is approximately \$934.2M above \$1,182.8M cost (1.79x cost), net of fees. Return drivers include:
  - Venture Capital up \$407.5M/+3.09x cost (General Catalyst VI; Khosla Ventures III, IV, V & Seed B; Third Rock Venture II and III; and NEA 13 and 14 leading), with 152.5% of called capital realized and distributed.

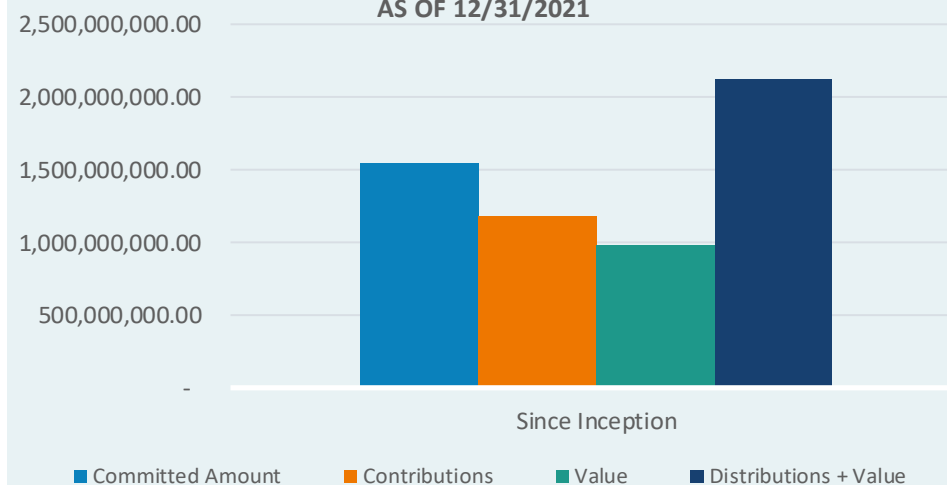
Since inception, this portfolio produced 24.87% net IRR versus its peer global benchmark of 22.59% pooled IRR.

- Buyout up \$428.6M/+1.65x cost (Great Hill V, VI and VII; Sycamore Partners I; Warburg XII; Peak Rock II; KPS IV and V; and Audax VI leading) with 86.3% of called capital realized and distributed. Since inception, the Buyout portfolio produced 16.91% net IRR versus its peer global benchmark of 17.88% pooled IRR.
- Debt-Related / Special Situations was up \$98.1M/+1.30x cost (ABRY Senior Equity IV, V, and Advanced Securities II; Centerbridge Special Credit Partners; OHA Strategic Credit II; and AG CSF1A (liquidated) leading), with 80.3% of called capital realized and distributed. Since inception, this portfolio produced 10.48% net IRR versus its peer global benchmark of 11.65% pooled IRR.
- Distributions outpaced contributions by a ratio of 2.9:1.0 in 2021.
- Within Private Equity, the current allocation of invested capital is 52.6% to Buyouts, 30.9% to Venture Capital, and 16.4% to Debt / Special Situations. Of \$1,129.8M in cash distributions, 50.6% were from Buyouts, 23.1% from Venture Capital, and 23.1% from Debt-Related/Special Situations.

CASH FLOWS ON ANNUAL BASIS



CUMULATIVE CASH FLOWS AND VALUATION AS OF 12/31/2021



## Portfolio Performance vs. Pooled Benchmark IRR

Period Ending: December 31, 2021

	1-Year	3-Year	5-Year	10-Year	Since Inception <sup>2</sup>
<b>Buyout</b>	<b>42.05%</b>	<b>23.44%</b>	<b>18.01%</b>	<b>17.92%</b>	<b>16.91%</b>
<i>Thomson Reuters C/A Global Buyout Benchmark<sup>1</sup></i>	34.97%	25.76%	22.87%	19.48%	17.88%
<b>Venture Capital</b>	<b>43.45%</b>	<b>40.93%</b>	<b>32.34%</b>	<b>25.76%</b>	<b>24.87%</b>
<i>Thomson Reuters C/A Global Venture Capital &amp; Growth Equity Benchmark<sup>1</sup></i>	43.75%	36.00%	28.73%	23.55%	22.59%
<b>Debt-Related / Special Situation</b>	<b>20.60%</b>	<b>10.54%</b>	<b>6.99%</b>	<b>10.32%</b>	<b>10.48%</b>
<i>Thomson Reuters C/A Global All Debt Benchmark<sup>1</sup></i>	25.12%	13.86%	12.01%	11.43%	11.65%
<b>Total Private Equity</b>	<b>38.46%</b>	<b>26.51%</b>	<b>20.87%</b>	<b>18.83%</b>	<b>17.75%</b>
<i>Thomson Reuters C/A Global All Private Equity Benchmark<sup>1</sup></i>	36.76%	25.55%	21.49%	17.93%	16.96%

**Identical cash flows from the portfolio inception through 12/31/2021 invested in the Russell 3000 Total Return index would yield a 13.38% (Long Nickels). The Private Equity Portfolio outperformed the Russell 3000 by 4.37%. Public Market Equivalent analysis provided by Solovis.**

<sup>1</sup> Benchmarks: Thomson Reuters C/A as of 12/31/2021, vintage 2008 through present.

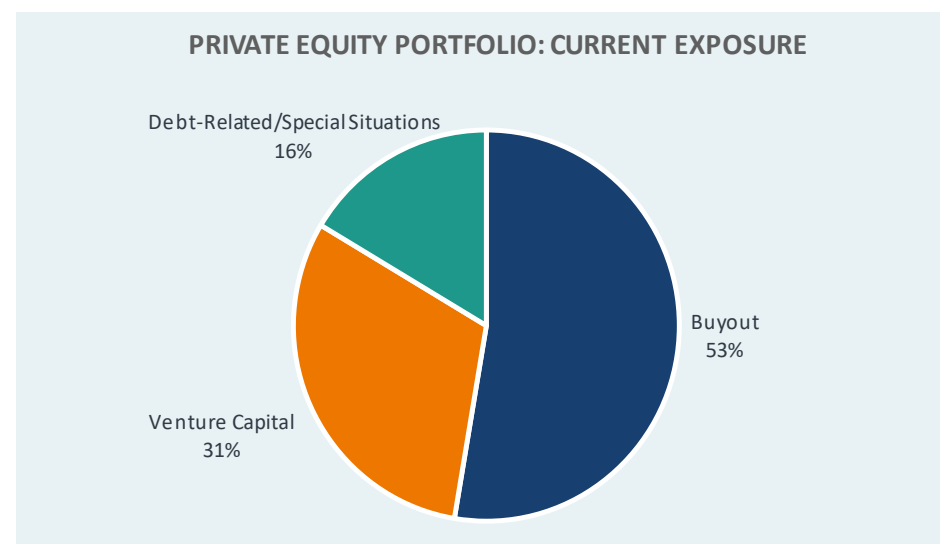
<sup>2</sup> ACERA's inception date of November 21, 2008 vs. Thomson Reuters C/A's inception date of January 1, 2008.

## Portfolio Diversification

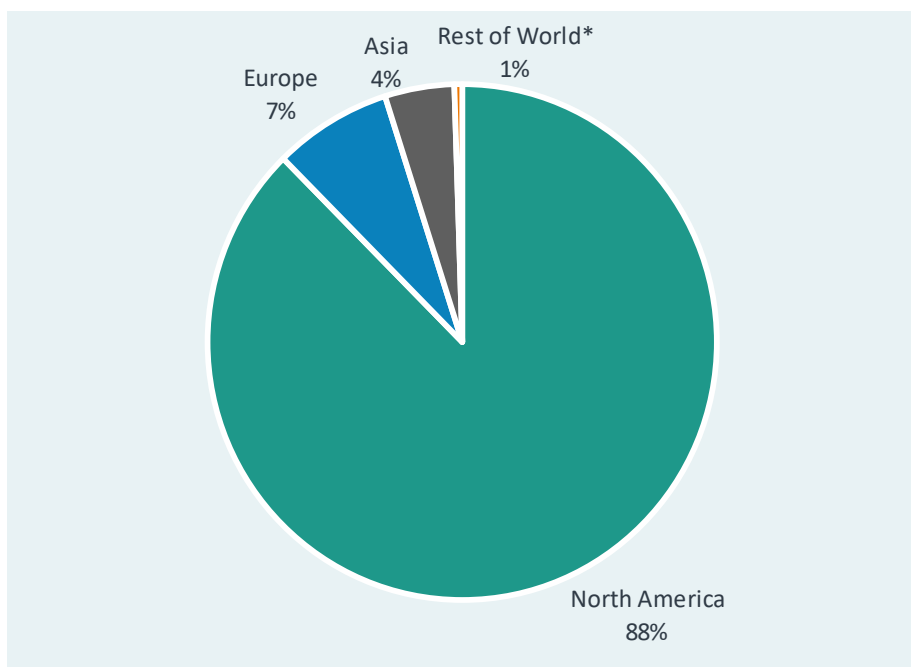
Period Ending: December 31, 2021

Investment Type	Commitment	Current Exposure	Current Exposure as % of Private Equity Plan
Buyout	902,306,404	519,578,585	52.6%
Venture Capital	257,600,000	305,375,973	30.9%
Debt-Related/Special Situations	470,247,675	162,170,081	16.4%
<b>Total Private Equity</b>	<b>1,630,154,079</b>	<b>987,124,639</b>	<b>100.0%</b>

Investment Type	Target Range	Target Exposure	Current Exposure as % of Target	Difference
Buyout	3.3%-8.8%	6.6%	4.4%	-2.2%
Venture Capital	0.0%-4.4%	2.2%	2.5%	0.3%
Debt-Related/Special Situations	0.0%-3.3%	2.2%	1.5%	-0.7%
<b>Total Private Equity</b>	<b>8%-13%</b>	<b>11.0%</b>	<b>8.4%</b>	<b>-2.6%</b>



Geography	Current Exposure
North America	864,620,450
Europe	74,338,639
Asia	43,399,114
Rest of World*	4,766,436
<b>Total Private Equity</b>	<b>987,124,639</b>



Based on the value of private equity portfolio companies as of December 31, 2021, as provided by the partnerships. Differences between reported value and the private equity portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed industry breakdown.

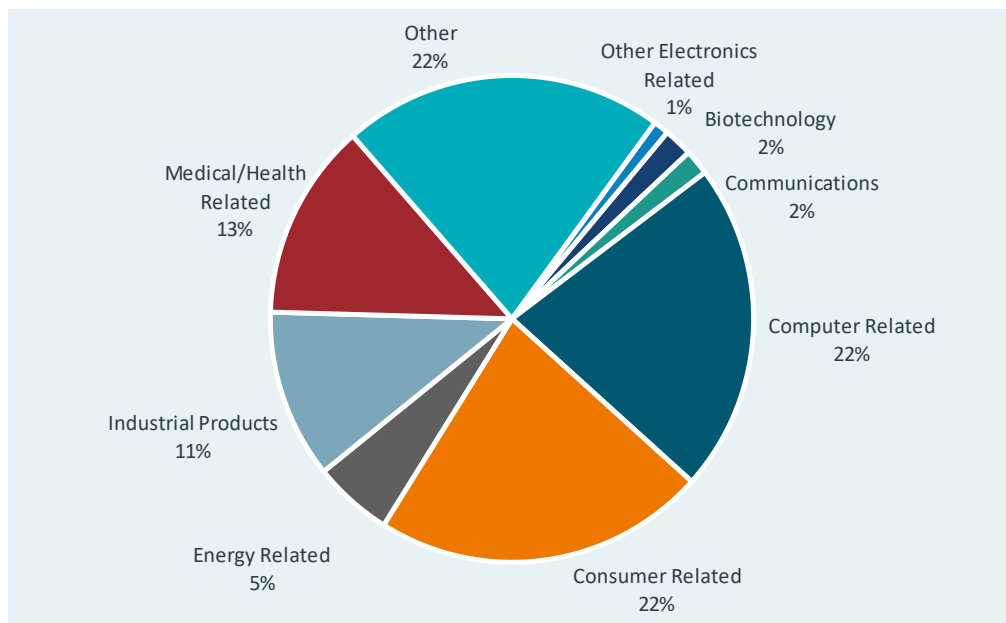
\* Rest of World includes: Brazil, New Zealand, Kenya, Israel, United Arab Emirates, Australia, and Turkey.



# Private Equity Portfolio Diversification

Period Ending: December 31, 2021

Industry	Current Exposure
Biotechnology	18,952,863
Communications	16,774,317
Computer Related	216,308,868
Consumer Related	219,835,991
Energy Related	52,395,468
Industrial Products	110,774,973
Medical/Health Related	129,354,678
Other	212,646,259
Other Electronics Related	10,081,222
<b>Total Private Equity</b>	<b>987,124,639</b>

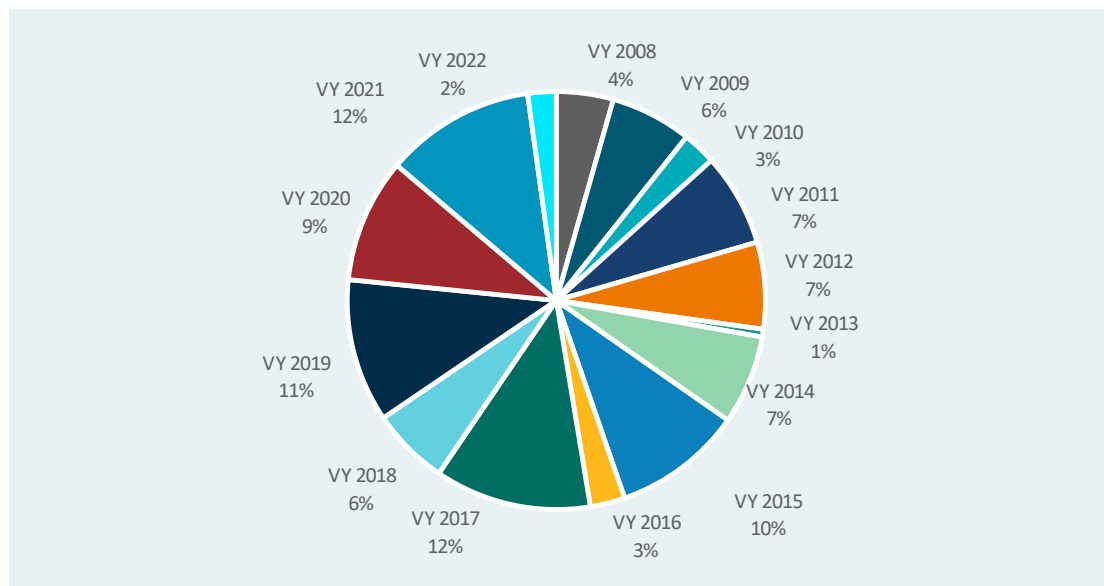


Based on the value of private equity portfolio companies as of December 31, 2021, as provided by the partnerships. Differences between reported value and the private equity portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed industry breakdown.

# Private Equity Portfolio Diversification

Period Ending: December 31, 2021

Vintage Year	Commitment as of 12/31/2021	% of Portfolio Commitment	% Contributed	% of Portfolio Distributions	Reported Value as of 12/31/2021	% of Portfolio Reported Value
2008	72,370,855	4.4%	94.4%	9.7%	9,251,325	0.9%
2009	103,500,000	6.3%	94.1%	13.7%	23,662,158	2.4%
2010	42,500,000	2.6%	90.8%	8.9%	2,960,015	0.3%
2011	117,500,000	7.2%	88.0%	16.2%	76,364,218	7.7%
2012	108,500,000	6.7%	98.9%	14.5%	131,121,730	13.3%
2013	10,000,000	0.6%	100.0%	1.7%	7,974,096	0.8%
2014	112,080,000	6.9%	91.5%	9.0%	96,137,405	9.7%
2015	163,250,000	10.0%	80.4%	9.2%	150,783,740	15.3%
2016	43,250,000	2.7%	53.5%	2.3%	21,258,259	2.2%
2017	197,251,820	12.1%	73.9%	8.1%	184,263,034	18.7%
2018	98,000,000	6.0%	48.4%	1.6%	62,966,513	6.4%
2019	181,000,000	11.1%	63.5%	2.4%	147,221,105	14.9%
2020	155,951,404	9.6%	48.5%	2.7%	57,983,815	5.9%
2021	189,000,000	11.6%	7.5%	0.0%	15,177,226	1.5%
2022	36,000,000	2.2%	0.0%	0.0%	0	0.0%
<b>Total Private Equity</b>	<b>1,630,154,079</b>	<b>100%</b>	<b>66%</b>	<b>100%</b>	<b>987,124,639</b>	<b>100%</b>



- **As of December 31, 2021, the Private Equity Portfolio's market value at 8.3%, below its new target allocation of 11.0% approved in 2021, but within its target range.**

# Appendix

Private Credit Portfolio

	Policy Target	Policy Range	Market Value %	Market Value \$(000)	Unfunded Commitment \$(000)	Market Value + Unfunded \$(000)
<b>ACERA Plan Assets - Total</b>				<b>\$11,886,131</b>		
<b>Private Credit:</b>	<b>4.0%</b>	<b>3-5%</b>	<b>1.3%</b>	<b>\$159,821</b>	<b>\$221,085</b>	<b>\$380,906</b>

### Portfolio Summary

- As of December 31, 2021, the Private Credit portfolio had a total market value of \$159.8M. Total market value is the current reported value of investments, excluding the remaining amount of unfunded commitments.
- Since ACERA's initial allocation to Private Credit in Q1 2019, the Plan has contributed \$155.9M towards its aggregate \$375M commitments. Unfunded commitments total \$221.1M.
- The portfolio exposure at 1.3% is below the policy target of 4.0% and falls short of the policy range of 3-5%. ACERA continues to make new commitments to the allocation to reach its policy target.

### Portfolio Activity

- Most recently ACERA made two new commitments to Private Credit in 2021: \$75M to Monroe Private Credit Fund IV, L.P., and \$70M to Ares Senior Direct Lending Fund II, L.P.

## Private Credit Portfolio Performance

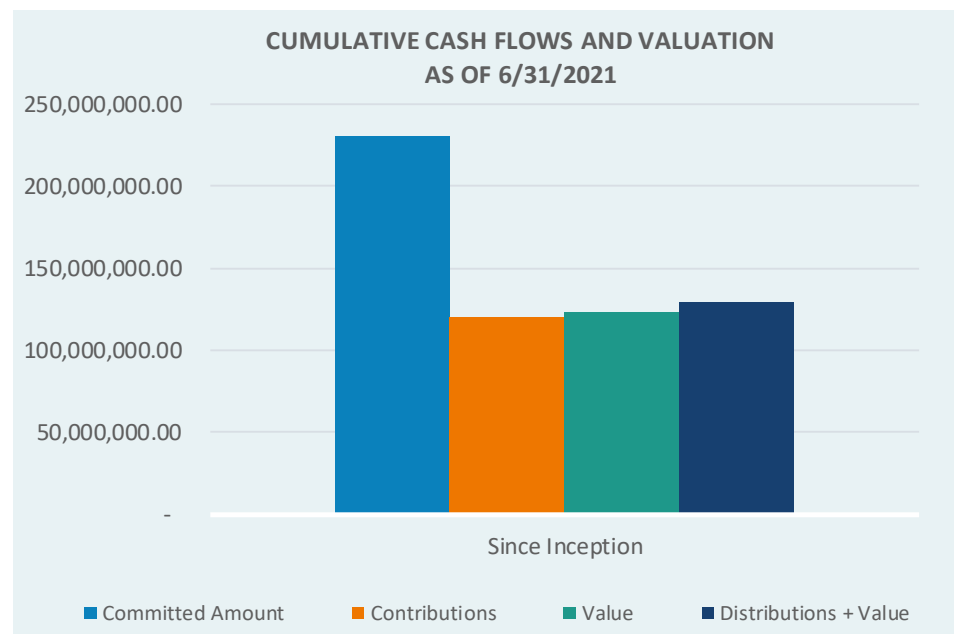
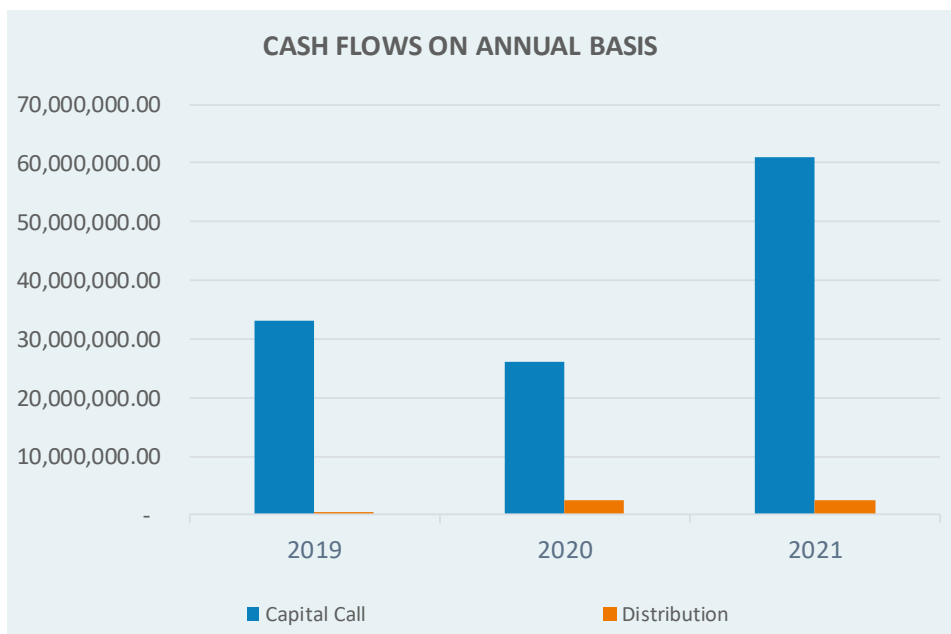
Period Ending: December 31, 2021

### Performance

- The Private Credit’s performance, as measured by net IRR, is 8.90%, 509 bps above the same cash flow invested in the S&P LSTA U.S. Leveraged Loan 100 Index of 3.81%. With a capital-weighted average life of investments at 1.0 years, portfolio IRR is not meaningful.
- The portfolio is currently valued at \$159.8M. Together with \$10.3M in realized distributions (0.07x cost), Private Credit’s Total Value at \$170.1M is approximately \$14.2M above \$155.9M cost (1.09x cost), net of fees.
- Capital calls continued to dominate the portfolio’s cash-flow activity as new investments are made to reach the target exposure.

— The Portfolio has five commitments to date:

▪ Owl Rock First Lien, LP	\$80M
▪ HPS Specialty Loan Fund V, LP	\$75M
▪ Owl Rock Direct Lending Fund IX, LP	\$75M
▪ Monroe Private Credit Fund IV, L.P.	\$75M
▪ Ares Senior Direct Lending Fund II, L.P.	\$70M





**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



**PERIOD ENDING: DECEMBER 31, 2021**

Real Assets Review

**Alameda County Employees' Retirement Association**

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# Key themes for 2022

## Observations driving our outlook

### **Inflation Risk**

For the first time in decades, high inflation has emerged and is creating challenges for consumers and investors. We believe inflation will likely begin falling later in 2022, though notable inflationary and deflationary forces are in play, and it is difficult to gauge which of these forces will have greater impacts. On the inflationary side, Russia's invasion of Ukraine has led to disruptions to energy and agricultural markets and flowed through to price spikes in many markets. On the deflationary side, large single-month inflation numbers will be falling out of the CPI calculation window, which will help bring figures down. Furthermore, many pandemic-specific issues are beginning to be resolved, such as clogged supply chains, unusually high demand for physical goods, and a slowing of abnormally strong spending. Tightening monetary policy could of course also slow economic growth and put downward pressure on inflation.

### **Push Towards Sustainability**

The global effort to reduce carbon emissions will perhaps affect real assets more than any other asset class. Power generation, transportation, food production, and the supply of various commodities will need to undergo significant evolution in order to reach targets set by governments across the world. This will require massive funding over the next several decades, to the tune of at least \$92 trillion, according to the Bloomberg 2021 New Energy Outlook, creating opportunities for new investment as well as challenges for existing assets that will be made obsolete. In this outlook we will consider how the push towards sustainability will affect the underlying asset classes and how investors can effectively gain exposure to this transition while mitigating risks.

### **On investing in the Oil/Gas Industry...**

Following years of investor unease investing new capital into the oil/gas industry, it has become evident that most institutional investors will largely cease investing in funds that deploy capital into the oil/gas industry. Verus believes this trend is not likely to reverse, despite \$100+/bbl oil price and record profits from many of the integrated oil majors. The outlook within the oil/gas industry has too many unknowns and the risk of stranded assets and/or capital loss outweighs the potential for short-term profits. For investors that wish to capitalize on high commodity prices and near-record profits for upstream oil/gas producers, we would recommend gaining exposure through public equity securities where there is greater certainty of an exit.

### **Navigating a strong recovery in real estate**

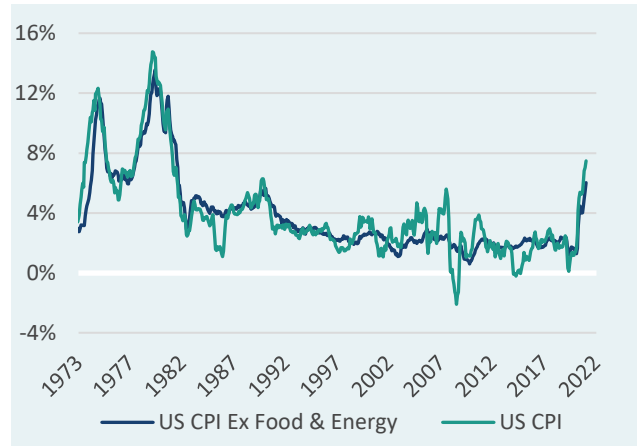
Private real estate experienced its strongest year of performance since the inception of modern indices. The NFI-ODCE returned over 22% in 2021, including the two highest single quarter returns in 3<sup>rd</sup> and 4<sup>th</sup> quarters (6.6% and 8.0%). Fundamentals have continued to recover broadly, seeing record low vacancy levels, strong NOI growth and transaction volumes returned to near peak levels. Property type dispersion has been incredibly high as “beds and sheds” (a.k.a. industrial and multifamily) assets have driven recent index performance. We believe that the trends accelerated through the pandemic of e-commerce adoption rates and flexible office usage will continue to create challenges in the retail and office sectors. We continue to support portfolio diversification through increased exposures to alternative property types and remain favorable on the long-term fundamentals for the industrial sector.

# U.S. economics – Inflation

# U.S. economics – Inflation

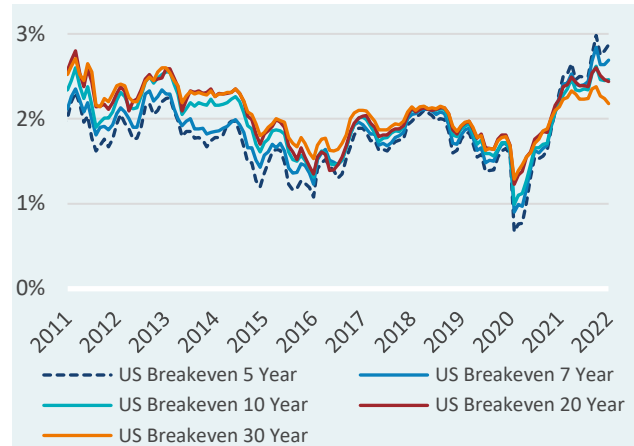
- For the first time in decades, high inflation has emerged and is creating challenges for consumers and investors. We believe inflation will likely begin falling later in 2022, though notable inflationary and deflationary forces are in play, and it is difficult to gauge which of these forces will have greater impacts. On the inflationary side, Russia’s invasion of Ukraine has led to disruptions to energy and agricultural markets and flowed through to price spikes in many markets. On the deflationary side, large single-month inflation numbers will be falling out of the CPI calculation window, which will help bring figures down. Furthermore, many pandemic-specific issues are beginning to be resolved, such as clogged supply chains, unusually high demand for physical goods, and a slowing of abnormally strong spending. Tightening monetary policy could of course also slow economic growth and put downward pressure on inflation.
- While inflation remains the topic most discussed in the media, and among many investors, how the Fed responds and whether the tightening path overcorrects is an issue we are discussing more today. Learning from history and the actions of the Volker Fed, we would not rule out the possibility that this inflation cycle quickly turns into deflation as recessionary forces take hold.

**U.S. CPI (YOY)**



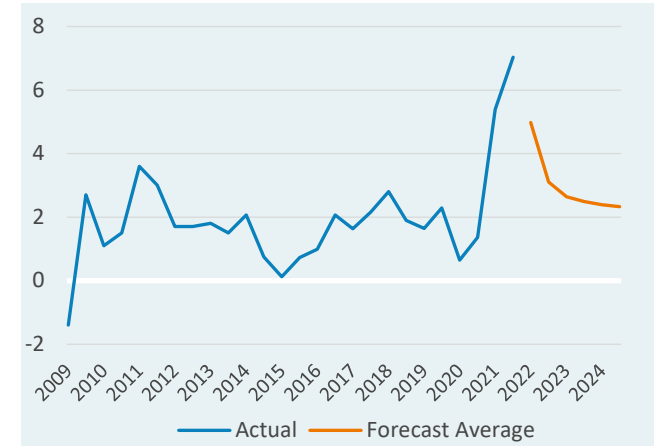
Source: FRED, as of 1/31/22

**U.S. TIPS BREAKEVEN RATES**



Source: FRED, as of 2/28/22

**INFLATION EXPECTATIONS**



Source: Wall Street Journal, 1/31/2022

# Outlook summary

# Outlook summary

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
<b>Private Real Estate</b>	Over the last year there has been a sharp recovery in many segments of the real estate market. Transaction volumes are exceeding pre-Covid levels with record performance experienced broadly for the year 2021. Sector dispersion has been very high, led by industrial and multifamily. Fundamentals have been improving with declines in vacancy, increasing NOI growth and cap rate compression. Office has been the exception and has continued to experience uncertainty.	<ul style="list-style-type: none"> <li>— Core real estate returns tend to have high correlation to overall GDP growth. Any hiccup to the recovery or reversal in Covid-19 progress will have a negative impact.</li> <li>— A sharp rise in interest rates could create upward pressure on cap rates, negatively impacting asset values.</li> <li>— Elevated inflation may have mixed impact on real estate. Higher replacement costs may boost relative value for existing assets, however too much inflation leading into recession would reduce growth and demand.</li> </ul>	Our outlook remains neutral overall. We expect strength to continue over the near term, however concerns remain with higher entry prices and pressure for rising cap rates as interest rates rise. We recommend diversification into alternative property types, increased industrial exposures and deploying fresh capital with select GPs in non-core closed end funds with targeted value add or opportunistic strategies.	<b>Neutral</b>
<b>REITs</b>	REITs rebounded in 2021 to be one of the top performing asset classes, returning over 46%. Sector dispersion has been high as some areas beaten up in 2020 recovered sharply in 2021. Regional Malls and shopping centers were each up over 75%, There was continued strength in self storage, industrial and apartments, each up over 50%, while office continued to be a laggard, although positive.	<ul style="list-style-type: none"> <li>— REITs have higher leverage than core real estate and have higher exposures to non-core sectors such as hotels, self-storage, for-rent residential homes and senior/student housing.</li> <li>— Rising interest rates can have a negative effect on REITs and all yield-sensitive assets over short periods.</li> <li>— REITs are sensitive to economic decline and general equity market volatility.</li> </ul>	Verus believes REITs can provide liquid exposure to real estate with the following caveats: high sensitivity to equity market volatility over shorter holding periods, higher leverage and higher exposures to non-core sectors. Active management is preferred. REIT valuations are currently slightly favorable and may provide a reasonable entry point for those clients looking for new exposure.	<b>Neutral</b>
<b>Commodities</b>	Commodities futures have roared back to life in 2021, following a decade of lackluster returns. Roll yield is now positive as excess supply has been taken out of the market. With commodity prices already at multi-year highs and central banks tightening monetary policy in response to high inflation, further price increases appear less probable though we do not expect a strong price reversal, absent a major global economic slowdown.	<ul style="list-style-type: none"> <li>— Central banks are attempting a soft-landing following years of easy monetary policy. The risk of overtightening causing a recession or, at the very least, an economic slowdown would be bearish for energy and industrial commodities.</li> <li>— Commodity futures have exhibited a negative roll yield throughout most of their history but with years of underinvestment in oil exploration, and in some metals, we expect undersupply to continue and thus a positive roll. Should demand falter that situation could reverse quickly.</li> </ul>	Verus does not view commodity futures as an attractive asset class to hold long-term. As an inflation hedge, commodities are one of the best exposures to own that benefits from early stages of inflation. Given the rise in inflation and the appreciation of this asset class, we believe there are more attractive investments to buy for long-term investors. Entering an exposure at today's price levels when Central Banks are fighting to lower inflation is risky.	<b>Neutral</b>

# Outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
<b>TIPS</b>	Rising inflation has led to positive total returns and outperformance of TIPS relative to nominal bonds. Breakeven rates have risen sharply following the lows in 2020, especially in 5-year break-evens. Currently, TIPS have a negative yield and are susceptible to rising rates though that can be offset if inflation continues to exceed market expectations. The other concern is the unwinding of the Fed balance sheet where TIPS are widely held putting additional selling pressure on the bonds.	<ul style="list-style-type: none"> <li>— Decreasing inflation expectations or rising nominal interest rates would be a headwind to TIPS.</li> <li>— Continued low rates creates a high cost of carry.</li> </ul>	Low absolute current yields and uncertain inflation expectations has led to low total return expectations for TIPS, especially relative to other real asset investment opportunities. If inflation continues higher, TIPS could provide protection to portfolios.	<b>Neutral</b>
<b>Core Infrastructure</b>	Performance within core infrastructure was strong in 2021, driven by a recovery in transportation and energy related assets and continued growth in demand for communication and logistics assets. Along with performance, the high inflationary environment has increased LP interest in the asset class given its relatively high correlation to CPI. Existing funds raised additional capital and several new open-end core funds were launched with multi-billion-dollar initial closes.	<ul style="list-style-type: none"> <li>— Strong fundraising trends in infrastructure has elevated valuations, reducing the yield investors can earn which is a major role of the asset class.</li> <li>— Infrastructure assets provide varying degrees of inflation protection. While some assets have contracted annual revenue increases tied to CPI, others have pre-determined increases at 2-3% which do not keep up with current levels.</li> </ul>	The asset class offers a compelling return profile that aligns well with long duration pools of capital. We favor private infrastructure funds that have in-house capability to improve operations and manage complex deal structures. Valuations are a concern given the likely rising interest rate environment and the volume of capital chasing deals in core infrastructure.	<b>Neutral</b>
<b>Value-add Infrastructure</b>	Closed-end funds have increasingly had to take more risk in order to achieve their typical mid-teens return targets given the reduction in cost of capital that has come with the growth of the asset class. Funds are starting to blur the lines of what is considered infrastructure and are emphasizing development as opposed to optimizing assets. On the other hand, there is a significant need for a new generation of modern infrastructure to keep up with the digital economy and electrification of the grid.	<ul style="list-style-type: none"> <li>— Many GPs that have been successful in the space have become very large, raising \$15+ billion-dollar funds. Deploying this amount of capital while still delivering alpha becomes a challenge for most private market managers.</li> <li>— Strategy creep, especially for larger fund managers, is a trend worth watching. Some infrastructure GPs are competing with traditional buyout funds on deals that carry greater risk than we believe is appropriate for value-add infrastructure investments.</li> </ul>	The asset class offers a compelling return profile that aligns well with long duration pools of capital. Value-add infrastructure comes with higher operational/execution risk than Core so investors should expect a broader range of outcomes and greater emphasis on manager selection.	<b>Positive</b>

# Outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
<b>Energy Transition</b>	New development projects of renewable assets will continue to accelerate as solar and wind farms are now the cheapest form of new build electricity generation for over two-thirds of the global population. However, there is continued downward pressure on the cost of capital in the sector to mid-single digits. Outside of traditional solar & wind, there are potentially higher returning opportunities for newer technologies such as battery storage.	<ul style="list-style-type: none"> <li>Several approaches to a carbon-neutral energy system such as green hydrogen and carbon capture technology are nascent and not yet economically viable. Investments in this space will take venture-like risk and rely on significant cost reductions as well as favorable policy regimes to be successful.</li> </ul>	While the opportunity to achieve an attractive return in solar & wind has passed, we do think there will be attractive opportunities in sectors that still require innovation. However, it is difficult to find areas where investors will be appropriately compensated for risk given the amount of capital in the space.	<b>Neutral</b>
<b>Oil &amp; Gas</b>	Following years of underinvestment in the oil/gas sector, it should not be unexpected that commodities prices would move higher as excess supply was taken out of the market. The War in Ukraine has exacerbated the oil/gas supply shortage but absent that event, we would still expect oil prices to move higher in order to incentivize producers to raise production levels. With inflation running above 7% in the U.S., and capital markets still weary about funding oil/gas exploration and production, we could see elevated commodity prices for some time. We still believe that private markets capital that funded a lot of the growth in energy production will continue to shrink as institutions shift capital towards cleaner forms of energy.	<ul style="list-style-type: none"> <li>Oil/gas producers are making a lot of money today and could continue to do so for quite some time. The temptation to allocate capital to the sector is understandable but for private capital investors, we still believe the exit risk is too high for us to gain comfort. We know that many oil/gas private funds are struggling to find an exit today and absent a complete reversal of a low carbon future, we think that will only get worse 7-10 years down the road as funds investing today look for an exit.</li> <li>Longer-term, oil demand is expected to decline as non-carbon sources of power outcompete hydrocarbons.</li> </ul>	Higher commodity prices are breathing life into a still unloved sector and producers are making record profits in 2022. That said, there is still too much uncertainty around oil/gas demand, access to capital, and geopolitics for us to gain comfort in the long-term outlook for the oil/gas industry. For investors that can look past the ESG issues associated with the industry, we would consider public market investment opportunities in E&P over an illiquid private fund investment.	<b>Negative</b>
<b>Midstream Energy / MLPs</b>	In our Outlook last year, we said the following about midstream energy “We wouldn’t be surprised to see midstream energy perform quite well in 2021 but we remain cautious on the long-term outlook for the industry”. We could say the same thing in 2022 about midstream as higher oil/gas prices should push volumes higher and thus revenue for midstream companies. The shift within the listed midstream market towards a traditional corporate structure and away from MLPs, has lowered the cost of capital and in turn lowered the returns for new development projects. As in the upstream oil/gas market, we would be cautious about private midstream funds.	<ul style="list-style-type: none"> <li>The public midstream market appears stronger and more attractive than it has been in recent years but the long-term outlook for the asset class remains weak. The near-term performance for the asset class is likely to be attractive, especially as Russian sanctions push global oil/gas prices higher, but we see this as a tactical trade that is incredibly hard to time.</li> <li>Oil/Gas, more so than any other sector, is particularly susceptible to geopolitics, regulations, changes in economic growth and within midstream, interest rates.</li> </ul>	We retain a negative outlook for midstream energy, despite the positive tailwinds that higher oil/gas prices could bring to this sector in the near-term. Longer-term, we think the unknown risks remain too high for our comfort.	<b>Negative</b>

# Outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
<b>Mining</b>	Unlike their cousins in the oil/gas industry, mining is set to benefit from the expansion of clean energy in our economy. With that demand, global superpowers are competing to capture a greater share of necessary commodities that are in short supply. That competition is bullish for the prices of certain industrial commodities, but investors should be cautious about jurisdictions that have questionable rule of law. Many of the best mines for industrial metals and gold are found in relatively poor countries with unstable democracies or no democracy at all. That is a challenge when trying to invest directly in the mining sector.	<ul style="list-style-type: none"> <li>— Global GDP growth and the economy in China are the two biggest risks in the sector. China represents a disproportionately large buyer of industrial metals, so its economy and industrial output have a large impact on metal prices.</li> <li>— Geopolitics plays a much less important role in metals/minerals though global superpowers are battling for supply of certain commodities needed for electronics. Investors could get caught up in shifting political preferences.</li> <li>— Investors need to be keenly aware of the jurisdictions that they have exposure to, and the companies track record on ESG issues.</li> </ul>	Longer-term, we believe the demand outlook looks favorable for several industrial metals and gold. However, there are a host of idiosyncratic risks in funding mining operations outside of the macro-economic environment. We will look for skilled GPs with a track record of successfully managing these risks while generating attractive returns.	<b>Positive</b>
<b>Timberland</b>	Timber markets in North America appeared healthier in 2021, following several years of anemic transactions and low returns. Transaction activity hit its highest level since 2013, though most deals involved large Canadian pensions or corporate buyers/sellers. Lumber prices were extraordinarily volatile in 2021, framing lumber prices were up 95% in Q4 after falling 65% in Q3. Stumpage prices for southern pine were up more modestly in 2021 after several years of flat prices. Our outlook on timber has been negative for several years due to the headwinds the asset class has faced. Though the NCREIF Timberland Index returned a respectable 9.2% in 2021, we believe there are more attractive opportunities elsewhere in real assets.	<ul style="list-style-type: none"> <li>— Coming off trade war headwinds, the timber market hit another bump when Covid-19 stalled exports to Asia and home building activity declined. Exports resumed in the Pacific Northwest and prices have recovered for Douglas Fir. Southern pine stumpage, on the other hand, saw little appreciation.</li> <li>— Timber markets outside the U.S. face varying degrees of currency and political risk which in many cases has resulted in disappointing returns for investors. With few exceptions, returns do not justify the additional risk.</li> </ul>	For most investors, mid-high single-digit expected returns for timberland in the U.S. is too low for the illiquidity and risk assumed within the asset class. Fundraising has been slow to non-existent for closed-end timber funds for several years which has resulted in a slow transaction market. Putting aside our negative view of the asset class, evergreen vehicles from a few timber managers are about the only viable way to invest in timberland unless you are a very large institution that can fund a separate account.	<b>Negative</b>



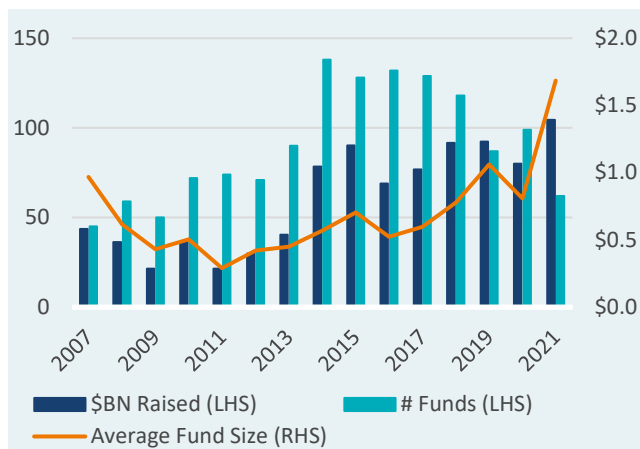
# Outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
<b>Agriculture</b>	After several years of flat cropland prices, 2021 saw a meaningful jump in land values on the back of higher commodity prices. Supply disruptions from Covid and more recently, the War in Ukraine, are sending grain prices to multi-decade highs, though we would expect those temporary price spikes to revert to more normal levels in the next 12-18 months. Relative to last year when we were broadly negative on Agriculture, we have shifted to a neutral position as the U.S. is well positioned to take market share and be a stable supplier of agriculture commodities going forward. Income returns remain unattractive though the outlook for appreciation and some inflation protection has improved.	<ul style="list-style-type: none"> <li>— Agriculture is a highly illiquid asset class that is not suited to tactical investment opportunities. The asset class does look more attractive today, relative to recent history, but enthusiasm should be tempered given the long hold periods (&gt;10 years) and volatile commodity prices. We would recommend diversifying across crop types and geography within the U.S.</li> <li>— The War in Ukraine has revealed the extent to which Eastern Europe and Ukraine have been major suppliers of certain grains and their disruptions impact on global commodities. It has also highlighted the risk that comes from investing outside stable markets like the U.S. While Ukraine was not a preferred destination for U.S. institutional investors in agriculture, the returns available in emerging economies are not high enough to overcome the currency and economic/political risk.</li> </ul>	Agriculture crops are broadly broken down into row and permanent crops with row crops benefiting the most from recent supply disruptions. Row crops also make up around 75% of all acreage planted in the U.S. so liquidity and market depth is greater, relative to permanent crops. That said, row crops have lower income potential and less value-add potential. For investors seeking pure-play cropland investments, we would recommend diversifying across row and permanent crops focused on the U.S. market. However, we prefer agriculture investments where crop and land are a component of a broader value-add investment strategy.	<b>Neutral</b>

# Private infrastructure

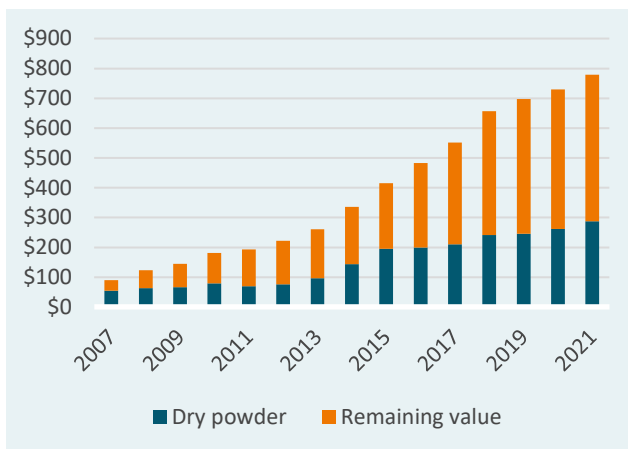
- Fundraising within Infrastructure increased in 2021, driven by several mega-funds that were closed during the year. With the oil/gas sector out of favor with institutional investors, infrastructure has been a recipient for some of the commitments which used to go into natural resources. It is possible this trend could reverse in 2022 as the recovery in energy markets has the potential to reignite investor interest in the sector.
- Despite a robust transaction market in 2021, dry powder ticked up slightly due to the large amount of capital that was raised. Along with a reduction in the cost of capital for the asset class broadly, this has caused managers to expand their definition of infrastructure and invest in companies that would more traditionally be considered private equity such as industrial services and healthcare companies.
- As institutions look for asset classes that can deliver returns above their required rates, private infrastructure should be a consideration for many investors. Historical returns range from 8-12% (net) on average, with income of 4-6% for core infrastructure funds.

**FUNDRAISING IN INFRASTRUCTURE**



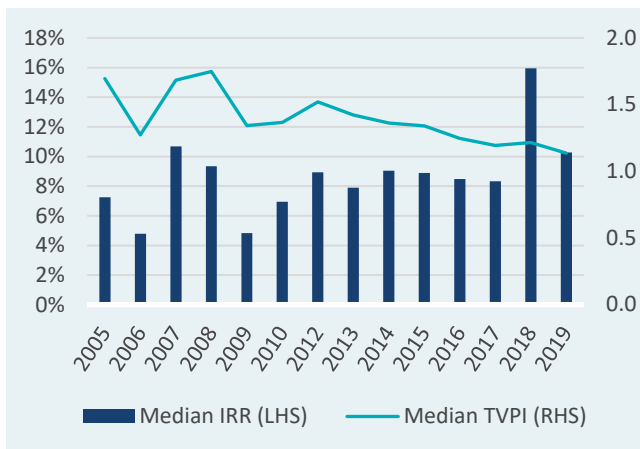
Source: Pitchbook, as of 12/31/2021

**INFRASTRUCTURE DRY POWDER (\$B)**



Source: Pitchbook, as of 12/31/2021

**VINTAGE YEAR MEDIAN RETURN (%)  
NON-CORE INFRASTRUCTURE**

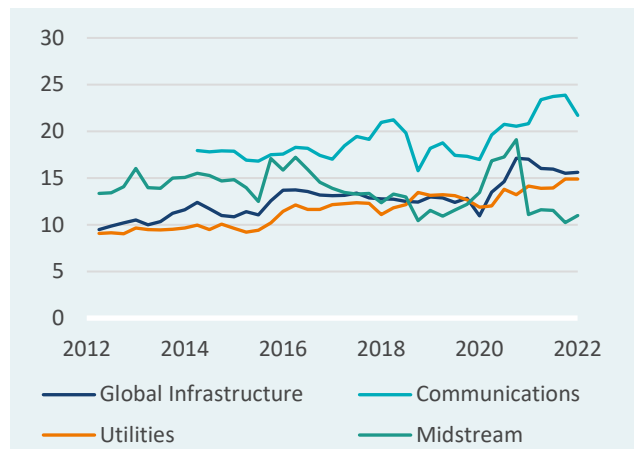


Source: Thomason Reuters, as of 9/30/21

# Private infrastructure (continued)

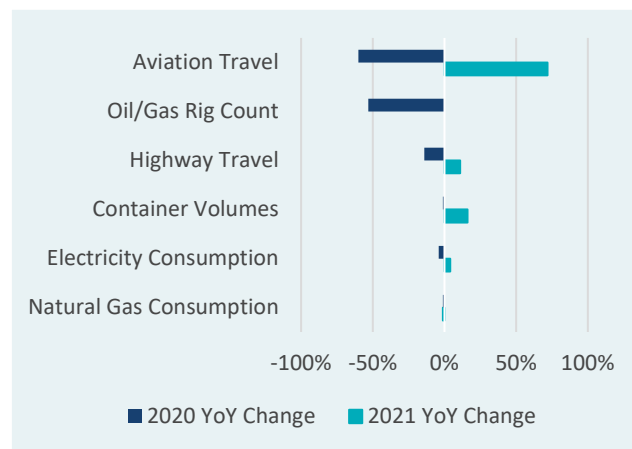
- Communication infrastructure trades at a considerable premium, 22x vs. 16x for infrastructure broadly, which reflects the stability of their earnings and future growth potential. The macro tailwinds within mobile data usage and video streaming are compelling, though valuations, at least within public markets, appear to be pricing in much of the future growth opportunity. Transactions in private markets for digital infrastructure are growing rapidly as more capital is raised to take advantage of the buildout in data storage and transmission. There are still attractive opportunities globally for digital infrastructure, but returns are coming down and finding managers that can identify underserved markets and successfully develop infrastructure will be an area of focus for our team.
- Volumes for transportation infrastructure have largely bounced back to pre-pandemic levels. However, we remain cautious of this sector given the high correlation to GDP and the lack of discount available despite poor recent operating performance. Transportation assets under availability-based contracts are more appealing, but there is limited opportunity for new construction of these assets and returns for operating assets are in the mid single digits which only align with core infrastructure targets.
- The current inflationary environment has caused many investors to look to infrastructure to provide a hedge. While the asset class does exhibit some sensitivity to inflation, not all sectors offer equal protection. On one hand, regulated utilities earn a set return on an asset base that is often directly linked to an inflation index and have shown a strong correlation. Other sectors such as ports and rail have no direct inflation linkage in their revenues and rely on their position in the market for pricing power. Communication assets such as cell towers often have annual revenue increases built into their contracts, but these increases are typically pre-determined at 2-3% as opposed to linked to an index.

## INFRASTRUCTURE VALUATIONS – EV/EBITDA



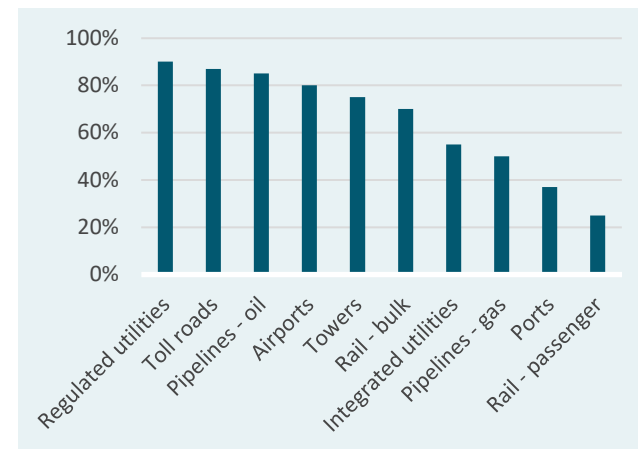
Source: Bloomberg; Dow Jones Brookfield; S&P Indices

## COVID IMPACT AND RECOVERY



Source: JP Morgan Asset Management

## DEGREE OF INFLATION PROTECTION BY SECTOR

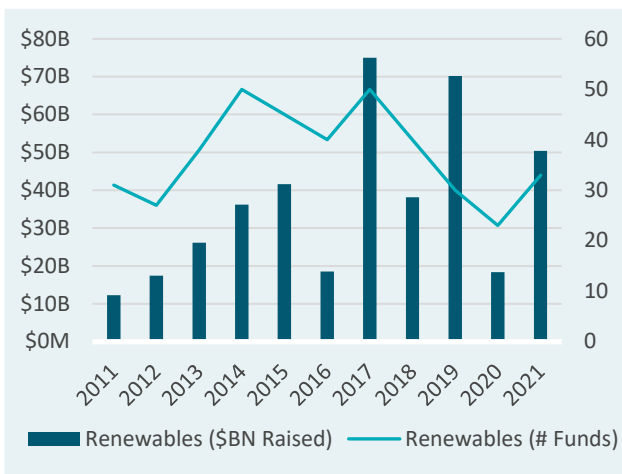


Source: First Sentier Investors

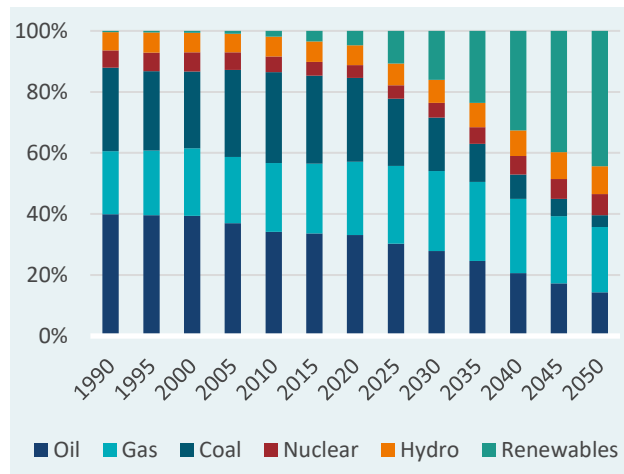
# Infrastructure – Energy transition

- Fundraising in dedicated renewables increased in 2021 to over \$50 billion. Investment in the sector is expected to grow for policy reasons, as countries pursue decarbonization, as well as economic reasons, as onshore renewables have become the cheapest form of electricity generation in many geographies and costs continue to decline.
- Recent geopolitical conflicts have highlighted the importance of energy independence. Countries such as Germany that have ceased domestic investment in energy systems, retired nuclear plants, and outsourced their power generation supply chain have had to re-evaluate this strategy to prioritize national security, potentially further increasing demand for modern decentralized energy infrastructure.
- Despite a strong outlook on demand for renewables, there are challenges to deploying capital in the space. Returns for owning operating wind and solar assets have compressed to the mid-single digits, and the additional returns for taking development risk are only marginal due to the level of competition and the relatively straight forward operational requirements.
- Given the intermittence of solar and wind generation, the jury is still out on the most economically viable path to carbon neutrality. Several technologies that are still in early stages could play an important role such as battery storage, carbon capture and storage, and hydrogen fuels. Successful investments in these spaces could pay-off well but carry significant venture and policy risk.

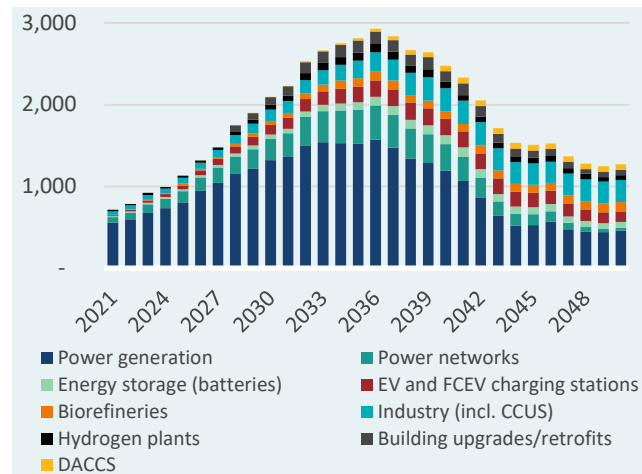
**FUNDRAISING IN ENERGY TRANSITION (\$B)**



**GLOBAL ENERGY SOURCES**



**ANNUAL INVESTMENTS FOR NET ZERO BY 2050 (\$B)**



Source: Pitchbook, as of 12/31/2021

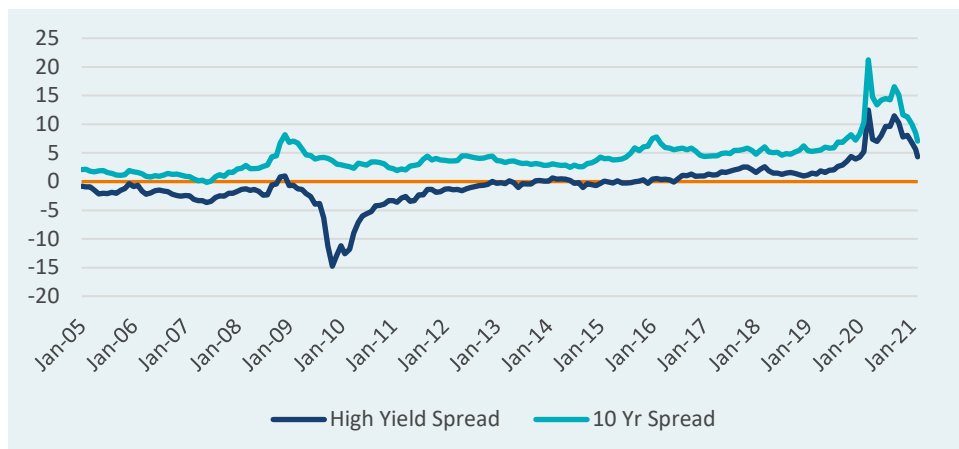
Source: BP

Source: Goldman Sachs Global Investment Research

# Midstream energy/MLPs

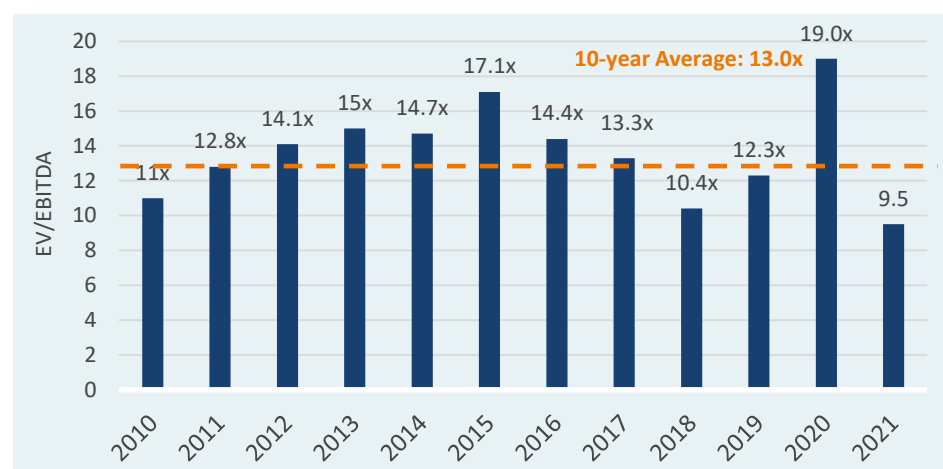
- Midstream energy stocks were up 41% in 2021. Energy stocks, both upstream and midstream, had some of the strongest returns in 2021 across all sectors as commodity prices soared on supply challenges and growing demand.
- Yields for listed midstream companies continue to trade at a premium relative to high yield and government bonds but as we cautioned last year, that spread comes with an enormous amount of volatility and uncertainty. While higher oil and gas prices having improved the outlook for the upstream and midstream sectors, we remain concerned about the long-term viability of the industry. Like most investors, we've been humbled by the unpredictable nature of the global oil/gas industry. Having informed views on geopolitics, government regulations and social attitudes towards fossil fuels all have an impact on the industry and we do not claim to have special insight into those areas. So, while we recognize that higher commodity prices is a positive development, we think the risks are too great for a tactical investment opportunity in midstream energy.
- Midstream companies on average are trading around 9.5x EV/EBITDA (vs. 13-14.0x long-term average) which would seem to indicate that they are undervalued but as we've indicated above, cheapness is not enough for us to recommend an allocation.
- On the private side of midstream energy, the conversion of MLPs to C-corps has greatly reduced the cost of capital for listed midstream companies which has pushed returns lower for development projects. Private capital is broadly unable to compete at these lower returns which has made the case for private midstream funds unattractive.

## MLP SPREADS VS HIGH YIELD & TREASURIES



Source: Bloomberg

## MIDSTREAM VALUATIONS (EV/EBITDA)

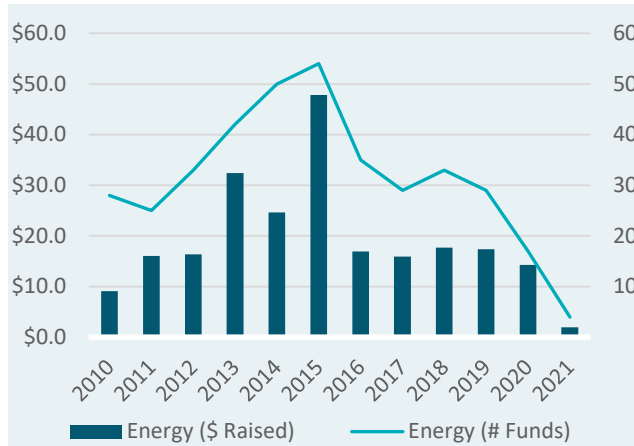


Source: Bloomberg; Alerian MLP Index

# Energy – Oil/gas

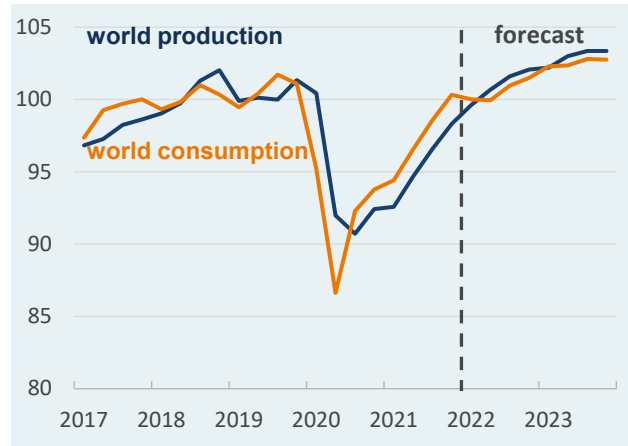
- According to Pitchbook figures, fundraising within Oil/Gas private equity has collapsed and that mirrors our own experience within the asset class. Historical performance has been poor, more institutions are adopting standards in ESG, and the long-term outlook for the industry appears unfavorable. The recent bull market in commodities has lifted valuations and improved performance for funds that deployed capital in the last 5 years but even with an improvement in returns, we believe most institutions will refrain from future investments in hydrocarbon production. That said, in recent weeks we have seen an influx of oil/gas funds coming to market which are likely to test investor appetite for the volatile asset class.
- The divergence between oil production and consumption gapped following the recovery in 2020 as producers were unable to meet swiftly rising demand. In our 2021 Outlook, we said the following “at some point, if the industry does not reinvest in drilling activity, production will fall further but capital spending discipline has not been a strength of the industry.” Oil production in 2022 is around 99 million bbls/day, off its peak in 2018 of 102 million bbls/day. The lack of reinvestment globally is a key reason we are seeing the spike in prices today.
- For now, we would recommend investors avoid putting new capital into the private sector. We recognize that if commodity prices continue to hover around the \$100/bbl price that energy stocks could continue to outperform the broader market, but the long-term trends are not in the sectors favor as renewable energy continues to take market share. Investors interested in exposure to Oil/Gas would be better off in public market securities than illiquid private funds.

FUNDRAISING IN OIL/GAS



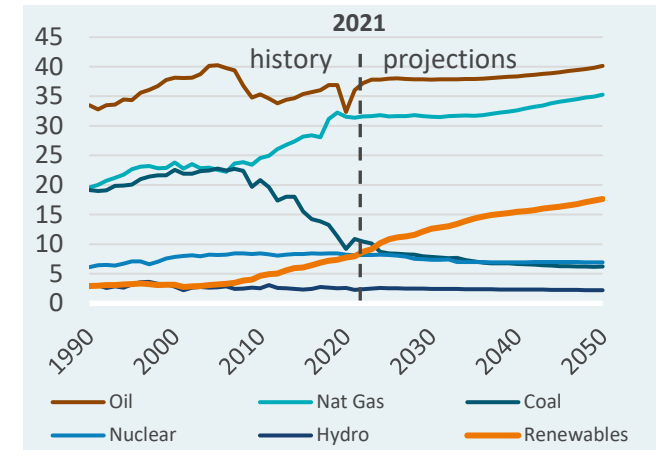
Source: Pitchbook

WORLD OIL PRODUCTION & CONSUMPTION\*



Source: EIA; \*includes all liquid fuels

ENERGY CONSUMPTION BY FUEL (QUADRILLION BTU)

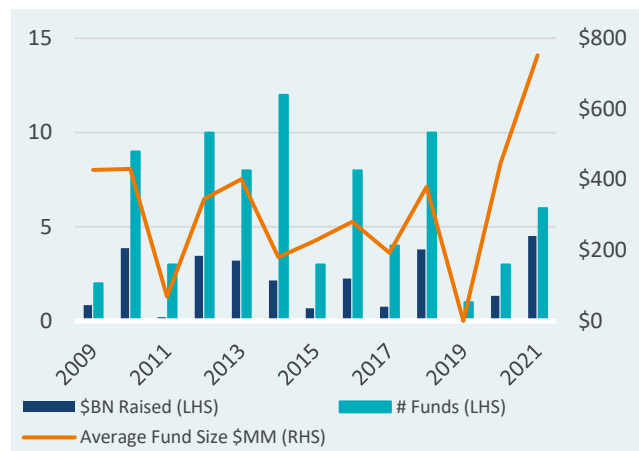


Source: EIA

# Metals and mining

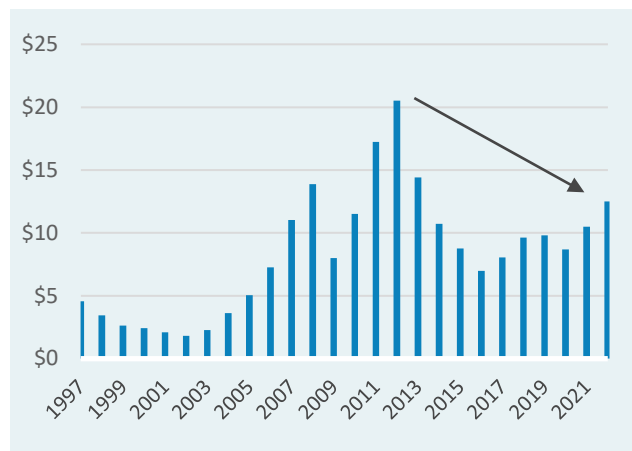
- Fundraising in the private equity mining segment has been lumpy and quite modest since the GFC, with little-to-no private capital raised in the space in 2019 and 2020. Mining, more so than any other sector, suffers from a poor reputation in governance, following the rule of law and labor exploitation. ESG issues in the sector have been a barrier for LPs, but it is possible for fundraising to improve if investors see the benefit of funding the extraction of materials that contribute to our shift away from fossil fuels, such as copper and lithium.
- After a modest recovery from a cyclical low in 2016, mining exploration budgets have been on the upswing in 2021 and are forecasted to move even higher in 2022. Prices for industrial metal and gold have rallied on strong demand which should incentivize additional spending by both the junior and major mining companies. That said, years of underinvestment has resulted in a deficit in supply meeting demand, so we expect prices to remain strong as long as the global economy stays healthy.
- On the investment side, we have participated in the mining sector by backing teams with expertise in financing mining projects which delivers a high income return with some upside associated with a structured equity security. We are more bullish on base/industrial metals which longer-term will benefit from a shift away from fossil fuels. We are less bullish on bulk and energy-related commodities. Our overall outlook within mining is positive with a notable challenge in finding enough investment opportunities that meet our underwriting criteria.

**FUNDRAISING IN MINING**



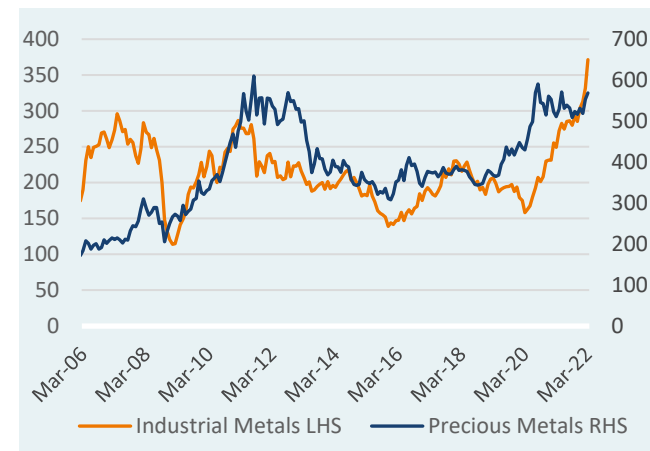
Source: Pitchbook, as of 12/31/2021

**CAPITAL EXPENDITURE IN MINING (\$B)**



Source: S&P Global Market Intelligence

**METAL PRICES**

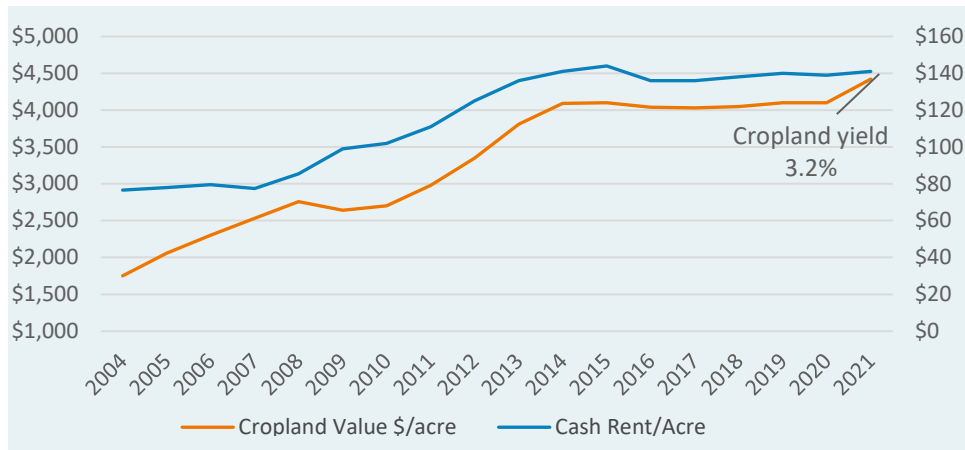


Source: Bloomberg, as of 3/31/2022

# Agriculture

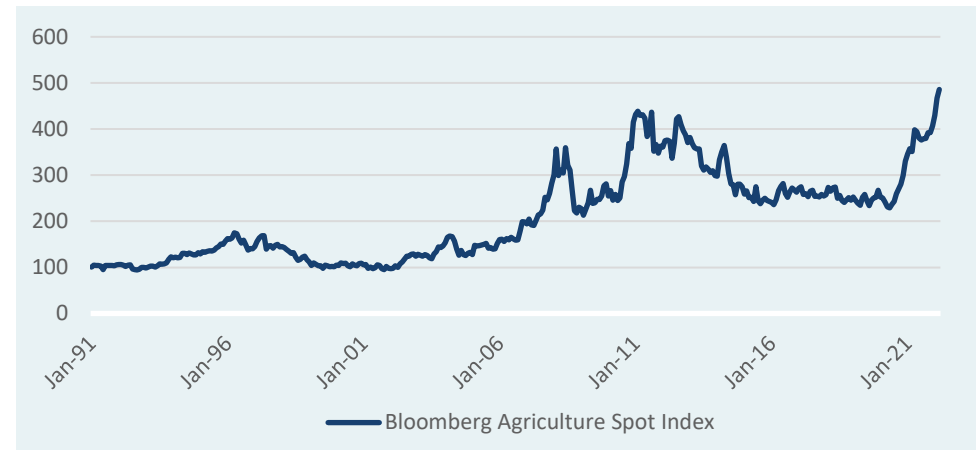
- Cropland values nationally rose in 2021 to \$4,420/acre, an increase of almost 8.0% over the prior year, after several years of flat values. The increase in land values for cropland is coinciding with a major rebound in crop prices which were up 24.0% in 2021, according to the S&P GSCI Agriculture Index. That is welcome news for investors that have been sitting on mostly flat-to slightly positive returns within Farmland for many years. Verus has been bearish on Farmland investments as income yields were insufficient (~3.0%) and a catalyst for appreciation was lacking. The bad news is that income yields remain low, on average. On the brighter side, inflation and forecasted crop prices remaining elevated could drive land values higher.
- In the row crop segment, rental yields hover around 3% (gross of fees) which is insufficient, in our opinion, for most institutional investors. Permanent crops offer the potential of higher income yields but also carry greater risk and operational expertise. There are additional ways to add value through crop selection, improving crop yields and selling land for higher-and-better-use cases. In addition, managers can control a greater share of the food production value-chain which carries higher returns but also higher operational risk.
- We tend to favor agriculture strategies that both own land for crop production and control the operating verticals that bring food to the consumer. Strategies that can capture more value through processing, storage and marketing, offer the potential of higher returns.

**U.S. NATIONAL CROPLAND VALUES VS CASH RENTS**



Source: USDA

**BLOOMBERG AGRICULTURE PRICES**



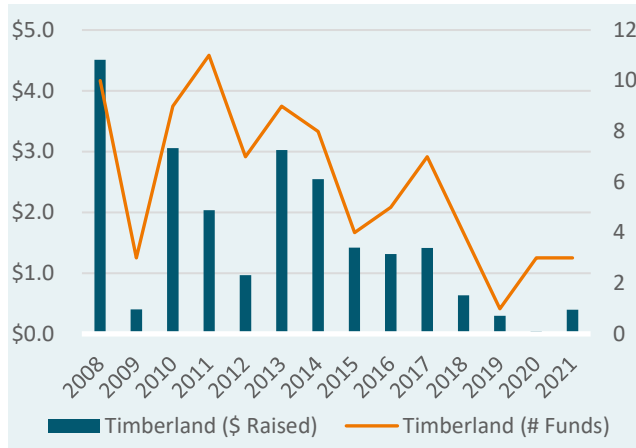
Source: Bloomberg, as of 3/31/20



# Timberland

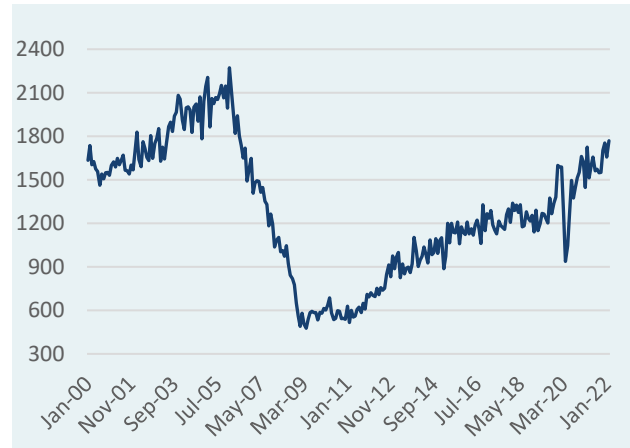
- Fundraising has continued to be a challenge within the timber industry. According to Pitchbook, six timber funds were cumulatively raised in 2020 and 2021 for a total of \$445 million in new capital (Note: this data does not include any separate accounts that may have been raised). Despite a lack of capital being raised by TIMOs, the investment opportunity within timber has not materially improved.
- Housing starts are one of the leading indicators for lumber demand and the slow rebound in new housing since the GFC has been one reason that timber prices have also been slow to recover. There was a surge in housing starts in 2019 but the impact of Covid-19 caused a sharp reversal in the first quarter of 2020. As the chart below shows, housing starts roared back in 2021 and with it came enormous volatility in lumber prices. Lumber prices are now at multi-decade highs though industry experts believe some price relief is on the horizon as transportation bottle necks are alleviated and additional mill output comes online.
- Seeing the soaring price of lumber, investors might be tempted to get in on the action through an investment in timberland. However, as the chart on the bottom right indicates, one of the challenges that timber investors have faced is that the price they receive for their trees (southern pine stumpage) began to decline during the GFC and largely never recovered. Two critical issues have kept stumpage prices depressed, excess supply of trees in the southern region and a lack of mill density that has created bottle necks in lumber production. The mill issue is less of a problem today, but the supply of trees is still a persistent issue, and we don't expect that to change anytime soon.

**FUNDRAISING IN TIMBERLAND**



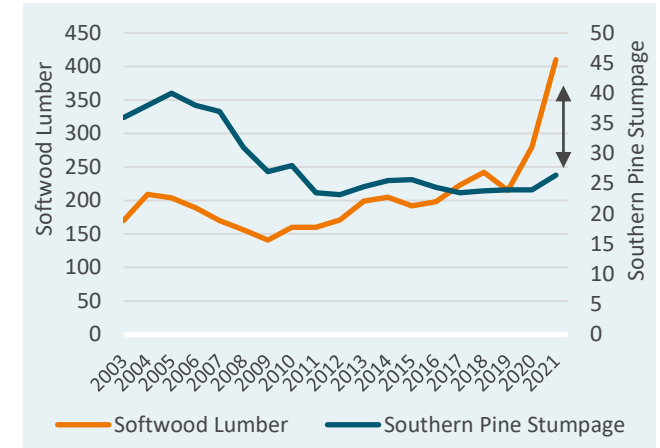
Source: Preqin/Pitchbook

**US HOUSING STARTS**



Source: St. Louis Fed

**SOUTHERN PINE STUMPAGE VS SOFTWOOD LUMBER PRICES**

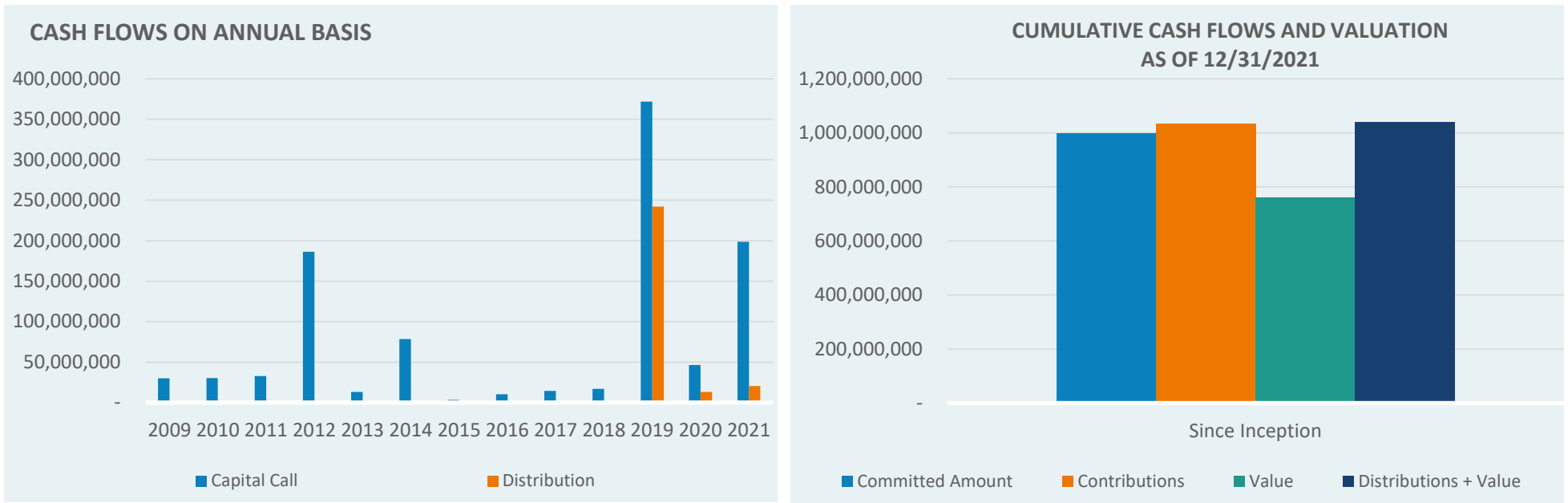


Source: St. Louis Fed

# Real Asset Performance

## Performance

— ACERA’s Real Asset Pool has produced a 0.15% IRR since inception. The portfolios performance has been driven primarily by the large weighting in commodity futures (Gresham and AQR) and from earlier investments in energy (Sheridan). That said, the portfolio is beginning to see the success of more recent fund investments with Quantum now posting positive performance, several of the infrastructure investments have matured and are delivering double digit returns since inception, and the liquid pool also performed well in 2021.



## Real Assets Performance vs. Pooled Benchmark IRR

Period Ending: December 31, 2021

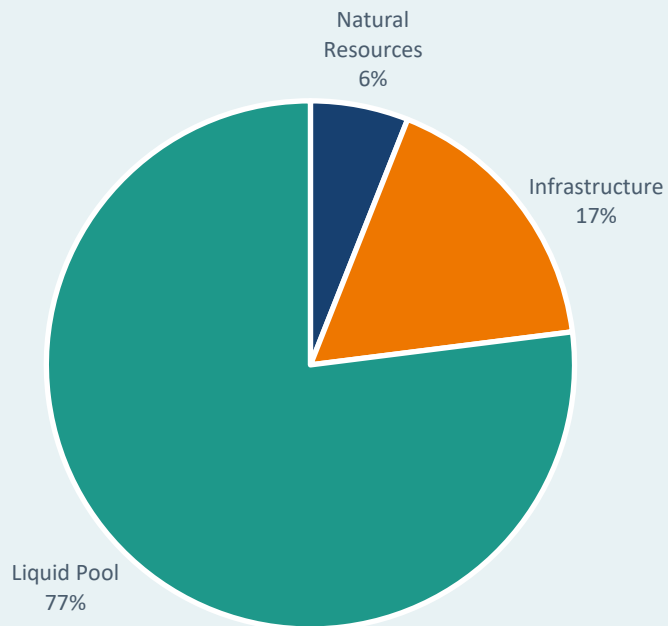
	1-Year	3-Year	5-Year	10-Year	Since Inception
<b>Natural Resources Funds</b>	<b>43.07%</b>	<b>12.13%</b>	<b>0.39%</b>	<b>-1.34%</b>	<b>-1.49%</b>
<i>S&amp;P Global Natural Resources Index<sup>1</sup></i>	25.80%	13.22%	9.64%	5.67%	5.49%
<b>Infrastructure Funds</b>	<b>14.75%</b>	<b>15.22%</b>	<b>13.80%</b>		<b>13.37%</b>
<i>S&amp;P Global Infrastructure Index<sup>1</sup></i>	11.91%	9.41%	8.22%	7.57%	7.57%
<b>Liquid Pool Funds</b>	<b>16.40%</b>	<b>8.27%</b>	<b>4.26%</b>	<b>-1.00%</b>	<b>-0.48%</b>
<i>Bloomberg Commodity Index<sup>1</sup></i>	24.33%	9.78%	4.80%	-1.71%	-1.37%
<b>Total Real Assets</b>	<b>17.80%</b>	<b>9.44%</b>	<b>4.75%</b>	<b>-0.29%</b>	<b>0.15%</b>
<i>Blended Real Assets Benchmark<sup>2</sup></i>	33.72%	5.26%	7.21%	5.94%	5.94%

<sup>1</sup> Benchmarks: Identical cash flows invested in the appropriate benchmarks through the life of the portfolio up through 12/31/2021. Analysis provided by Solovis.

<sup>2</sup> Blended Real Assets Benchmark calculated on a time-weighted return basis

Investment Type	Commitment	Current Exposure	Current Exposure as % of Portfolio
Natural Resources	104,000,000	48,702,035	6.4%
Infrastructure	235,000,000	125,850,863	16.6%
Liquid Pool	842,235,893	585,179,966	77.0%
<b>Total Portfolio</b>	<b>1,181,235,893</b>	<b>759,732,864</b>	<b>100.0%</b>

REAL ASSETS PORTFOLIO: CURRENT EXPOSURE



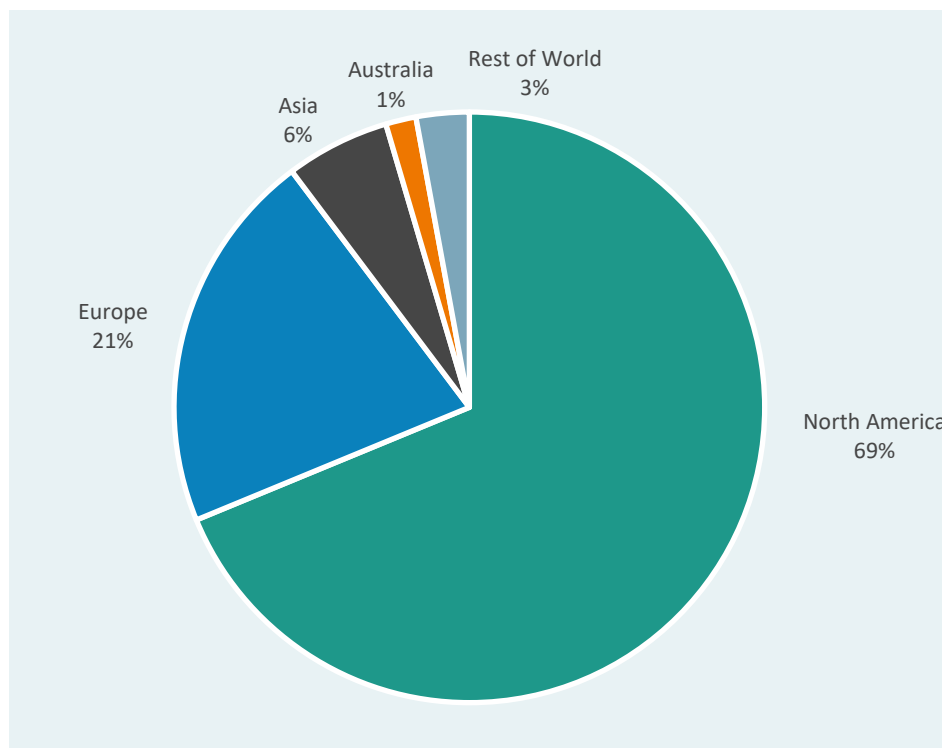
# Geography Portfolio Diversification

Period Ending: December 31, 2021

Geography	Reported Fair Value
North America	120,043,454
Europe	36,595,581
Asia	9,949,284
Australia	2,901,248
Rest of World	5,063,331
<b>Total Portfolio*</b>	<b>174,552,898</b>

\* Excludes Liquid assets.

\*\* Rest of World includes New Zealand and Senegal.

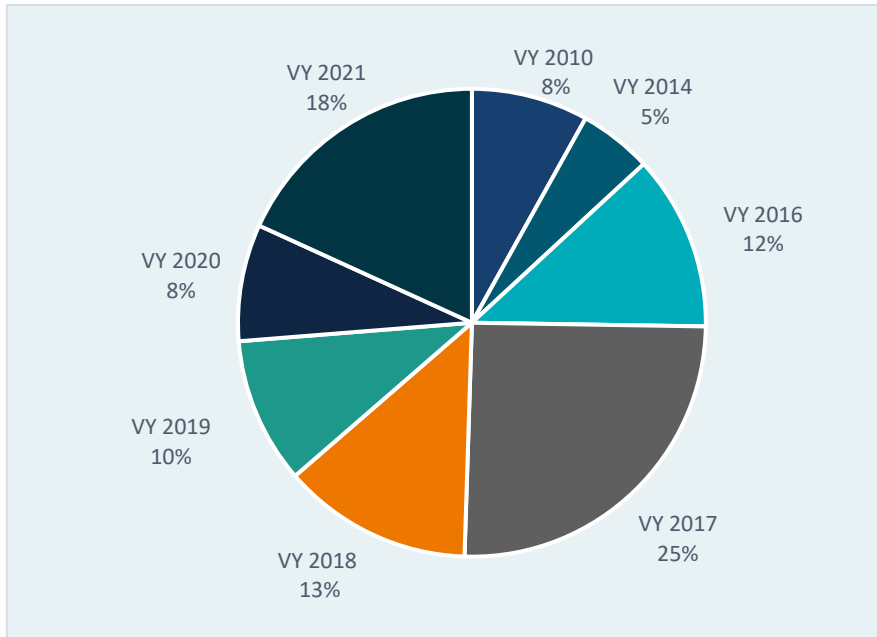


# Vintage Year Portfolio Diversification

Period Ending: December 31, 2021

Vintage Year	Commitment as % of Portfolio of 12/31/21	% of Portfolio Commitment	Reported Value as of 12/31/21
2010	24,000,000	8.0%	0
2014	15,000,000	5.0%	11,450,280
2016	35,000,000	11.7%	41,113,299
2017	75,000,000	25.1%	69,459,171
2018	40,000,000	13.4%	37,001,094
2019	30,000,000	10.0%	5,620,016
2020	25,000,000	8.4%	8,381,028
2021	55,000,000	18.4%	1,528,010
<b>Total Portfolio</b>	<b>299,000,000</b>	<b>100%</b>	<b>174,552,898</b>

\* Excludes open-end vehicles and liquid assets.



- ACERA committed \$30 million to Tiger Infrastructure Partners Fund III within the infrastructure portfolio at the December Investment Committee Meeting.
- Verus plans to recommend an investment in an open-end core infrastructure fund and is currently conducting diligence on opportunities in value-add infrastructure for recommendation in the second half of 2022.
- As mentioned previously, we plan to increase the allocation to infrastructure investments at the expense of natural resource strategies as we move away from investments in the oil & gas industry.





TO: Members of the Investment Committee

FROM: Serafin Lim, Investment Operations Officer *SL*  
John Ta, Investment Officer *JT*  
Julius Cuaresma, Investment Analyst *JCC*

DATE: June 8, 2022

SUBJECT: Status Report on ESG Implementation

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**Recommendation:**

Not applicable. This is an information item.

**Background:**

At the December 2021 ICM, Verus and Staff discussed four potential approaches for implementing ACERA's ESG Investment Policy ("ESG Policy"). Subsequently at the January 2022 ICM, the Investment Committee (IC) voted to adopt the approach of integration (as opposed to the more direct, resource intensive options of divestment, shareholder engagement, or impact investing). The integration approach for ESG implementation incorporates ESG factors and considerations into ACERA's investment processes. This memo will provide an update on the progress of ESG implementation as well as discuss open issues and potential outcomes.

**Discussion:**

As was discussed at the previous ICMs, the initial ESG implementation involves the key components below. Additional commentary is included to provide a detailed update.

**1. Changing ACERA's proxy voting policy with ISS from the standard ISS policy to the ISS Public Fund Policy**

After the Investment Committee / Board adopted the integration approach for ESG implementation, Staff (including legal) worked with ISS to amend ACERA's contract to incorporate the Public Fund policy. The documents were executed on April 11, 2022, and the voting changes were implemented as of this date. Although there is a large overlap between how votes are cast between the standard ISS policy and the Public Fund Policy, notable differences do exist. For example, recently there was Climate Action Plan proposed at UBS, a publicly traded bank in ACERA's portfolio. The standard ISS policy would have voted for the proposal because it fulfills the "ESG" disclosure requirement. However, the Public Fund policy recommends voting against the same proposal because the disclosures are vague and lack science-based targets (i.e., the plan did not go far enough in addressing

climate risk). As can be seen, the Public Fund Policy<sup>1</sup> goes beyond seeking disclosure of climate-related risks (and more broadly ESG risks) and evaluates proposals based on the completeness of a company's disclosures (among other factors codified in the policy). The ISS Public Fund Policy and ACERA's ESG Policy both share the same guiding principle that ESG risk factors may materially impact financial returns. As such, the selection of the Public Fund Policy was a crucial step in effecting ACERA's ESG Policy.

Beginning in 2022, BlackRock now also offers the ability for institutional investors such as ACERA to cast proxy votes for their index fund holdings<sup>2</sup>. Through multiple calls with BlackRock on this topic, Staff has explored how BlackRock's new proxy voting initiative could help ACERA with ESG policy integration. Historically, for investors in BlackRock's index funds, BlackRock has cast proxy votes using its standard proxy voting guidelines (Blackrock Investment Stewardship). Now with the new proxy voting initiative, there are two additional options: 1) ISS' menu of "Off-the Shelf" policies, which includes ISS' Public Fund Policy; or 2) full customization. Staff intends to implement ISS's Public Fund Policy for ACERA's BlackRock index fund holdings. There is no additional cost for this change, but it will require amending legal documents. Staff is currently working with BlackRock to implement this change, which should be complete in about 4-6 weeks.

## **2. Develop ESG evaluation framework and integrate into ACERA's manager due diligence process and manager monitoring process.**

Since the adoption of ACERA's ESG policy in 2021, Staff and Verus have included ESG considerations in the manager due diligence process. Most recently with the Emerging Markets Equity (EME) manager search, ESG criteria were included in the scoring matrix, the initial RFI questionnaire, and the on-site due diligence meeting agenda. Similarly in the private markets, ESG considerations are included throughout the due diligence process, and every manager brought to the Investment Committee since the adoption of the ESG Policy has addressed ESG concerns.

Staff is working with Verus and other groups such as ILPA to develop a robust ESG evaluation framework that will continue to be refined over time. As a whole, the ESG approach currently faces difficulty in quantifying and monitoring ESG performance as well as setting reporting standards, but progress is being made each day by institutional groups around the world. In a recent update call with ILPA, Staff learned about the ESG Data Convergence Project, an effort led by CalPERS and Carlyle, a global investment firm, which was announced on Sept. 30<sup>th</sup>, 2021. The objective of this project is to create a standardized set of ESG metrics and mechanisms for comparative reporting, and ILPA is promoting this project. In addition, ILPA is also leading a "Diversity in Action" initiative with the goal of

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<sup>1</sup> ISS's Public Fund Policy is designed to help ensure public funds fulfill all obligations regarding proxy voting with the intention for maximizing the long-term economic benefits for all stakeholders (plan participants, beneficiaries, and citizens of the state where the funds are domiciled).

<sup>2</sup> As of March 31, 2022, ACERA's BlackRock Russell 1000 Fund holdings represents 21.3% of the Total Fund and ACERA's BlackRock MSCI World ex-US Index Fund holdings represents 6.6% of the Total Fund.

promoting the growing number of organizations that are taking action when it comes to diversity, equity and inclusion. To be a signatory, an organization must meet many specific requirements which include tracking internal hiring and promotion statistics and having a DEI policy in place. Over twenty of ACERA's investment managers are current signatories (approximately 33% of ACERA's alternative managers). Staff will continue to have update calls with groups such as ILPA to refine ACERA's ESG framework.

Given the issues stated above, the initial goal of the ESG policy is to focus on disclosure of ESG risks in the form of an annual ESG risk disclosure report. The report will be populated with data from a standardized ESG questionnaire. Details of the current developments for the ESG questionnaire can be found in the attached Verus's memo under "Develop ESG evaluation framework." According to the ESG policy, the annual risk disclosure report will aid the Investment Committee in manager hiring and retention. Staff and Verus will seek input from the Investment Committee on what information categories the committee would like to see in this annual ESG risk report.

### **3. Conduct annual reviews of ACERA's current managers through the annual ESG risk disclosure report.**

As mentioned above, Staff (including Legal) and Verus are currently working to develop a standardized ESG risk questionnaire to send to ACERA's current managers. Staff and Verus estimate that this process will take a few months given the issues listed below:

- Determining the ESG monitoring items that are relevant to the IC / Board and applicable within the ESG Policy
- Developing the format for reporting the information gathered from the ESG questionnaire
- Legal opinion on the appropriateness of the final framework and disclosure report
- Resources and time for Staff, Consultants, and IC / Board

#### **Conclusion:**

Since the IC decision for ESG implementation was made at the January 2022 ICM, Staff and Verus have made significant progress in effecting ACERA's ESG Policy. As Staff and Verus work through the remaining ESG implementation steps, we will provide semi-annual updates on our progress.

#### **Attachments:**

- #1 ESG Policy Implementation Status Update memo, prepared by Verus
- #2 ISS Proxy Voting Presentation, prepared by ISS

# Memorandum

**To:** ACERA Investment Committee  
**From:** Verus  
**Date:** June 8, 2022  
**RE:** ESG Policy Implementation Status Update

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**(Appendix List: I. ACERA ESG Policy, II. LACERA 2021 Annual Manager Scorecard, III. eVestment ESG report for current ACERA public markets managers, IV. Preliminary ESG Monitoring Report)**

## Background

ACERA has approached the development of a customized, optimal approach to ESG in a thoughtful and holistic manner. The development of ACERA's ESG Policy and implementation plan has been a multi-year effort which has included multiple education sessions on ESG, exploration on how public fund peers approach ESG, including costs and resourcing, and education on proxy voting and its ESG-related options. Input from ACERA Trustees and legal considerations and constraints have been vetted to ensure a framework that meets the goals, needs and requirements of ACERA. The timeline for ACERA's ESG Policy development and subsequent implementation plan is summarized below:

- ESG education sessions – 2018-2021
- Establishment of an ad-hoc ESG working group – 2019-2021
- Conference attendance and conference calls for further research (PRI conference, calls/meetings with ESG data vendors) – 2018-2019
- Development and adoption of an ESG mission statement – February 2020
- Approval of ESG Investment Policy – March 2021
- Proxy voting education and exploration of options (ISS, BlackRock) – 2021

Input was solicited from ACERA's Trustees and vetted by the Plan's legal team at multiple stages of this process. At the January 2022 ICM, the ACERA Investment Committee adopted an ESG implementation plan which incorporated the above elements and reflected realistic cost and resource considerations. The key components of the plan are:

1. Switch to ISS Public Fund proxy voting policy from the current ISS generic shareholder proxy voting policy;
2. Develop an agreed upon ESG evaluation framework and incorporate discreet evaluation criteria for an ESG risk factor management approach within ACERA's due diligence process for RFP/RFI processes and existing manager monitoring; and
3. Add an ESG summary monitoring report to current semi-annual reporting on current ACERA manager ESG risk factor management policies and practices.

The remainder of this memo expands on these components and our proposed solutions.

## Implementation Status

### **1. Switch to ISS Public Fund proxy voting policy – Status: Complete**

Following Verus and Staff initial research and proxy voting education by ISS and Verus to the ICM, ACERA changed its generic ISS proxy voting policy to ISS' Public Fund voting policy in April 2022. Compared to the ISS baseline policy which is geared to large institutional investors and investment firms, the Public Fund policy is oriented specifically to the long-term best interests of public plan participants and beneficiaries. While some elements such as Board independence, and (equitable) compensation are highlighted in the policy, the policy is also generally supportive of shareholder proposals on social, environmental, and labor/human rights issues. Social and environmental concerns and subsequent voting outcomes are greater for the Public Fund policy than with the generic ISS policy.

In addition, one of ACERA's managers BlackRock offers a new custom proxy voting service at no cost that will allow the client to vote proxies aligned with the ISS Public Fund policy. We view this as an option that is worth pursuing by ACERA. BlackRock's passive exposure comprises 28 percent of ACERA's overall fund assets invested in commingled funds in the following asset classes - \$2.4 billion in Russell 1000 US equity and \$758 million in MSCI World ex-US international equity. 100% of the securities in the Russell 1000 Fund would be covered under this service and about 75% of the securities in the MSCI World ex-US Index Fund would be included in proxy voting in line with the Public Fund policy. We view this as cost effective, low hanging fruit for ACERA's ESG implementation within proxy voting.

### **2. Develop ESG evaluation framework – Status: Partially complete**

ACERA's ESG Policy utilizes an integrated approach to ESG with an exclusive focus on risk mitigation and materiality of factors on long-term financial returns (see **Appendix I**). Implementation of the policy includes discreet evaluation criteria for RFPs/RFIs and for monitoring. Since adoption of the ESG Policy, Verus has been including an ESG section in ACERA RFIs which asks about ESG capabilities within the organization and in the manager's investment process. An ESG summary on managers has been included in final due diligence materials and has received an allocation of overall points in Verus and Staff due diligence scoring (up to 10%).

As an example, the most recent Emerging Markets Equity search included high level ESG and D&I questions such as: "Describe firm ESG and D&I initiatives in detail" and "How are ESG factors integrated into the investment approach, if at all. Is ESG considered as an alpha source or from a risk mitigation standpoint? Please elaborate." ESG was scored as a subcategory within organization, investment strategy (with an integration focus) and as a risk management subcategory. Per the approved ESG implementation plan as of January 2022, Verus will include firm diversity and inclusion data (Federal EEOC reporting data) as supplemental information with finalist due diligence materials. While Verus and Staff have initiated a framework, we are asking the Board for feedback on our current approach to types of information requested in RFIs/RFPs and any suggestions for enhancements in future RFI/RFP processes.

### **3. Develop ESG annual monitoring report – Status: Under development**

An end goal of an adopted ESG evaluation framework of ACERA providers is to deliver a robust annual monitoring report to the ICM. Since ACERA will not be allocating additional resources

dedicated to ESG efforts at the Plan, Staff and Verus seek input such that all relevant monitoring items are disclosed but with an eye towards minimizing reporting that is not of interest to the Board and not applicable to ACERA's ESG Policy. With that, Staff and Verus have developed the following initial annual report framework for Trustee consideration and to solicit Trustee input.

### Peers

As a starting point for creating an annual report framework, ACERA attempted to obtain Board ESG monitoring reports from the only other 37 Act plan (LACERA) that has an ESG policy. In terms of resources to support the Board's ESG policy implementation, LACERA currently has two dedicated governance/stewardship professionals and will be adding two more. However, as can be seen in **Appendix II**, any report pertaining to ESG is incorporated into an annual overall manager "scorecard". Verus confirmed there is no additional or separate Board report pertaining to ESG as it relates to LACERA managers.

### Public markets ESG annual monitoring report component

Through the eVestment Alliance database, Verus can access many ESG-related data points on firm ESG efforts and product specific information which provides status on the respective firm's ESG initiatives at the firm level and within their investment processes. The ability to access and provide the Board this information provides a large efficiency for Staff efforts to fulfill ACERA's ESG monitoring and reporting efforts per Section VII. Monitoring and Reporting. eVestment data also tracks a variety of D&I data points and has increased the volume of this data category exponentially in recent years. Verus, a founding member of the IIDC (Institutional Investing Diversity Cooperative), has worked with eVestment Alliance to expand D&I manager data availability at the product level as well.

We view data from the eVestment database as an excellent starting point for ESG monitoring purposes as it is extensive and comprehensive in breadth. For Staff to collect commensurate information, it would likely require the effort of a dedicated ESG specialist, which ACERA currently does not have on staff nor is there a plan to add one. A report with eVestment-derived information (see **Appendix III**) leverages Staff's time to focus on the collection and review of information from private markets managers and other vendors. As an integral component of the ACERA ESG Policy is to identify ESG-related investment risks and to capture ESG-related opportunities, ACERA Staff would have to request information from managers in this regard to incorporate it within ACERA's ESG annual monitoring report. However, as this is a focused request with only one or two questions, this would not involve a lot of Staff time to collect and review.

### Private markets and other vendor ESG annual monitoring report component

There is currently no industry database or source for ESG and D&I information for private markets investment managers or for other industry vendors, such as consultants and hedge fund of funds. However, there is some effort (e.g., Diverse Asset Managers Initiative ("DAMI")) to collect information to standardize the understanding of D&I practices and initiatives of investment consultants. On the private markets side, ILPA has been actively working on a standardized set of questions and evaluation framework for ESG evaluation and is an additional resource for Verus and ACERA Staff. SEC enforcement may further shape ESG implementation and reporting by managers.

Given the dearth of publicly available ESG and D&I information for private markets managers and other vendors, Verus and Staff are in the process of developing a custom ACERA questionnaire to serve as the basis for gathering the information necessary to fulfill the ESG Policy annual report requirement. Areas the questionnaire plans on surveying are:

- Firm ESG Policy and its details; request updates to policy in subsequent monitoring surveys
- ESG governance at the firm level
- D&I initiatives; D&I stats
- ESG factors utilized in investment strategy decision-making; delineate risk factors; request changes or enhancements in subsequent monitoring surveys
- Detail on how and when ESG is integrated into the decision-making process, if at all
- Any ESG data sources used in research; internal ESG research augmentation if any
- Examples of ESG considerations and their impact on fund investments/portfolio changes
- Detail on company ESG engagement approach, if any; examples of outcomes
- Disclose portfolio ESG scoring/rankings if available
- Summarize proxy voting report specific to ESG-related proxies for ACERA portfolio, where applicable

Questions may differ slightly as appropriate for different private markets asset classes, but the broad categories of questions at the firm and strategy levels will be consistent. Verus and ACERA Staff envisions the initial monitoring questionnaire to focus primarily on understanding existing Plan exposures to ESG as described as an initial goal of ACERA's ESG Policy (under Section II. Purpose).

We have included a proposed reporting template as **Appendix IV**. We seek feedback on the information categories included in the template and ask for suggested additions/deletions in order to finalize the Board's preferred format per ACERA ESG Policy guidelines. The annual report is meant to provide transparency on ESG issues of interest to ACERA, with a focus on risk mitigation. Verus will develop an executive summary to accompany the Staff report and note any exceptions or concerns related to the Staff's information gathering and review process with respect to both the public and private markets/alternatives strategies or to state "none" if there are none. Verus' role will be to ensure the report scope and content sufficiently fulfills ESG Policy Section VII.

Finalizing this framework and the types of information requests included requires Board approval per the ESG Policy (under Section VII. Monitoring and Reporting). We solicit your input so that we can move forward with an agreed upon optimal implementation for monitoring. Note that ACERA's legal team must also render an opinion on the appropriateness of the final framework prior to Staff and Verus action. It is acknowledged that ACERA's ESG Policy will likely evolve over time, and questionnaires and reporting will evolve along with the policy.

### **Next Steps**

We are soliciting input from Trustees on the types of information deemed essential to receive in searches, monitoring and reporting in order to properly implement ACERA's ESG Policy. Your feedback regarding our proposed plan of action will help us to finalize each component of the implementation plan. We can then move forward with the final iterations for these items, subject to ACERA legal review and acceptance, and will report back with results.

Appendix I

**Alameda County Employees'  
Retirement Association**

**ACERA**

**Environmental, Social, and Governance (“ESG”) Investment  
Policy**

**March 18, 2021**



# ACERA ESG INVESTMENT POLICY

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## I. SCOPE

The Environmental, Social and Governance Investment Policy (“ESG Policy”) reflects the values of Alameda County Employees’ Retirement Association’s (“ACERA’s”) Board in conjunction with long term, material risk considerations that may impact the financial returns of the Plan. It shall apply to all asset classes of ACERA’s Pension Fund (“Fund”) and may be incorporated within investment management guidelines or through active ownership, including proxy voting. The ESG Policy is subject to all provisions of applicable law and the applicable limitations and requirements of ACERA’s General Investment Guidelines, Policies and Procedures. The ACERA Board (“Board”) reserves the right to amend, supplement, or rescind this ESG Policy at any time.

## II. PURPOSE

The purpose of this ESG Policy is to establish a framework for the ongoing development, ongoing monitoring, and administration for the Plan’s ESG stated values, consistent with the Board’s fiduciary responsibilities in investment of the Fund. This ESG Policy embraces an integrated approach to the assessment of long-term risk considerations and disclosures, as opposed to a divestment approach.

At its outset, this ESG Policy will focus primarily on understanding the existing ESG policies that exist within the Fund and how they interact and affect overall portfolio risk and performance. Over time, it is expected that ACERA’s ESG Policy will evolve along with the Board’s knowledge and understanding of ESG integration and risk reduction at the Fund level.

## III. LEGAL AUTHORITY

As with all other aspects of ACERA’s Fund, this ESG framework requires that ACERA’s Trustees act solely in the interest of plan beneficiaries, in good faith, avoiding conflicts of interest and acting with prudence. This ESG Policy adheres to the California Constitution, article XVI, section 17 and is designed to be consistent with guidance found in DOL publications which define the prudent consideration of ESG factors, allow for ESG factors in investment policy statements and in evaluation and risk metrics, and define prudent ESG proxy voting guidelines. ACERA’s ESG Policy shall not sacrifice investment returns or assume greater risks to promote social policy goals.

## IV. ESG MISSION STATEMENT

ACERA’s Board members are fiduciaries and their legal duty remains, at all times, to promote the growth and sustainability of the Fund to timely provide retirement and related benefits to ACERA members and their beneficiaries. The Board’s fiduciary duties require loyalty and care to ACERA’s members and beneficiaries and prudence in all decisions made regarding ACERA’s investments and administration. Within this context, the Board recognizes the need to mitigate risks that may have a negative impact on the Fund’s long-term financial results

while adhering to a diversified investment strategy designed to meet ACERA's desired return and risk objectives.

Risk mitigation includes the prudent consideration of Environmental, Social, and/or Governance (ESG) risk factors that may materially impact the Fund's long-term financial returns. ESG considerations will be evaluated, where applicable, with the goal of mitigating risk while maintaining or improving Plan returns over the long term. The Board shall analyze and consider ESG factors in its decision to approve investments when those factors are reasonably deemed by the Board, in consultation with its internal and external professional investment advisors, to be material to its financial returns.

ACERA's Board will develop and adopt an ESG policy statement which codifies its values, policies and procedures and will revisit and update this policy periodically.

## V. ACERA ESG RISK FACTORS

ACERA will consider risk factors that span environmental, social and governance factors. ACERA will use various procedures and implementation methods which are specific to the E, S or G factors in their due diligence and monitoring and disclosures, if applicable. These procedures and methods are subject to periodic review.

- Environmental - ACERA's Board believes that there are substantial risks associated with climate change that may be materially detrimental to long-term financial returns. ACERA will seek to advance its interests in mitigating climate change risk through available tools, including proxy voting.
- Social - While harder to quantify, ACERA holds that certain social risk factors may also be detrimental to long-term financial returns. The Fund will monitor and report on social risk factors identified by ACERA's Board, including diversity & inclusion, and human capital risk issues, for ACERA's investment managers and service providers. The Plan may also augment material social risk mitigation through proxy voting.
- Governance- ACERA will consider various governance risk criteria that the Board has determined may have a material effect on long-term financial returns. Governance risk factors will be incorporated through available tools which also may include proxy voting.

Common to ESG risk factors identified by ACERA's Board is a belief that the implementation of ACERA's ESG Policy will result in long-term value creation for the Plan's members and beneficiaries. Risk factors identified by ACERA's Board will be periodically reviewed along with broader policy review.

## VI. MANAGER SEARCHES

When conducting manager searches, ACERA's consultant(s) and Staff will incorporate an ESG section into its due diligence that examines ESG-related criteria within the organization and in the manager's investment process. A description of the managers' ESG approach will

be included, along with an investment assessment, in final due diligence materials when hiring new managers. Manager searches will be conducted in accordance with the general parameters and processes established by ACERA and adhering to all Federal and State statutes.

Should ACERA conduct a consultant search, a similar ESG assessment will be included in the due diligence process.

## VII. MONITORING AND REPORTING

ACERA's investment managers and service providers will be asked by ACERA to complete an annual questionnaire that discloses ESG initiatives and factors incorporated at the organization and within the investment approach. ACERA expects that all potentially material risks and opportunities will be identified by the provider. For GPs, ACERA will request best efforts in the disclosure of ESG-related criteria at their underlying portfolio companies. Disclosure will be implemented in the preferred format of ACERA's Board which will be reviewed periodically and revisited as necessary.

ACERA's Board will review the ESG disclosure reporting annually.

## VIII. ROLES AND RESPONSIBILITIES

The delineation of roles and responsibilities is important for effective administration of ACERA's ESG Policy. The duties and responsibilities of the Board, Investment Committee, Staff, Consultants, and Chief Counsel are stated below. Roles and responsibilities of ACERA's ESG Policy are further governed by those outlined in ACERA's overarching General Investment Guidelines, Policies, and Procedures.

### A. Board

The Board shall be responsible for approving the ESG Policy. The Board, with input from the Investment Committee, shall review this ESG Policy periodically to determine whether modifications are necessary. The Board shall also be responsible for reviewing an annual disclosure report describing ESG policy implementation for the Fund's investment managers and its service providers.

### B. Investment Committee

The Investment Committee shall monitor implementation of ACERA's ESG Policy. It shall evaluate proposals for ESG Policy modifications annually or as needed and make recommendations for consideration by the Board. The Investment Committee shall review the ESG annual disclosure report and consider material ESG risk considerations as defined in this ESG Policy in the hiring and/or retention of ACERA's investment managers and service providers.

### C. Staff

Staff shall be responsible for implementation of the ESG Policy. Staff's responsibilities shall include the following:

1. Incorporating ESG information along with investment due diligence materials in manager searches;
2. Monitoring ESG-related factors of ACERA's investment managers and service providers on an annual basis and preparing a disclosure report;
3. Coordinating with ISS as needed to assist with ACERA's ESG-related proxy voting; and
4. Developing and recommending changes to the ESG Policy over time if warranted.

### D. Consultants

#### 1. Investment Consultants (General and Specialty Asset Class Consultants)

General and Specialty Asset Class Investment Consultants hired by the Board are fiduciaries to ACERA and its Board. These Investment Consultants shall independently monitor adherence to ACERA's ESG Policy and make related recommendations to serve the best interests of the plan participants. Investment Consultants shall also assist Staff in crafting the ESG Policy and in its implementation. The Investment Consultants responsibilities shall include the following:

- a. Incorporating ESG information into manager search due diligence materials;
- b. Assisting ACERA Staff in ESG monitoring of ACERA's investment managers as needed;
- c. Recommending changes or improvements to the ESG Policy over time if warranted;
- d. Presenting on ESG topics of interest to ACERA; and
- e. Performing other duties in accordance with the terms of its contract and applicable State and Federal law.

#### 2. Specialty Asset Class Consultant

Specialty Asset Class Consultant(s) are subject to the same expectations and bear the same responsibilities stated in Section VIII (D) (1) above.

### E. Chief Counsel

ACERA's Chief Counsel shall provide legal advice to ACERA's Board, Investment Committee and Staff regarding all aspects of ACERA's ESG Policy, as requested by ACERA's Board, Investment Committee, Chief Executive Officer or Chief Investment Officer. ACERA's Board, Investment Committee or Chief Counsel may seek legal advice from outside Fiduciary Counsel. Documents that implement this policy for the purpose of Manager Searches, Monitoring and Reporting and Proxy Voting must be reviewed by ACERA's Chief Counsel before they are used.

## IX. PROXY VOTING

ACERA's proxy voting provider is hired by the Board and is responsible for voting on shareholder issues as directed by ACERA. The provider will vote its proxies as outlined in ACERA's Proxy Voting Guidelines and Procedures. These guidelines may include specific, customized ESG factors identified by the Board that will be tracked by the said provider.

ACERA's ESG proxy voting direction is subject to periodic review and amendment. Pursuant to the policy, the Board will provide general guidance on ACERA's proxy voting policies and review risk assessments with regard to ESG matters of interest to ACERA.

For accounts that are not separately managed, ACERA's managers will disclose their proxy voting methodology and any ESG risk considerations to ACERA at least once a year.

## X. EFFECTIVE DATE

This Policy became effective upon its initial adoption by the Board on March 18, 2021. Any amended Policy shall become effective upon its adoption by the Board.

Appendix II

manager  
scorecards

## PUBLIC MARKETS MANAGER SCORECARD

4th Quarter 2021

			Performance	Organization & Operations	ESG	Partnership	Fees & Terms	
			1 to 5 (with 5 the best)	S+, S, or S- (with S+ the best)	1 to 5 (with 5 the best)	A, B, or C (with A the best)	1 to 5 (with 5 the best)	
			SCORE	SCORE	SCORE	SCORE	SCORE	
Manager	Market Value (in \$ millions)	% of Total Fund	Risk-Adjusted Return	ER				
<b>TOTAL FUND</b>			75,580.04					
<b>GROWTH</b>	<b>GLOBAL EQUITY</b>							
	ACADIAN DEVELOPED MARKETS	659.1	0.9%	5	●	S	3	3
	BTC EURO TILTS	764.4	1.0%	5	●	S+	4	3
	CAPITAL GROUP DEVELOPED MARKETS	475.2	0.6%	4	●	S	2	3
	CEVIAN CAPITAL II - ACTIVIST	413.4	0.5%	1	●	S+	4	1
	CORNERCAP US SC - EMP	86.6	0.1%	4	●	S-	1	3
	FRONTIER US SMID GROWTH	312.1	0.4%	3	●	S	2	1
	GENESIS EMERGING MARKETS	636.9	0.8%	3	●	S	3	1
	GLOBAL ALPHA IE SC - EMP	163.2	0.2%	4	●	S	3	3
	JANA JSI FUND V - ACTIVIST	123.5	0.2%	2	●	S-	2	1
	JPMAM STRATEGIC BETA NON-U.S.	644.1	0.9%	* 3	●	S	2	3
	JPMAM STRATEGIC BETA U.S.	4,872.5	6.4%	* 3	●	S	2	3
	LAZARD EMERGING MARKETS	475.2	0.6%	4	●	S	3	3
SSGA MSCI ACWI IMI	16,610.9	22.0%	3	●	S+	—	5	
SYMPHONY FINANCIAL - ACTIVIST	257.8	0.3%	4	●	S	2	3	
SYSTEMATIC US SMALL CAP VALUE	206.9	0.3%	2	●	S-	2	3	
<b>CREDIT</b>	<b>HIGH YIELD</b>							
	BEACH POINT	317.3	0.4%	5	●	S	2	1
	BLACKROCK HY ETF	650.0	0.9%	* 3	●	S	—	5
	BRIGADE CAP MGMT	709.5	0.9%	4	●	S	1	3
	PINEBRIDGE INVESTMENTS	507.6	0.7%	* 3	●	S	+	3
	<b>BANK LOANS</b>							
	BAIN CAPITAL CREDIT	421.4	0.6%	2	●	S	2	1
	CREDIT SUISSE BANK LOANS	1,158.7	1.5%	* 3	●	S	+	5
	CRESCENT CAPITAL	520.1	0.7%	4	●	S	2	1
	<b>EMERGING MARKET DEBT</b>							
ABERDEEN ASSET MANAGEMENT	443.3	0.6%	3	●	S	4	3	
ASHMORE INVESTMENT MANAGEMENT	414.2	0.5%	1	●	S	4	3	
<b>REAL ASSETS &amp; INFLATION HEDGES</b>	<b>NATURAL RESOURCES &amp; COMMODITIES</b>							
	CREDIT SUISSE COMMODITY	461.6	0.6%	3	●	S	1	3
	DWS NATURAL RESOURCES	1,427.4	1.9%	* 3	●	S	2	5
	NEUBERGER BERMAN/GRESHAM	446.7	0.6%	3	●	S	1	1
	PIMCO COMMODITY PLUS	456.1	0.6%	4	●	S-	1	1
	<b>INFRASTRUCTURE</b>							
	DWS INFRASTRUCTURE	2,402.5	3.2%	* 3	●	S	2	5
<b>TIPS</b>								
BLACKROCK TIPS	2,111.4	2.8%	* 3	●	S+	1	5	



## PUBLIC MARKETS MANAGER SCORECARD

4th Quarter 2021

			Performance	Organization & Operations	ESG	Partnership	Fees & Terms		
			1 to 5 (with 5 the best)	S+, S, or S- (with S+ the best)	1 to 5 (with 5 the best)	A, B, or C (with A the best)	1 to 5 (with 5 the best)		
			SCORE	SCORE	SCORE	SCORE	SCORE		
Manager	Market Value (in \$ millions)	% of Total Fund	Risk-Adjusted Return	ER					
RISK REDUCTION & MITIGATION	INVESTMENT GRADE BONDS								
	BTC US DEBT INDEX FUND	5,893.6	7.8%	4	●	S+	—	A	5
	PUGH CAPITAL MGMT	1,181.1	1.6%	2	●	S	1	A	3
	WELLS CAPITAL	2,102.7	2.8%	5	●	S	4	B	5
	CASH								
SSGA CASH	626.9	0.8%	* 3	●	S+	—	A	5	

- Exceeds 3-Year Net Excess Return
- Meets 3-Year Net Excess Return
- Below 3-Year Net Excess Return

### Footnotes

- Pillar methodologies in refinement and may evolve over time

### Category Descriptions

#### Performance

- Quarterly score based on Sharpe and Information Ratios, which provide insight into a manager's risk-adjusted performance and performance relative to its benchmark, respectively
- '\*' denotes a manager with an inception date of less than 3 years, resulting in a neutral score of 3
- Circle icons reflect trailing 3-year net excess returns against the manager's benchmark above or below a specified range

#### Organization & Operations

- Includes factors such as organization, professional staff, diversity & inclusion, investment philosophy & process, risk management, legal & compliance framework
- 'S' stands for Satisfactory

#### ESG

- Evaluates the extent to which material ESG factors are identified, assessed, and incorporated into risk/return analysis and portfolio construction
- '-' denotes passive index funds and cash where ESG scores are not relevant and/or reflect strategies that do not incorporate active decisions, including ESG considerations, in portfolio construction
- '+-' denotes mandates where ESG scores are currently under review

#### Partnership

- Blended score based on:
  - Value added services – e.g., providing education, distributing research, and performing analytics on portfolio
  - Client service – e.g., responsiveness, timeliness, competency, and approach
  - Size of LACERA's investment relative to the firm's assets under management

#### Fees & Terms

- Compared to a benchmark of median fees by asset category and/or investment structure

**PRIVATE MARKETS MANAGER SCORECARD**  
4th Quarter 2021

			Performance	Organization & Operations	ESG	Partnership	Fees & Terms
			1 to 5 (with 5 the best)	S+, S, or S- (with S+ the best)	1 to 5 (with 5 the best)	A, B, or C (with A the best)	1 to 5 (with 5 the best)
			SCORE	SCORE	SCORE	SCORE	SCORE
Manager	Market Value (in \$ millions)	% of Total Fund					
<b>GLOBAL/LARGE BUYOUT</b>							
Advent International Group	140.3	0.2%	*	S+	3	C	4
Blackstone Management	277.3	0.4%	1	S-	4	C	5
CVC Capital Partners	366.5	0.5%	5	S+	4	A	4
Green Equity Investors	310.6	0.4%	2	S+	3	B	4
Hellman & Friedman	433.5	0.6%	3	S+	3	B	4
MBK	279.9	0.4%	1	S	4	A	2
Silver Lake Partners	608.7	0.8%	5	S+	3	B	5
Thoma Bravo LLC	87.3	0.1%	*	S+	3	B	3
Vista Equity Partners	868.4	1.1%	4	S-	3	A	2
<b>MID-MARKET BUYOUT</b>							
Accel-KKR Capital Partners	80.1	0.1%	*	S	3	A	2
BlackFin Capital Partners	10.0	0.0%	*	S	3	B	2
Carlyle Group	343.1	0.5%	3	S+	4	A	4
Clearlake Capital	451.5	0.6%	5	S+	4	A	4
GHO Capital	-0.9	0.0%	*	S	3	B	2
Gilde Partners	112.3	0.1%	4	S-	2	C	5
Harvest Partners	105.5	0.1%	5	S	1	C	2
Marlin Equity	30.5	0.0%	1	S-	2	C	3
Onex Partners	288.2	0.4%	2	S	4	A	5
PAI	117.9	0.2%	*	S-	2	B	4
Riverside Capital	83.6	0.1%	1	S+	3	A	3
Siris Capital Group	125.5	0.2%	2	S+	3	A	4
Sterling Partners	110.9	0.1%	4	S	3	A	4
STG Partners	14.3	0.0%	*	S	3	A	3
Triton	100.6	0.1%	*	S-	3	C	5
Veritas Capital	-0.3	0.0%	*	S+	3	B	3
Vinci Partners	36.6	0.0%	*	S	4	B	5
Webster Equity Partners	-1.6	0.0%	*	S	3	B	2
Wynnchurch Capital	19.0	0.0%	*	S+	3	B	3
<b>SMALL BUYOUT</b>							
AE Industrial Partners	100.3	0.1%	*	S+	3	A	3
Atlantic Street Capital	39.3	0.1%	*	S	3	A	3
Clarion	14.9	0.0%	*	S	2	C	4
Excellere Partners	120.0	0.2%	5	S-	3	A	3
Incline Equity Partners	36.6	0.0%	3	S	2	C	4
Insignia Capital Partners	138.0	0.2%	4	S	1	B	5
Juggernaut Capital Partners	282.1	0.4%	3	S	3	A	4
Lightyear Capital	216.8	0.3%	5	S	2	A	5
Livingbridge	51.0	0.1%	2	S+	4	A	3
Montefiore Investment	2.8	0.0%	*	S	4	B	4
One Rock Capital Partners	122.5	0.2%	2	S	3	A	4
Palladium Equity Partners	96.1	0.1%	1	S-	4	C	2

PRIVATE EQUITY

**PRIVATE MARKETS MANAGER SCORECARD**  
4th Quarter 2021

			Performance	Organization & Operations	ESG	Partnership	Fees & Terms
			1 to 5 <i>(with 5 the best)</i>	S+, S, or S- <i>(with S+ the best)</i>	1 to 5 <i>(with 5 the best)</i>	A, B, or C <i>(with A the best)</i>	1 to 5 <i>(with 5 the best)</i>
			SCORE	SCORE	SCORE	SCORE	SCORE
Manager	Market Value (in \$ millions)	% of Total Fund					
<b>GROWTH EQUITY</b>							
Australis Partners	89.6	0.1%	1	S	4	B	5
JMI Equity	3.4	0.0%	2	S	3	C	2
RedBird Capital Partners	137.0	0.2%	*	S	4	A	4
Summit Partners	79.6	0.1%	5	S+	3	B	4
TA Associates	81.0	0.1%	*	S+	4	B	4
Technology Crossover Ventures	24.3	0.0%	4	S	2	B	3
<b>VENTURE CAPITAL</b>							
BlueRun Ventures	99.9	0.1%	4	S	2	A	2
Canaan Partners	137.3	0.2%	2	S+	3	A	4
GGV Capital	611.5	0.8%	1	S	3	A	3
Institutional Venture Partners	240.3	0.3%	3	S	1	C	5
Joy Capital	82.8	0.1%	*	S	2	A	4
Lilly Asia Ventures	184.9	0.2%	5	S	4	B	2
Sinovation Ventures	80.9	0.1%	1	S	2	B	2
Storm Ventures LLC	171.7	0.2%	3	S	3	A	4
Union Square	209.5	0.3%	5	S+	1	B	5
<b>SPECIAL SITUATIONS</b>							
Alchemy Partners	27.4	0.0%	*	S	3	B	4
Black Diamond	126.2	0.2%	1	S	3	C	4
Centerbridge	94.9	0.1%	5	S	4	A	2
<b>FUND OF FUNDS</b>							
Gateway	844.6	1.1%	5	S	3	B	4
MS GTB Capital Partners	300.4	0.4%	1	S	4	A	2
J.P. Morgan	460.5	0.6%	3	S+	+	B	4

PRIVATE EQUITY  
*(continued)*

**PRIVATE MARKETS MANAGER SCORECARD**  
4th Quarter 2021

			Performance	Organization & Operations	ESG	Partnership	Fees & Terms
			1 to 5 (with 5 the best)	S+, S, or S- (with S+ the best)	1 to 5 (with 5 the best)	A, B, or C (with A the best)	1 to 5 (with 5 the best)
			SCORE	SCORE	SCORE	SCORE	SCORE
Manager	Market Value (in \$ millions)	% of Total Fund					
<b>COMMINGLED FUNDS</b>							
AERMONT Real Estate Fund IV	15.0	0.0%	*	S	4	B	3
AEW Value Investors Asia III	50.9	0.1%	3	S	4	A	4
AG Asia Realty Fund IV	54.7	0.1%	*	S	3	B	3
AG Europe Realty Fund II	56.5	0.1%	4	S	3	B	3
Bain Capital Real Estate Fund I	82.9	0.1%	*	S	2	A	3
Bain Capital Real Estate Fund II	9.1	0.0%	*	S	2	A	3
CapMan Nordic Real Estate Fund II	52.7	0.1%	3	S	3	A	3
CapMan Nordic Real Estate Fund III	14.9	0.0%	*	S	3	A	3
Capri Urban Investors	3.0	0.0%	3	S-	1	C	3
CityView Bay Area Fund II	76.0	0.1%	1	S	2	A	3
CityView Southern California Fund II	1.0	0.0%	2	S	2	A	3
CityView Western Fund I, L.P.	155.0	0.2%	4	S	2	A	3
Core Property Index Fund	111.0	0.1%	*	S	2	B	5
Europa Fund IV	12.2	0.0%	1	S	3	A	2
Heitman Asia-Pacific Property Investors	45.1	0.1%	2	S	4	B	4
Invesco Real Estate Asia Fund	162.2	0.2%	4	S	4	A	5
Prologis European Logistics Fund (PELF)	208.0	0.3%	5	S	4	A	1
RREEF Core Plus Industrial Fund (CPIF)	231.1	0.3%	5	S	3	A	5
Starwood Capital Hospitality Fund	21.4	0.0%	1	S	2	A	3
TPG Real Estate Partners III	35.5	0.0%	*	S	3	A	3
<b>SEPARATE ACCOUNTS</b>							
Cityview Core I.M.A.	194.0	0.3%	1	S	2	A	1
Clarion I.M.A.	362.0	0.5%	4	S	4	A	4
Clarion Takeover Core IMA	340.0	0.4%	*	S	4	A	4
Clarion Takeover Value IMA	58.0	0.1%	*	S	4	A	3
Clarion Takeover Value IMA Vintage 2012	2.0	0.0%	*	S	4	A	4
Heitman I.M.A.	570.0	0.8%	4	S	3	A	4
RREEF Core/High Return I.M.A. III	837.6	1.1%	2	S	3	A	5
RREEF Takeover I.M.A.	733.2	1.0%	*	S	3	A	4
Stockbridge I.M.A.	685.2	0.9%	5	S	3	A	4
Stockbridge High I.M.A. Vintage 2014	89.7	0.1%	3	S	3	A	5
Stockbridge Value I.M.A. Vintage 2014	27.4	0.0%	1	S	3	A	3

REAL ESTATE

## PRIVATE MARKETS MANAGER SCORECARD

4th Quarter 2021

HEDGE FUNDS &  
ILLIQUID CREDIT

			Performance <i>1 to 5 (with 5 the best)</i>	Organization & Operations <i>S+, S, or S- (with S+ the best)</i>	ESG <i>1 to 5 (with 5 the best)</i>	Partnership <i>A, B, or C (with A the best)</i>	Fees & Terms <i>1 to 5 (with 5 the best)</i>
			SCORE	SCORE	SCORE	SCORE	SCORE
Manager	Market Value (in \$ millions)	% of Total Fund					
<b>HEDGE FUNDS</b>							
AM Asia	175.9	0.2%	4	S	2	A	5
Brevan Howard	548.6	0.7%	4	S+	2	B	2
Capula GRV	526.1	0.7%	5	S	1	A	3
Caxton	206.5	0.3%	5	S	3	B	3
DK Institutional Partners	492.5	0.7%	4	S	1	B	3
HBK Multistrategy	556.3	0.7%	4	S	1	A	3
Hudson Bay	631.2	0.8%	5	S	1	B	3
Polar	462.2	0.6%	5	S	2	B	4
Stable	174.9	0.2%	*	S	2	A	5
<b>ILLIQUID CREDIT</b>							
Barings	73.8	0.1%	1	S	3	A	5
Beach Point	532.9	0.7%	5	S+	1	A	3
Glendon	134.3	0.2%	3	S	1	B	2
Magnetar	524.7	0.7%	*	S	2	A	4
Napier Park	741.3	1.0%	*	S	2	A	4
Oaktree	87.9	0.1%	3	S	2	B	2
PIMCO Tac Opps	747.6	1.0%	4	S-	1	B	4
Quadrant	83.2	0.1%	1	S+	1	A	5

### Footnotes

- Pillar methodologies in refinement and may evolve over time

### Category Descriptions

#### Performance

- Quarterly score based on risk-adjusted performance metrics over time
- '\*' denotes a manager with an inception date of less than 3 years

#### Organization & Operations

- Includes factors such as organization, professional staff, investment philosophy & process, risk management, legal & compliance framework, diversity & inclusion
- 'S' stands for Satisfactory

#### ESG

- Evaluates the extent to which material ESG factors are identified, assessed, and incorporated into risk/return analysis and portfolio construction
- '+' denotes mandates where ESG scores are currently under review

#### Partnership

- Assesses the quality of investment manager relationships both quantitatively and qualitatively

#### Fees & Terms

- Compares various fees and terms within each asset category, strategy and/or investment structure

Appendix III

Firm Name	Baird Advisors	Bivium Capital Partners, LLC	BlackRock	Brandywine Global Investment Management, LLC
Is the firm a PRI signatory?	Yes	---	Yes	Yes
Do you align investment processes to best practices for responsible investment and ESG integration?	---	---	---	---
Please list the year the firm first signed the PRI	2021	---	2008	2016
What is the firm's most recent PRI Strategy and Governance firm score?	---	---	A+	A
Are you a member of any responsible investment collaborative organizations?	False	---	True	True
Does your firm currently advocate, or belong to advocacy groups, for ESG issues?	False	---	True	True
Does the firm engage or advocate for ESG improvements within its portfolio holdings?	Yes	---	Yes	Yes
How are potential engagements identified, prioritized, and tracked?*				
Do you have a formal engagement policy?	Yes	---	Yes	Yes
Does the firm exercise its ownership rights through voting?	True	---	True	True
Does the firm have a global policy around proxy voting?	True	---	True	True
Description of proxy voting policy*				
Is there a dedicated ESG oversight function at your firm?	True	---	True	True
How many full-time Responsible Investing / ESG professionals does the firm employ?	0	---	---	1
ESG monitoring oversight by dedicated group or within investment teams?	Inv Teams	---	Hybrid	Hybrid
Policies to promote diversity in recruiting, workforce, leadership, and/or board representation?	Yes	---	Yes	Yes
Policies in place to increase of gender/ethnic diversity of senior leadership and investment teams?	Yes	---	Yes	No
Does firm track KPIs related to staff diversity initiatives?	Yes	---	Yes	---
Does your firm have a mentorship program available for women/minorities?	True	---	True	True
Has your firm undertaken a gender or ethnic diversity pay gap study?	Yes	---	Yes	Yes
Policies in place to remedy pay gaps?	NA	---	Yes	Not yet
Does your firm have a pay-parity policy in place?	True	---	True	False
Does your firm have an ethics code and/or code of conduct?	Both	---	Both	Both
Do you have a firm-wide policy on ESG/Responsible Investment?	True	---	True	True
Does firm have committees/councils that address ESG issues in the workplace?	Yes	---	No	Yes
Does your firm publish an annual sustainability report?	False	---	True	False
Does the firm have efforts in place to measure/reduce its carbon footprint?	Yes	---	Yes	Yes

\* - Separate table included

Firm Name	Capital Group	Franklin Resources, Inc.	Kennedy Capital Management, Inc.	Loomis, Sayles & Company, L.P.
Is the firm a PRI signatory?	Yes	Yes	Yes	Yes
Do you align investment processes to best practices for responsible investment and ESG integration?	---	---	---	---
Please list the year the firm first signed the PRI	2010	2013	2018	2015
What is the firm's most recent PRI Strategy and Governance firm score?	A+	A+	A+	28
Are you a member of any responsible investment collaborative organizations?	True	True	True	True
Does your firm currently advocate, or belong to advocacy groups, for ESG issues?	True	True	True	True
Does the firm engage or advocate for ESG improvements within its portfolio holdings?	Yes	Yes	Yes	Yes
How are potential engagements identified, prioritized, and tracked?*				
Do you have a formal engagement policy?	Yes	Yes	No	No
Does the firm exercise its ownership rights through voting?	True	True	True	True
Does the firm have a global policy around proxy voting?	True	True	True	True
Description of proxy voting policy*				
Is there a dedicated ESG oversight function at your firm?	True	True	True	True
How many full-time Responsible Investing / ESG professionals does the firm employ?	39	9	1	4
ESG monitoring oversight by dedicated group or within investment teams?	Hybrid	Hybrid	Inv Teams	Inv Teams
Policies to promote diversity in recruiting, workforce, leadership, and/or board representation?	Yes	Yes	Yes	Yes
Policies in place to increase of gender/ethnic diversity of senior leadership and investment teams?	Yes	Not yet	Yes	No
Does firm track KPIs related to staff diversity initiatives?	Yes	---	Yes	---
Does your firm have a mentorship program available for women/minorities?	True	True	False	True
Has your firm undertaken a gender or ethnic diversity pay gap study?	Yes	Yes	No	Yes
Policies in place to remedy pay gaps?	Yes	Yes	---	Yes
Does your firm have a pay-parity policy in place?	True	True	False	False
Does your firm have an ethics code and/or code of conduct?	Both	Both	Both	Both
Do you have a firm-wide policy on ESG/Responsible Investment?	True	True	True	True
Does firm have committees/councils that address ESG issues in the workplace?	Yes	Yes	Yes	Yes
Does your firm publish an annual sustainability report?	True	False	True	True
Does the firm have efforts in place to measure/reduce its carbon footprint?	Yes	Yes	Yes	Yes

\* - Separate table included

Firm Name	Mondrian Investment Partners Limited	Newton Investment Management Group	The TCW Group, Inc.	William Blair Investment Management, LLC
Is the firm a PRI signatory?	Yes	---	Yes	Yes
Do you align investment processes to best practices for responsible investment and ESG integration?	---	---	---	---
Please list the year the firm first signed the PRI	2016	---	2019	2011
What is the firm's most recent PRI Strategy and Governance firm score?	---	---	---	A
Are you a member of any responsible investment collaborative organizations?	True	---	True	True
Does your firm currently advocate, or belong to advocacy groups, for ESG issues?	True	True	True	True
Does the firm engage or advocate for ESG improvements within its portfolio holdings?	Yes	Yes	Yes	Yes
How are potential engagements identified, prioritized, and tracked?*				
Do you have a formal engagement policy?	Yes	---	Yes	Yes
Does the firm exercise its ownership rights through voting?	True	True	True	True
Does the firm have a global policy around proxy voting?	True	False	True	True
Description of proxy voting policy*				
Is there a dedicated ESG oversight function at your firm?	True	True	True	True
How many full-time Responsible Investing / ESG professionals does the firm employ?	1	10	5	1
ESG monitoring oversight by dedicated group or within investment teams?	Inv Teams	Inv Teams	Inv Teams	Hybrid
Policies to promote diversity in recruiting, workforce, leadership, and/or board representation?	Yes	Yes	Yes	Yes
Policies in place to increase of gender/ethnic diversity of senior leadership and investment teams?	No	Yes	Yes	Yes
Does firm track KPIs related to staff diversity initiatives?	---	Yes	Yes	No
Does your firm have a mentorship program available for women/minorities?	False	True	False	True
Has your firm undertaken a gender or ethnic diversity pay gap study?	No	Yes	Not yet	No
Policies in place to remedy pay gaps?	---	Yes	---	---
Does your firm have a pay-parity policy in place?	True	True	True	False
Does your firm have an ethics code and/or code of conduct?	Both	Both	Both	Both
Do you have a firm-wide policy on ESG/Responsible Investment?	True	True	True	True
Does firm have committees/councils that address ESG issues in the workplace?	No	---	Yes	Yes
Does your firm publish an annual sustainability report?	False	---	False	False
Does the firm have efforts in place to measure/reduce its carbon footprint?	Yes	Yes	Yes	Yes

\* - Separate table included



Appendix IV

Boxes marked with an 'X' mean the category information will be collected by Staff and included in the report. Full monitoring questionnaire responses will be reviewed and retained by Staff.

Public markets managers	Privates/real estate/absolute return managers	Other ACERA service providers (ex., consultants)
-------------------------------	---	--

	Public markets managers	Privates/real estate/absolute return managers	Other ACERA service providers (ex., consultants)
<b>Firm level</b>			
Brief description of ESG Policy, if any	eVestment	X	X
Brief description of firm level D&I initiatives	eVestment	X	X
D&I firm statistics	eVestment	X	X
ESG governance at firm level (committee, head of ESG, etc.)	eVestment	X	X
ESG changes/enhancements since last survey	eVestment	X	X
<b>Strategy level</b>			
Brief description of how ESG factors are integrated into the investment process, if at all	eVestment	X	N/A
Brief description of material ESG risk mitigation factors incorporated into the investment approach, if at all	X	X	N/A
Brief description of engagement with companies, if any	eVestment	X	N/A
ESG changes/enhancements since last survey	eVestment	X	N/A
<b>Proxy voting</b>			
Summary of proxy voting report from ESG standpoint, if available	eVestment	N/A	N/A
<b>Consulting capabilities</b>			
Overview of ESG services offered	N/A	N/A	X
Overview of emerging/diverse manager services offered	N/A	N/A	X
ESG changes/enhancements since last survey	N/A	N/A	X



Board Presentation to ACERA  
June 8<sup>th</sup>, 2022



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## Agenda:

- Recap ISS Public Fund Voting Guidelines
- ISS Stewardship Report
- Comparative Vote Recommendations:
  - Amazon
  - Alphabet
  - UBS Group
- Appendix:
  - Comparative Policy Perspective CY2021

# Recap

## ISS Public Fund Voting Guidelines

### Fiduciary Proxy Voting Guidelines for Public Plan Sponsors

Public fund fiduciaries and their investment managers are required to vote proxies solely in the best interest of plan participants and beneficiaries. As fiduciaries, public funds trustees must act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The execution of proxy-voting rights at shareholder meetings is a required duty of pension fund fiduciaries. The U.S. Department of Labor (DOL) has stated that the fiduciary act of managing plan assets that are shares of corporate stock includes the voting of proxies appurtenant to those shares of stock and that trustees may delegate this duty to an investment manager.<sup>1</sup> While public pension plans are not directly subject to the Employee Retirement Income Security Act of 1974 (ERISA), most do generally comply with the position set forth by the U.S. Department of Labor in 1988 with regard to the fiduciary responsibilities governing the voting of shares of stock owned by the plan.

These proxy voting guidelines are designed to help ensure that public funds fulfill all statutory and common law obligations governing proxy voting, with the intent of maximizing the long-term economic benefits of its plan participants, beneficiaries, and citizens of the state in which the fund resides. This includes an obligation to vote proxies in a manner consistent with sound corporate governance and responsible corporate citizenship. Sound corporate governance and responsible corporate practices lead to increased long-term shareholder value.

While these guidelines often provide explicit guidance on how to vote proxies with regard to specific issues that appear on ballot, they are not intended to be exhaustive. Hundreds of issues appear on proxy ballots every year; as such, it is neither practical nor reasonable to fashion voting guidelines and policies which attempt to address every eventuality. Rather, these guidelines are intended to cover the most significant and frequent proxy issues that arise. Each proxy issue should be subject to a rigorous analysis of the economic impact of the issue on the long-term share value. All votes shall be cast solely in the long-term interest of the participants and beneficiaries of the plan.

These proxy voting guidelines address a broad range of issues, including election of directors, executive compensation, auditor ratification, proxy contests, mergers and acquisitions, and tender offer takeover defenses. In addition to governance issues, these guidelines address broader issues of corporate citizenship that can also have a direct impact on corporate performance and important stakeholder interests, including climate risk, job security and wage parity, local economic development and stability, and workplace safety and health issues. In accordance with state laws, the policies take into consideration actions that promote good corporate citizenship through the proxy process.

Footnote:

<sup>1</sup> Most public sector pension plans, regulatory bodies, and professional associations have adopted the views of the U.S. Department of Labor on fiduciary duties related to proxy voting. The Department of Labor's Employee Benefits Security Administration (previously known as the Pension and Welfare Benefits Administration) has stated in opinion letters and an interpretative bulletin that the voting rights related to shares of stock held by pension plans are plan assets. Therefore, according to the Department, "the fiduciary act of managing plan assets which are shares of corporate stock would include the voting of proxies appurtenant to those shares of stock." Sources include: the Department of Labor Opinion Letter (Feb. 23, 1988), reprinted in 15 Pens. Rep. (BNA), 391, the Department of Labor Opinion Letter (Jan. 23, 1990), reprinted in 17 Pens. Rep. (BNA), 244 and the Interpretative Bulletin, 94-2.

# ISS Stewardship Report

YTD January 2022 through May 31, 2022



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# STEWARDSHIP REPORT JANUARY 1<sup>ST</sup> THROUGH May 31, 2022

## Stewardship Report | Alameda County Employees Retirement Ass. (ACERA)

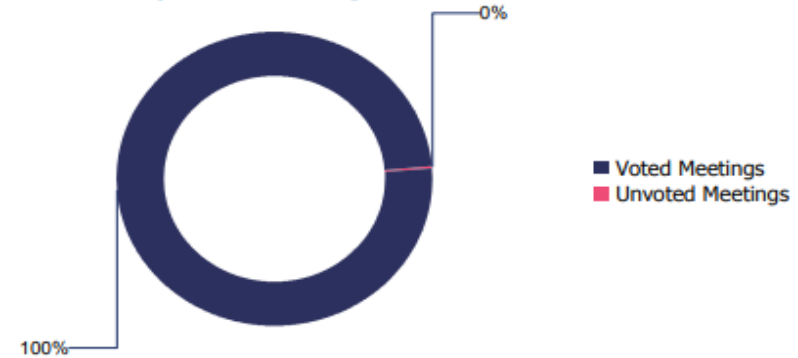
Reporting Period: 01-Jan-2022 to 31-May-2022



### Meeting Overview

Category	Number
Votable Meetings	558
Meetings Voted	556
Proxy Contests Voted	0
Meetings with Against Management Votes	409
Meetings with Against ISS Votes	289

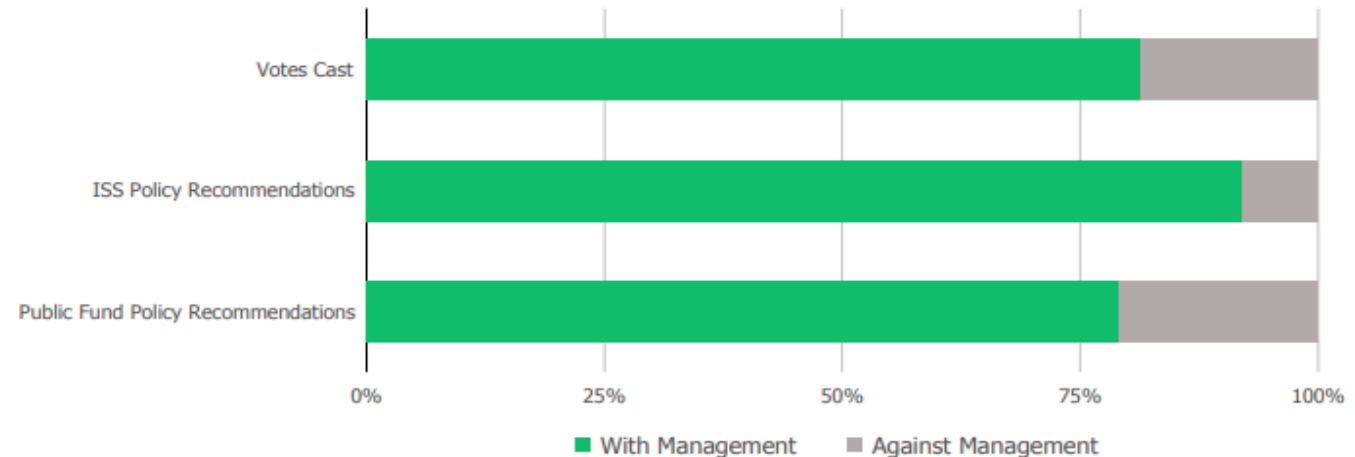
### Comparison of Meetings Voted



With 558 meetings available to vote during the period, 556 were voted, equating to approximately 100% of the votable meetings with close to 0% unvoted.

### Alignment with Management

- > Comparing vote cast alignment with management recommendations highlights similarities and differences between your governance philosophies and the investee's approach to key corporate governance issues.
- > The votes cast on Alameda County Employees Retirement Ass. (ACERA) ballots during the reporting period are aligned with management recommendations in 81% of cases, while the ISS Benchmark Policy recommendations are at 92% alignment with management recommendations.
- > The recommendations of the Public Fund policy, follow management recommendations for 79% of proposals.



# STEWARDSHIP REPORT JANUARY 1<sup>ST</sup> THROUGH May 31, 2022

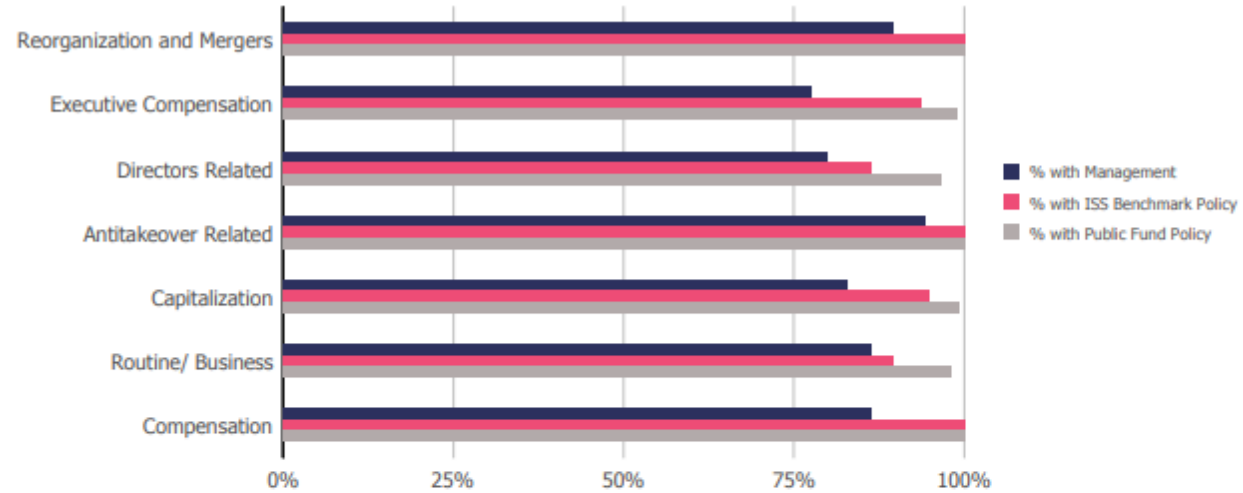
## Stewardship Report | Alameda County Employees Retirement Ass. (ACERA)

Reporting Period: 01-Jan-2022 to 31-May-2022



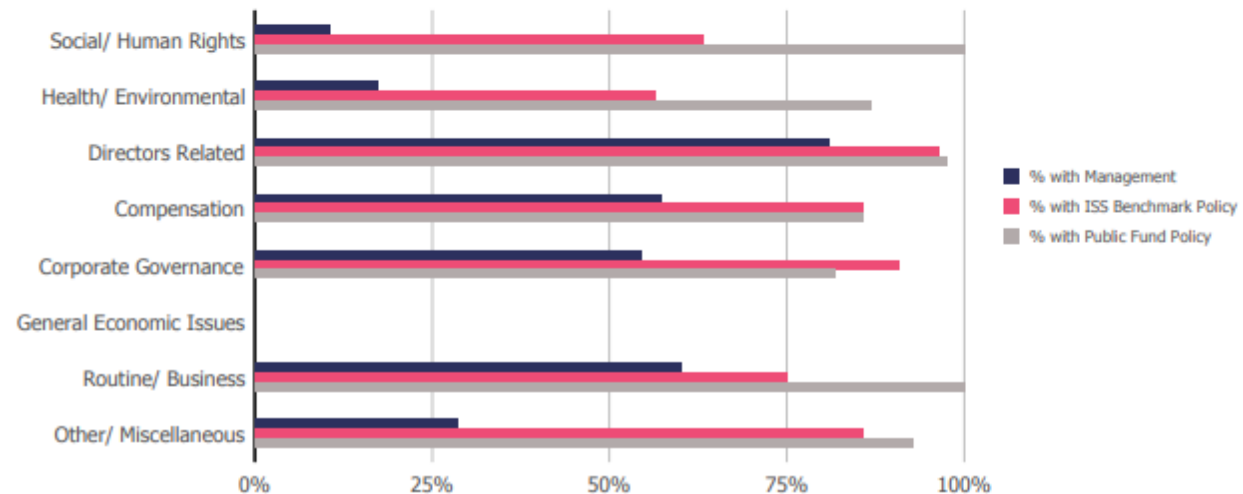
### Votes Cast on Management Proposal Categories

- › Comparing votes cast to management, ISS Benchmark Policy and the Public Fund Policy recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by management against these benchmarks.
- › Votes cast during the reporting period were least in line with management on Executive Compensation matters, where only 78% of votes followed management recommendations.
- › Across categories, votes cast on management proposals show the closest alignment to the Public Fund Policy guidelines.



### Votes Cast on Shareholder Proposal Categories

- › Votes cast on shareholder proposals, in opposition to management, reflect Alameda County Employees Retirement Ass. (ACERA) support for proposals submitted by shareholders.
- › During the reporting period, Alameda County Employees Retirement Ass. (ACERA) has shown the highest level of support for shareholder proposals related to Social/ Human Rights, at 90% and the lowest level of support for shareholder proposals related to Directors Related, with 19% of proposals supported in this category.
- › Across categories, votes cast on shareholder proposals show the closest alignment to the Public Fund Policy guidelines.



## Comparative Vote Recommendations - 2022 Meetings:

- Amazon
- Alphabet
- UBS Group



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# AMAZON.COM INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Amazon.com Inc Key Takeaways May 25, 2022 Meeting

### ISS Benchmark Policy

ISS Proxy Analysis & Benchmark Policy Voting Recommendations



## Amazon.com, Inc.

### Key Takeaways

Directors Daniel Huttenlocher and Judith McGrath have been targeted in a Vote No Campaign on the grounds that, as longstanding members of the Leadership Development and Compensation Committee, they have not adequately overseen the company's human capital management related risks. Although a vote against these directors is not warranted at this time, shareholders may want to engage with the company to better understand what steps it is taking to manage and mitigate human capital management related risks.

The CEO and other NEOs received large equity grants that lack objective performance criteria, exacerbating a misalignment between pay and performance.

Support for items 6, 13, and 19 is warranted, as shareholders would benefit from increased transparency and disclosure on how the company is managing human rights-related risks.

Shareholder support for Items 7 and 16 is warranted, as the company faces significant controversies related to its warehouse working conditions and a report on a third-party audit of its warehouse operations and having a non-management employee on the board could help the company resolve worker grievances and address shareholder concerns.

Support for the shareholder proposal seeking a report on plastic pollution (Item 8) is warranted as shareholder would benefit from additional information on the company's management of plastic pollution prevention and how it is mitigating related risks.

Support for the proposal requesting lobbying payments and policy disclosure (Item 14) is warranted, as additional disclosure on direct and indirect lobbying and board oversight would help shareholders better assess risks and benefits associated with the company's participation in the public policy process.

Shareholder support for the resolution requesting a gender and racial median pay gap report (Item 17) is warranted, as such increased disclosure would allow shareholders to better assess the company's management of related risks and benefits.

### QualityScore



Meeting Type: Annual (Virtual)  
Meeting Date: 25 May 2022  
Record Date: 31 March 2022  
Meeting ID: 1636981

NASDAQ: AMZN  
Index: S&P 500  
Sector:  
Internet & Direct Marketing Retail  
GICS: 25502020

Primary Contacts  
Marc Goldstein, JD  
Daniel Radakovich – Material  
Company Updates  
Liz Williams – Compensation  
Enver Fitch, Kathy Belyeu, Hailey  
Knowles – E&S & "Vote-No" Analysis  
[U.S. Research Help Center](#)

### Agenda & Recommendations

Policy: United States  
Incorporated: Delaware, USA

Item	Code	Proposal	Board Rec.	ISS Rec.
<b>MANAGEMENT PROPOSALS</b>				
1a	M0201	Elect Director Jeffrey P. Bezos	FOR	FOR
1b	M0201	Elect Director Andrew R. Jassy	FOR	FOR
1c	M0201	Elect Director Keith B. Alexander	FOR	FOR
1d	M0201	Elect Director Edith W. Cooper	FOR	FOR
1e	M0201	Elect Director Jamie S. Gorelick	FOR	FOR
▶1f	M0201	Elect Director Daniel P. Huttenlocher	FOR	FOR

Report Contents

### Public Fund Policy

Public Fund Advisory Services' Policy Voting Recommendations



## Amazon.com, Inc.

Meeting Type: Annual (Virtual)  
Meeting Date: 25 May 2022  
Record Date: 31 March 2022  
Meeting ID: 1636981

NASDAQ: AMZN  
Index: S&P 500  
Sector: Internet & Direct Marketing Retail  
GICS: 25502020

### Proxy Alert

Alert Date: 18 May 2022  
Original Publication Date: 13 May 2022

This alert updates the analysis for Amazon.com, Inc., published May 13, 2022, with respect to Item 1f (Elect Director Daniel P. Huttenlocher) and Item 1g (Elect Director Judith A. McGrath). Upon further review of the concerns raised regarding the company's human capital management, support for the incumbent members of the Leadership Development and Compensation Committee, Daniel Huttenlocher and Judith McGrath, is not considered warranted. An updated analysis is shown below.

All other vote recommendations remain unchanged.

### Agenda & Recommendations

Policy: Public Fund  
Incorporated: Delaware, USA

Item	Code	Proposal	Board Rec.	P-F Rec.
<b>MANAGEMENT PROPOSALS</b>				
1a	M0201	Elect Director Jeffrey P. Bezos	FOR	FOR
1b	M0201	Elect Director Andrew R. Jassy	FOR	FOR
1c	M0201	Elect Director Keith B. Alexander	FOR	FOR
1d	M0201	Elect Director Edith W. Cooper	FOR	FOR
1e	M0201	Elect Director Jamie S. Gorelick	FOR	FOR
1f	M0201	Elect Director Daniel P. Huttenlocher	FOR	AGAINST
1g	M0201	Elect Director Judith A. McGrath	FOR	AGAINST
1h	M0201	Elect Director Indra K. Nooyi	FOR	FOR
1i	M0201	Elect Director Jonathan J. Rubinstein	FOR	AGAINST
1j	M0201	Elect Director Patricia Q. Stonesifer	FOR	AGAINST
1k	M0201	Elect Director Wendell P. Weeks	FOR	FOR
2	M0101	Ratify Ernst & Young LLP as Auditors	FOR	AGAINST
3	M0550	Advisory Vote to Ratify Named Executive Officers' Compensation	FOR	AGAINST
4	M0307	Approve 20:1 Stock Split	FOR	FOR

# AMAZON.COM INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## ISS Benchmark Policy

Amazon.com, Inc. (AMZN) Meeting Date: 25 May 2022  
POLICY: United States Meeting ID: 1636981

Item	Code	Proposal	FOR	AGAINST
▶1g	M0201	Elect Director Judith A. McGrath	FOR	FOR
1h	M0201	Elect Director Indra K. Nooyi	FOR	FOR
1i	M0201	Elect Director Jonathan J. Rubinstein	FOR	FOR
1j	M0201	Elect Director Patricia Q. Stonesifer	FOR	FOR
1k	M0201	Elect Director Wendell P. Weeks	FOR	FOR
2	M0101	Ratify Ernst & Young LLP as Auditors	FOR	FOR
3	M0550	Advisory Vote to Ratify Named Executive Officers' Compensation	FOR	AGAINST
4	M0307	Approve 20:1 Stock Split	FOR	FOR

### SHAREHOLDER PROPOSALS

5	S0742	Report on Retirement Plan Options Aligned with Company Climate Goals	AGAINST	AGAINST
6	S0412	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	AGAINST	FOR
7	S0222	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	AGAINST	FOR
8	S0781	Report on Efforts to Reduce Plastic Use	AGAINST	FOR
9	S0710	Report on Worker Health and Safety Disparities	AGAINST	AGAINST
10	S0815	Report on Risks Associated with Use of Concealment Clauses	AGAINST	AGAINST
11	S0806	Report on Charitable Contributions	AGAINST	AGAINST
12	S0429	Publish a Tax Transparency Report	AGAINST	AGAINST
13	S0414	Report on Protecting the Rights of Freedom of Association and Collective Bargaining	AGAINST	FOR
14	S0808	Report on Lobbying Payments and Policy	AGAINST	FOR
15	S0230	Require More Director Nominations Than Open Seats	AGAINST	AGAINST
16	S0710	Commission a Third Party Audit on Working Conditions	AGAINST	FOR
17	S0817	Report on Median Gender/Racial Pay Gap	AGAINST	FOR
18	S0428	Oversee and Report a Racial Equity Audit *Withdrawn Resolution*	NONE	NONE
19	S0412	Commission Third Party Study and Report on Risks Associated with Use of Rekognition	AGAINST	FOR

Shading indicates that ISS recommendation differs from Board recommendation

▶ Items deserving attention due to contentious issues or controversy

## Public Fund Policy

### Agenda & Recommendations

Policy: Public Fund  
Incorporated: Delaware, USA

Item	Code	Proposal	Board Rec.	P-F Rec.
<b>MANAGEMENT PROPOSALS</b>				
1a	M0201	Elect Director Jeffrey P. Bezos	FOR	FOR
1b	M0201	Elect Director Andrew R. Jassy	FOR	FOR
1c	M0201	Elect Director Keith B. Alexander	FOR	FOR
1d	M0201	Elect Director Edith W. Cooper	FOR	FOR
1e	M0201	Elect Director Jamie S. Gorelick	FOR	FOR
1f	M0201	Elect Director Daniel P. Huttenlocher	FOR	AGAINST
1g	M0201	Elect Director Judith A. McGrath	FOR	AGAINST
1h	M0201	Elect Director Indra K. Nooyi	FOR	FOR
1i	M0201	Elect Director Jonathan J. Rubinstein	FOR	AGAINST
1j	M0201	Elect Director Patricia Q. Stonesifer	FOR	AGAINST
1k	M0201	Elect Director Wendell P. Weeks	FOR	FOR
2	M0101	Ratify Ernst & Young LLP as Auditors	FOR	AGAINST
3	M0550	Advisory Vote to Ratify Named Executive Officers' Compensation	FOR	AGAINST
4	M0307	Approve 20:1 Stock Split	FOR	FOR

### SHAREHOLDER PROPOSALS

5	S0742	Report on Retirement Plan Options Aligned with Company Climate Goals	AGAINST	FOR
6	S0412	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	AGAINST	FOR
7	S0222	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	AGAINST	FOR
8	S0781	Report on Efforts to Reduce Plastic Use	AGAINST	FOR
9	S0710	Report on Worker Health and Safety Disparities	AGAINST	FOR
10	S0815	Report on Risks Associated with Use of Concealment Clauses	AGAINST	FOR
Title]	S0806	Report on Charitable Contributions	AGAINST	AGAINST
12	S0429	Publish a Tax Transparency Report	AGAINST	FOR
13	S0414	Report on Protecting the Rights of Freedom of Association and Collective Bargaining	AGAINST	FOR
14	S0808	Report on Lobbying Payments and Policy	AGAINST	FOR
15	S0230	Require More Director Nominations Than Open Seats	AGAINST	AGAINST
16	S0710	Commission a Third Party Audit on Working Conditions	AGAINST	FOR
17	S0817	Report on Median Gender/Racial Pay Gap	AGAINST	FOR
18	S0428	Oversee and Report a Racial Equity Audit *Withdrawn Resolution*	NONE	NONE
19	S0412	Commission Third Party Study and Report on Risks Associated with Use of Rekognition	AGAINST	FOR

# AMAZON.COM INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Director Election

### ISS Benchmark Policy

Amazon.com, Inc. (AMZN)  
POLICY: United States

Meeting Date: 25 May 2022  
Meeting ID: 1636981

#### Meeting Agenda & Proposals

##### Items 1a-1k. Elect Directors

FOR

###### VOTE RECOMMENDATION

Cautionary votes FOR directors Daniel Huttenlocher and Judith McGrath are warranted, as the company could provide additional information that would allow investors to better understand how the company is managing and mitigating human capital management related risks.

A vote FOR all other directors is warranted.

###### BACKGROUND INFORMATION

Policies: [Board Accountability](#) | [Board Responsiveness](#) | [Director Competence](#) | [Director Independence](#) | [Election of Directors](#) | [ISS Categorization of Directors](#) | [Vote No campaigns](#)

**Vote Requirement:** The company has adopted a majority vote standard (of shares cast) for the election of directors with a plurality carve-out for contested elections, and has a director resignation policy in its bylaws/charter.

###### Discussion

Please see the [Board Profile](#) section above for more information on director nominees.

### Public Fund Policy

Amazon.com, Inc. (AMZN)  
POLICY: Public Fund

Meeting Date: 25 May 2022  
Meeting ID: 1636981

#### Meeting Agenda & Proposals

##### Items 1a-1k. Elect Directors

SPLIT

###### VOTE RECOMMENDATION

Votes AGAINST Jonathan Rubinstein and Patricia Stonesifer are warranted for serving as non-independent members of a key board committee.

Cautionary votes FOR directors Daniel Huttenlocher and Judith McGrath are warranted, as the company could provide additional information that would allow investors to better understand how the company is managing and mitigating human capital management related risks.

A vote FOR the remaining director nominees is warranted.

###### BACKGROUND INFORMATION

Policies: [Board Accountability](#) | [Board Responsiveness](#) | [Director Competence](#) | [Director Independence](#) | [Election of Directors](#) | [Public Fund Advisory Services Categorization of Directors](#) | [Vote No campaigns](#)

**Vote Requirement:** The company has adopted a majority vote standard (of shares cast) for the election of directors with a plurality carve-out for contested elections, and has a director resignation policy in its bylaws/charter.

###### Discussion

Please see the [Board Profile](#) section above for more information on director nominees.

# AMAZON.COM INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Auditor Ratification

### ISS Benchmark Policy

Amazon.com, Inc. (AMZN)  
POLICY: United States

Meeting Date: 25 May 2022  
Meeting ID: 1636981

Item 2. Ratify Ernst & Young LLP as Auditors	FOR
<b>VOTE RECOMMENDATION</b>	
A vote FOR this proposal to ratify the auditor is warranted.	
<b>BACKGROUND INFORMATION</b>	
Policies: <a href="#">Auditor Ratification</a>	
Vote Requirement: Majority of votes cast (abstentions count as votes against)	
Discussion	
<b>AUDIT FIRM INFORMATION</b>	

### Public Fund Policy

Item 2. Ratify Ernst & Young LLP as Auditors	AGAINST
<b>VOTE RECOMMENDATION</b>	
A vote AGAINST this item is warranted as the auditor's tenure at the company exceeds seven years.	
<b>BACKGROUND INFORMATION</b>	
Policies: <a href="#">Auditor Ratification</a>	
Vote Requirement: Majority of votes cast (abstentions count as votes against)	
Discussion	
<b>AUDIT FIRM INFORMATION</b>	
The board recommends that Ernst & Young LLP be reappointed as the company's independent audit firm.	

# AMAZON.COM INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Shareholder Proposal Climate Goals

### ISS Benchmark Policy

#### Item 5. Report on Retirement Plan Options Aligned with Company Climate Goals

**AGAINST**

##### VOTE RECOMMENDATION

A vote AGAINST this resolution is warranted. The company offers an option to employees that want to invest more responsibly, even if it is not well-promoted. The Department of Labor is finalizing rules on how ESG factors should be considered by fiduciaries. Still, this may be a growing potential risk for the company if it does not make any changes.

##### BACKGROUND INFORMATION

Policies: [Climate Change/Greenhouse Gas \(GHG\) Emissions](#)

Vote Requirement: Majority of votes cast (abstentions count against; broker non-votes not counted)

##### Discussion

##### PROPOSAL

As You Sow has filed a precatory proposal requesting an assessment from the board about how well Amazon's retirement plan options align with its climate goals.

Specifically, the "resolved clause" states:

"BE IT RESOLVED: Shareholders request the Board, at reasonable expense and excluding proprietary information, prepare a report reviewing the Company's retirement plan options with the board's assessment of how the Company's current retirement plan options align with its climate action goals."

### Public Fund Policy

#### Item 5. Report on Retirement Plan Options Aligned with Company Climate Goals

**FOR**

##### VOTE RECOMMENDATION

A vote FOR this resolution is warranted as shareholders and employees would benefit from additional information regarding the company's initiatives on sustainable investment options, as they can further ensure positive sustainability performance. The report would also allow shareholders to better assess whether the company is adhering to its stated climate goals and its management of related risks.

##### BACKGROUND INFORMATION

Policies: [Climate Change/Greenhouse Gas \(GHG\) Emissions](#)

Vote Requirement: Majority of votes cast (abstentions count against; broker non-votes not counted)

##### Discussion

##### PROPOSAL

As You Sow has filed a precatory proposal requesting an assessment from the board about how well Amazon's retirement plan options align with its climate goals.

Specifically, the "resolved clause" states:

# AMAZON.COM INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Shareholder Proposal Worker Health & Safety

### ISS Benchmark Policy

### Public Fund Policy

#### Item 9. Report on Worker Health and Safety Disparities

**AGAINST**

##### VOTE RECOMMENDATION

A vote AGAINST this proposal is warranted. The proposal is overly broad in scope, and such disclosure is not a standard industry practice at this time.

**Vote Requirement:** Majority of votes cast (abstentions count against; broker non-votes not counted)

##### Discussion

##### PROPOSAL

The proponent has submitted a precatory proposal requesting that Amazon.com, Inc. disclose a report on worker health and safety disparities.

The "resolved clause" of the resolution specifically states:

#### Item 9. Report on Worker Health and Safety Disparities

**FOR**

##### VOTE RECOMMENDATION

A vote FOR this proposal is warranted, as shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives.

**Vote Requirement:** Majority of votes cast (abstentions count against; broker non-votes not counted)

##### Discussion

##### PROPOSAL

The proponent has submitted a precatory proposal requesting that Amazon.com, Inc. disclose a report on worker health and safety disparities.

The "resolved clause" of the resolution specifically states:

**"Resolved:** Shareholders urge the Amazon.com ('Amazon') Board of Directors to issue a report, at reasonable cost and excluding proprietary information, examining whether Amazon's health and safety practices give rise to any racial and gender disparities in workplace injury rates among its warehouse workers and the impact of any such disparities on the long-term earnings and career advancement potential of female and minority warehouse workers.

Among other things, the report shall include lost time injury rates for all warehouse workers, broken down by race, gender and ethnicity."

ALPHABET INC.



ISSGOVERNANCE.COM

# ALPHABET INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Alphabet Inc. Inc Key Takeaways June 1st, 2022 Meeting

### ISS Benchmark Policy

ISS Proxy Analysis & Benchmark Policy Voting Recommendations



## Alphabet Inc.

### Key Takeaways

The board has taken steps to improve the transparency and performance-based nature of executive incentive pay programs. After historically granting large periodic equity awards, the committee transitioned to an annual-cycle long-term incentive program in FY21, granting half-performance conditioned awards with smaller values. Further, a formulaic annual incentive program based on environmental and social goals will be implemented in FY22. However, based on an Equity Plan Scorecard evaluation of plan cost, plan features, and grant practices, support for the equity plan proposal is not warranted (Item 3).

Support for additional disclosure about the company's lobbying (Item 5) and climate lobbying in particular (Item 6) is warranted as additional reporting on the company's lobbying-related practices and policies would benefit shareholders in assessing its management of related risks.

Support is warranted for the shareholder proposal requesting a report on the company's climate change risk mitigation for physical assets (Item 7) and for the shareholder proposal requesting a report on the company's water-related climate change risks (Item 8), as shareholders would benefit from increased transparency and disclosure on how the company is managing climate change-related risks.

Support for the shareholder resolution on overseeing a racial equity audit (Item 9) is warranted as such disclosure would allow shareholders to better assess the racial equity impacts and effectiveness of the company's policies and practices.

The adoption of a one-share, one-vote capital structure (Item 11) would improve board accountability and the rights of unaffiliated shareholders.

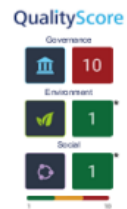
Support for the shareholder resolution on increasing algorithm disclosures (Item 15) is warranted as increased reporting will allow shareholders to track the company's progress and management of related risks.

Support for the shareholder resolution on risks of doing business in countries with significant human rights concerns (Item 13) and for the proposal regarding a human rights assessment of its management of misinformation and disinformation (Item 16) is warranted, as such assessments would benefit shareholders in assessing its management of related risks.

### Agenda & Recommendations

Policy: United States  
Incorporated: Delaware, USA

Item	Code	Proposal	Board Rec.	ISS Rec.
<b>MANAGEMENT PROPOSALS</b>				
1a	M0201	Elect Director Larry Page	FOR	FOR
1b	M0201	Elect Director Sergey Brin	FOR	FOR
1c	M0201	Elect Director Sundar Pichai	FOR	FOR
1d	M0201	Elect Director John L. Hennessy	FOR	FOR
1e	M0201	Elect Director Frances H. Arnold	FOR	FOR
1f	M0201	Elect Director L. John Doerr	FOR	FOR



**Meeting Type:** Annual (Virtual)  
**Meeting Date:** 1 June 2022  
**Record Date:** 5 April 2022  
**Meeting ID:** 1641383

**NASDAQ:** GOOGL  
**Index:** S&P 500  
**Sector:** Interactive Media & Services  
**GICS:** 50203010

**Primary Contacts**  
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Ashton Adams – Compensation  
Kathy Belyeu, Michael Berry,  
Michael Ellis, Halley Knowles – E&S  
[U.S. Research Help Center](#)

### Public Fund Policy

Public Fund Advisory Services' Policy Voting Recommendations



## Alphabet Inc.

### Key Takeaways

- The board is not majority independent.
- John Hennessy, L. John Doerr, Ann Mather and K. Ram Shriram are non-independent members of a key board committee.
- Ann Mather serves on the boards of more than four publicly-traded companies.
- Concerns are raised with respect to the excessive personal security requisite provided to the CEO.
- The company has retained the same audit firm in excess of seven years.
- The company's three-year average burn rate is excessive.
- Support for additional disclosure about the company's lobbying (Item 5) and climate lobbying in particular (Item 6) is warranted as additional reporting on the company's lobbying-related practices and policies would benefit shareholders in assessing its management of related risks.
- Support is warranted for the shareholder proposal requesting a report on the company's climate change risk mitigation for physical assets (Item 7) and for the shareholder proposal requesting a report on the company's water-related climate change risks (Item 8), as shareholders would benefit from increased transparency and disclosure on how the company is managing climate change-related risks.
- Support for the shareholder resolution on overseeing a racial equity audit (Item 9) is warranted as such disclosure would allow shareholders to better assess the racial equity impacts and effectiveness of the company's policies and practices.
- Support for the proposal (Item 10) requesting additional disclosure on the company's use of "concealment clauses" is warranted as it may bring additional information to light that could result in improved recruitment, development and retention.
- The adoption of a one-share, one-vote capital structure (Item 11) would improve board accountability and the rights of unaffiliated shareholders.
- Support for the proposal (Item 14) requesting that the company prepare a report on data collection risks is warranted as enhanced disclosure on the topic would enable shareholders to better assess how the company is managing data privacy related risks.
- Support for the shareholder resolution on increasing algorithm disclosures (Item 15) is warranted as increased reporting will allow shareholders to track the company's progress and management of related risks.
- Support for the shareholder resolution on risks of doing business in countries with significant human rights concerns (Item 13) and for the proposal regarding a human rights assessment of its management of misinformation and disinformation (Item 16) is warranted, as such assessments would benefit shareholders in assessing its management of related risks.
- Support for the proposal (Item 17) requesting that the company report on the costs of disinformation on diversified shareholders is warranted as this would provide shareholders with valuable information on how well the company is assessing and mitigating content-related controversies on its platforms.
- Support for the proposal (Item 18) requesting the company report on the steps taken to increase gender and racial board diversity is warranted as adoption of this proposal would allow shareholders to better assess the effectiveness of the company's efforts towards improving gender and racial representation on the board and management of related risks.
- The proposal (Item 19) to establish a board committee on environmental sustainability merits support as a committee dedicated to oversight of environmental sustainability should serve to further strengthen the company's ability to manage risks related to climate change and sustainability issues in general.



**Meeting Type:** Annual (Virtual)  
**Meeting Date:** 1 June 2022  
**Record Date:** 5 April 2022  
**Meeting ID:** 1641383

**NASDAQ:** GOOGL  
**Index:** S&P 500  
**Sector:** Interactive Media & Services  
**GICS:** 50203010

**Primary Contacts**  
Daniel Jjemba  
Sarah Riggs  
[Public Fund Advisory Services Help Center](#)



1g	M0201	Elect Director Roger W. Ferguson, Jr.	FOR	FOR
1h	M0201	Elect Director Ann Mather	FOR	FOR
1i	M0201	Elect Director K. Ram Shriram	FOR	FOR
1j	M0201	Elect Director Robin L. Washington	FOR	FOR
2	M0101	Ratify Ernst & Young LLP as Auditors	FOR	FOR
3	M0524	Amend Omnibus Stock Plan	FOR	AGAINST
4	M0304	Increase Authorized Common Stock	FOR	FOR

SHAREHOLDER PROPOSALS

5	S0808	Report on Lobbying Payments and Policy	AGAINST	FOR
6	S0742	Report on Climate Lobbying	AGAINST	FOR
7	S0742	Report on Physical Risks of Climate Change	AGAINST	FOR
8	S0731	Report on Metrics and Efforts to Reduce Water Related Risk	AGAINST	FOR
9	S0428	Oversee and Report a Third-Party Racial Equity Audit	AGAINST	FOR
10	S0815	Report on Risks Associated with Use of Concealment Clauses	AGAINST	AGAINST
11	S0316	Approve Recapitalization Plan for all Stock to Have One-vote per Share	AGAINST	FOR
12	S0429	Report on Government Takedown Requests	AGAINST	AGAINST
13	S0412	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	AGAINST	FOR
14	S0429	Report on Managing Risks Related to Data Collection, Privacy and Security	AGAINST	AGAINST
15	S0429	Disclose More Quantitative and Qualitative Information on Algorithmic Systems	AGAINST	FOR
16	S0412	Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms	AGAINST	FOR
17	S0429	Report on External Costs of Misinformation and Impact on Diversified Shareholders	AGAINST	AGAINST
18	S0227	Report on Steps to Improve Racial and Gender Board Diversity	AGAINST	AGAINST
19	S0206	Establish an Environmental Sustainability Board Committee	AGAINST	AGAINST
20	S0222	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	AGAINST	AGAINST
21	S0429	Report on Policies Regarding Military and Militarized Policing Agencies	AGAINST	AGAINST

Shading indicates that ISS recommendation differs from Board recommendation

► Items deserving attention due to contentious issues or controversy

- An employee representative director may enhance board diversity and could potentially give the company meaningful insights into its workplace (Item 20).
- Support for the proposal (Item 21) requesting risk assessment of military and militarized policing agency contracts is warranted as it may enhance and complement the company's existing human rights policies, disclosures, and oversight mechanisms.

Agenda & Recommendations

Policy: Public Fund  
Incorporated: Delaware, USA

Item	Code	Proposal	Board Rec.	P-F Rec.
<b>MANAGEMENT PROPOSALS</b>				
1a	M0201	Elect Director Larry Page	FOR	AGAINST
1b	M0201	Elect Director Sergey Brin	FOR	AGAINST
1c	M0201	Elect Director Sundar Pichai	FOR	AGAINST
1d	M0201	Elect Director John L. Hennessy	FOR	AGAINST
1e	M0201	Elect Director Frances H. Arnold	FOR	FOR
1f	M0201	Elect Director L. John Doerr	FOR	AGAINST
1g	M0201	Elect Director Roger W. Ferguson, Jr.	FOR	FOR
1h	M0201	Elect Director Ann Mather	FOR	AGAINST
1i	M0201	Elect Director K. Ram Shriram	FOR	AGAINST
1j	M0201	Elect Director Robin L. Washington	FOR	AGAINST
2	M0101	Ratify Ernst & Young LLP as Auditors	FOR	AGAINST
3	M0524	Amend Omnibus Stock Plan	FOR	AGAINST
4	M0304	Increase Authorized Common Stock	FOR	FOR

SHAREHOLDER PROPOSALS

5	S0808	Report on Lobbying Payments and Policy	AGAINST	FOR
6	S0742	Report on Climate Lobbying	AGAINST	FOR
7	S0742	Report on Physical Risks of Climate Change	AGAINST	FOR
8	S0731	Report on Metrics and Efforts to Reduce Water Related Risk	AGAINST	FOR
9	S0428	Oversee and Report a Third-Party Racial Equity Audit	AGAINST	FOR
10	S0815	Report on Risks Associated with Use of Concealment Clauses	AGAINST	FOR
11	S0316	Approve Recapitalization Plan for all Stock to Have One-vote per Share	AGAINST	FOR
12	S0429	Report on Government Takedown Requests	AGAINST	AGAINST
13	S0412	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	AGAINST	FOR
14	S0429	Report on Managing Risks Related to Data Collection, Privacy and Security	AGAINST	FOR
15	S0429	Disclose More Quantitative and Qualitative Information on Algorithmic Systems	AGAINST	FOR
16	S0412	Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms	AGAINST	FOR
17	S0429	Report on External Costs of Misinformation and Impact on Diversified Shareholders	AGAINST	FOR
18	S0227	Report on Steps to Improve Racial and Gender Board Diversity	AGAINST	FOR

# ALPHABET INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

Alphabet Inc. Inc Key Takeaways June 1st, 2022 Meeting

## ISS Benchmark Policy

## Public Fund Policy (Continued)

Alphabet Inc. (GOOGL)  
POLICY: Public Fund

Meeting Date: 1 June 2022  
Meeting ID: 1641383

19	S0206	Establish an Environmental Sustainability Board Committee	AGAINST	FOR
20	S0222	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	AGAINST	FOR
21	S0429	Report on Policies Regarding Military and Militarized Policing Agencies	AGAINST	FOR

Shading indicates that Public Fund Advisory Services recommendation differs from Board recommendation

► Items deserving attention due to contentious issues or controversy

# ALPHABET INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Shareholder Proposal Environmental Stainability Board

### ISS Benchmark Policy

Alphabet Inc. (GOOGL)  
POLICY: United States

Meeting Date: 1 June 2022  
Meeting ID: 1641383

#### Item 19. Establish an Environmental Sustainability Board Committee

**AGAINST**

##### VOTE RECOMMENDATION

A vote AGAINST this resolution is warranted, as the company's existing board framework appears adequate to allow for robust oversight of issues related to environmental issues and, absent clear performance concerns, the board is generally given latitude to determine its committee structure.

**Vote Requirement:** Majority of votes cast, with Class A common stock and Class B common voting together as a single class (abstentions count against and broker non-votes not counted)

##### Discussion

##### PROPOSAL

A shareholder proponent has submitted a precatory proposal requesting that the Board create a committee on environmental sustainability.

The "resolved clause" of the proposal specifically reads:

### Public Fund Policy

Alphabet Inc. (GOOGL)  
POLICY: Public Fund

Meeting Date: 1 June 2022  
Meeting ID: 1641383

#### Item 19. Establish an Environmental Sustainability Board Committee

**FOR**

##### VOTE RECOMMENDATION

A vote FOR this proposal is warranted because the creation of a committee on environmental sustainability should serve to further strengthen the company's ability to manage risks related to climate change and sustainability issues in general.

**Vote Requirement:** Majority of votes cast, with Class A common stock and Class B common voting together as a single class (abstentions count against and broker non-votes not counted)

##### Discussion

##### PROPOSAL

# ALPHABET INC: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Shareholder Proposal to report on improving diversity

### ISS Benchmark Policy

Item 18. Report on Steps to Improve Racial and Gender Board Diversity	AGAINST
<p><b>VOTE RECOMMENDATION</b></p> <p>A vote AGAINST this proposal is warranted because the board's Nominating and Corporate Governance Committee states a commitment to diversity in hiring board members, the company is not significantly lagging its peers in board diversity, and it provides sufficient disclosure on board diversity data.</p> <p><b>BACKGROUND INFORMATION</b></p> <p>Policies: <a href="#">Board Diversity</a></p> <p><b>Vote Requirement:</b> Majority of votes cast, with Class A common stock and Class B common voting together as a single class (abstentions count against and broker non-votes not counted)</p> <p>Discussion</p> <p><b>PROPOSAL</b></p> <p>Arjuna Capital has submitted a proposal requesting that Alphabet report on the company's steps to increase gender and racial board diversity.</p> <p>The proposal specifically requests:</p>	

### Public Fund Policy

Item 18. Report on Steps to Improve Racial and Gender Board Diversity	FOR
<p><b>VOTE RECOMMENDATION</b></p> <p>A vote FOR this proposal is warranted as adoption of this proposal would allow shareholders to better assess the effectiveness of the company's efforts towards improving gender and racial representation on the board and management of related risks.</p> <p><b>BACKGROUND INFORMATION</b></p> <p>Policies: <a href="#">Board Diversity</a></p> <p><b>Vote Requirement:</b> Majority of votes cast, with Class A common stock and Class B common voting together as a single class (abstentions count against and broker non-votes not counted)</p> <p>Discussion</p> <p><b>PROPOSAL</b></p> <p>Arjuna Capital has submitted a proposal requesting that Alphabet report on the company's steps to increase gender and racial board diversity.</p>	

UBS GROUP AG



ISSGOVERNANCE.COM

# UBS Group AG: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## UBS GROUP AG Key Takeaways April 6, 2022 Meeting

### ISS Benchmark Policy

### Public Fund Policy

ISS Proxy Analysis & Benchmark Policy Voting Recommendations

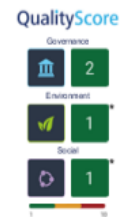


## UBS Group AG

### Key Takeaways

ISS has highlighted the climate action plan (Item 3) for shareholder attention because the company only provides vague disclosure surrounding its scope 3 emissions related to its financing activity and the company has set up targets only partially covering scope 3 (category 15-investments). However, we note that the company is committed to net-zero by 2050 from all aspects (scope 1, 2 and 3) of its business; the company's climate transition plan includes decarbonization targets for 2025 (scope 1 and 2) and related to financing activities in its priority sectors for 2030; and the governance structure for addressing and dealing with climate topics is transparent and appears robust.

Additionally, ISS has highlighted the discharge resolution (Item 5) for shareholder attention due to a USD 861 million pre-tax loss incurred due to the default of a US-based client of the prime brokerage business.



Meeting Type: Annual (Live)  
Meeting Date: 6 April 2022  
Meeting ID: 1590328

SIX Swiss Exchange: UBSG  
Index: SPI 20  
Sector: Diversified Capital Markets  
GICS: 40203030

Primary Contact(s)  
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### Agenda & Recommendations

Policy: Europe  
Incorporated: Switzerland

Item	Code	Proposal	Board Rec.	ISS Rec.
<b>MANAGEMENT PROPOSALS</b>				
1	M0105	Accept Financial Statements and Statutory Reports	FOR	FOR
2	M0550	Approve Remuneration Report	FOR	FOR
▶3	M0710	Approve Climate Action Plan	FOR	FOR
4	M0152	Approve Allocation of Income and Dividends of USD 0.50 per Share	FOR	FOR
▶5	M0260	Approve Discharge of Board and Senior Management for Fiscal Year 2021, excluding French Cross-Border Matter	FOR	FOR
6.1	M0201	Reelect Jeremy Anderson as Director	FOR	FOR
6.2	M0201	Reelect Claudia Boeckstiegel as Director	FOR	FOR
6.3	M0201	Reelect William Dudley as Director	FOR	FOR
6.4	M0201	Reelect Patrick Firmenich as Director	FOR	FOR
6.5	M0201	Reelect Fred Hu as Director	FOR	FOR
6.6	M0201	Reelect Mark Hughes as Director	FOR	FOR
6.7	M0201	Reelect Nathalie Rachou as Director	FOR	FOR
6.8	M0201	Reelect Julie Richardson as Director	FOR	FOR
6.9	M0201	Reelect Dieter Wemmer as Director	FOR	FOR
6.10	M0201	Reelect Jeanette Wong as Director	FOR	FOR
7.1	M0201	Elect Lukas Gaehtler as Director	FOR	FOR

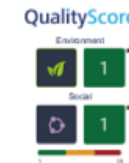
Public Fund Advisory Services' Policy Voting Recommendations



## UBS Group AG

### Key Takeaways

- Thomas (Colm) Kelleher serves as a non-independent chair of the board.
- Concerns are raised with respect to the proposed climate action plan. While the company has made a commitment to net-zero by 2050 from all aspects (scope 1, 2 and 3), it has not disclosed a clear, forward-looking climate strategy, only disclosing some of the short, medium, and long-term targets. The reporting of scope 3 emissions remains underdeveloped and does not permit a full assessment of the interim targets set up for the lending in three high-priority sectors nor does it allow transparency into its remaining scope 3 emissions related to the relevant category for banks. Additionally, the company has not formulated targets approved by the Science Based Targets Initiative (Item 3).
- Public Fund Advisory Services has highlighted the discharge resolution for shareholder attention due to a USD 861 million pre-tax loss incurred due to the default of a US-based client of the prime brokerage business (Item 5).



Meeting Type: Annual (Live)  
Meeting Date: 6 April 2022  
Meeting ID: 1590328

SIX Swiss Exchange: UBSG  
Index: SPI 20  
Sector: Diversified Capital Markets  
GICS: 40203030

Primary Contacts  
Sarah Riggs  
Mithuz Zarah Olave  
[PublicFundAdvisoryServices@issgovernance.com](mailto:PublicFundAdvisoryServices@issgovernance.com)

### Agenda & Recommendations

Policy: Public Fund  
Incorporated: Switzerland

Item	Code	Proposal	Board Rec.	P-F Rec.
<b>MANAGEMENT PROPOSALS</b>				
1	M0105	Accept Financial Statements and Statutory Reports	FOR	FOR
2	M0550	Approve Remuneration Report	FOR	FOR
3	M0710	Approve Climate Action Plan	FOR	AGAINST
4	M0152	Approve Allocation of Income and Dividends of USD 0.50 per Share	FOR	FOR
▶5	M0260	Approve Discharge of Board and Senior Management for Fiscal Year 2021, excluding French Cross-Border Matter	FOR	FOR
6.1	M0201	Reelect Jeremy Anderson as Director	FOR	FOR
6.2	M0201	Reelect Claudia Boeckstiegel as Director	FOR	FOR
6.3	M0201	Reelect William Dudley as Director	FOR	FOR
6.4	M0201	Reelect Patrick Firmenich as Director	FOR	FOR
6.5	M0201	Reelect Fred Hu as Director	FOR	FOR
6.6	M0201	Reelect Mark Hughes as Director	FOR	FOR
6.7	M0201	Reelect Nathalie Rachou as Director	FOR	FOR
6.8	M0201	Reelect Julie Richardson as Director	FOR	FOR
6.9	M0201	Reelect Dieter Wemmer as Director	FOR	FOR
6.10	M0201	Reelect Jeanette Wong as Director	FOR	FOR

# UBS Group AG: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

UBS GROUP AG Key Takeaways April 6, 2022 Meeting

## ISS Benchmark Policy

UBS Group AG (UBSG) POLICY: Europe			Meeting Date: 6 April 2022 Meeting ID: 1590328	
7.2	M0201	Elect Colm Kelleher as Director and Board Chairman	FOR	FOR
8.1	M0178	Reappoint Julie Richardson as Member of the Compensation Committee	FOR	FOR
8.2	M0178	Reappoint Dieter Wemmer as Member of the Compensation Committee	FOR	FOR
8.3	M0178	Reappoint Jeanette Wong as Member of the Compensation Committee	FOR	FOR
9.1	M0219	Approve Remuneration of Directors in the Amount of CHF 13 Million	FOR	FOR
9.2	M0549	Approve Variable Remuneration of Executive Committee in the Amount of CHF 79.8 Million	FOR	FOR
9.3	M0549	Approve Fixed Remuneration of Executive Committee in the Amount of CHF 33 Million	FOR	FOR
10.1	M0110	Designate ADB Altorfer Duss & Beilstein AG as Independent Proxy	FOR	FOR
10.2	M0101	Ratify Ernst & Young AG as Auditors	FOR	FOR
11	M0374	Approve CHF 17.8 Million Reduction in Share Capital as Part of the Share Buyback Program via Cancellation of Repurchased Shares	FOR	FOR
12	M0318	Authorize Repurchase of up to USD 6 Billion in Issued Share Capital	FOR	FOR
13	M0125	Transact Other Business (Voting)	NONE	AGAINST

Shading indicates that ISS recommendation differs from Board recommendation

► Items deserving attention due to contentious issues or controversy

## Public Fund Policy

UBS Group AG (UBSG) [No Title] POLICY: Public Fund			Meeting Date: 6 April 2022 Meeting ID: 1590328	
7.1	M0201	Elect Lukas Gaehwiler as Director	FOR	FOR
7.2	M0201	Elect Colm Kelleher as Director and Board Chairman	FOR	AGAINST
8.1	M0178	Reappoint Julie Richardson as Member of the Compensation Committee	FOR	FOR
8.2	M0178	Reappoint Dieter Wemmer as Member of the Compensation Committee	FOR	FOR
8.3	M0178	Reappoint Jeanette Wong as Member of the Compensation Committee	FOR	FOR
9.1	M0219	Approve Remuneration of Directors in the Amount of CHF 13 Million	FOR	FOR
9.2	M0549	Approve Variable Remuneration of Executive Committee in the Amount of CHF 79.8 Million	FOR	FOR
9.3	M0549	Approve Fixed Remuneration of Executive Committee in the Amount of CHF 33 Million	FOR	FOR
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10.2	M0101	Ratify Ernst & Young AG as Auditors	FOR	FOR
11	M0374	Approve CHF 17.8 Million Reduction in Share Capital as Part of the Share Buyback Program via Cancellation of Repurchased Shares	FOR	FOR
12	M0318	Authorize Repurchase of up to USD 6 Billion in Issued Share Capital	FOR	FOR
13	M0125	Transact Other Business (Voting)	NONE	AGAINST

Shading indicates that Public Fund Advisory Services recommendation differs from Board recommendation

► Items deserving attention due to contentious issues or controversy

# UBS Group AG: ISS BENCHMARK POLICY VERSUS PUBLIC FUND POLICY

## Management Proposal for Climate Action Plan

### ISS Benchmark Policy

Item 3. Approve Climate Action Plan	FOR
<b>VOTE RECOMMENDATION</b>	
A vote FOR this resolution is warranted, but it is not without concerns because:	
<ul style="list-style-type: none"><li>• The company only provides vague disclosure surrounding its scope 3 emissions related to its financing activity.</li><li>• The company has set up targets only partially covering scope 3 (category 15-investments).</li></ul>	
Nevertheless, support is warranted because:	
<ul style="list-style-type: none"><li>• The company is committed to net-zero by 2050 from all aspects (scope 1, 2, and 3) of its business.</li><li>• The company's climate transition plan includes decarbonization targets for 2025 (scope 1 and 2) and related to financing activities in its priority sectors for 2030, and the governance structure for addressing and dealing with climate topics is transparent and appears robust.</li></ul>	

#### Discussion

UBS Group AG is seeking shareholder approval for its Climate Roadmap with specific milestones to achieve net zero greenhouse gas emissions by 2050, which is consistent with a 1.5°C path defined within the Paris Climate Agreement.

#### OVERVIEW

In line with a recent global trend, UBS Group is putting its climate strategy to a shareholder vote. In 2021, some companies also voluntarily committed to put forward an advisory vote on climate on a regular basis.

UBS GROUP'S CLIMATE ROADMAP

### Public Fund Policy

Item 3. Approve Climate Action Plan	AGAINST
<b>VOTE RECOMMENDATION</b>	
A vote AGAINST this proposal is warranted given the apparent gaps in the company's climate reporting and lack of science-based target setting. While UBS Group has committed to a net-zero by 2050 ambition, the company has not disclosed a clear, forward-looking climate strategy, only disclosing some of the short, medium, and long-term targets, to substantiate how it will deliver on this ambition.	

#### Discussion

UBS Group is seeking shareholder approval for its Climate Roadmap with specific milestones to achieve net zero greenhouse gas emissions by 2050, which is consistent with a 1.5°C path defined within the Paris Climate Agreement.

#### OVERVIEW

In line with a recent global trend, UBS Group is putting its climate strategy to a shareholder vote. In 2021, some companies also voluntarily committed to put forward an advisory vote on climate on a regular basis.

UBS GROUP'S CLIMATE ROADMAP





ISSGOVERNANCE.COM

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# APPENDIX



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# ISS MULTIPLE POLICY PERSPECTIVES for Meetings in the Russell 3000 for CY2021

	ISS Benchmark Policy	Sustainability Policy	SRI Policy	Climate Policy	Catholic Policy	Public Fund Policy	Taft-Hartley Policy
<b>Policy Focus</b>	All – including Investment managers and institutional investors of all sizes	UN PRI Signatories or similarly aligned investment managers & asset owners	SRI investment firms, religious groups, charitable foundations & university endowments	Climate-focused investors, inclusive of asset managers, asset owners and mutual funds	Catholic faith-based investors, including dioceses & Catholic healthcare systems	Public pension fund managers & public plan sponsors/trustees	Taft-Hartley pension funds & investment managers (ERISA)
<b>Orientation</b>	“Best practice” governance standards that promote total, long-term shareholder value & risk mitigation	United Nations Principles for Responsible Investment (UN PRI)	The “triple bottom line” value creation	Widely recognized frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD)	Economic gain, social justice, environmental stewardship, ethical conduct & teachings of the Catholic Church (USCCB)	Long-term best interests of public plan participants & beneficiaries	Worker-owner view of long-term corporate value based on the AFL-CIO proxy voting guidelines
<b>Key Policy Highlights:</b>							
<b>1. <u>Board</u></b>	Independence (>50%), composition, accountability and responsiveness	Independence (>50%), composition, accountability and responsiveness - including on ESG topics	Independence (>50%), composition, accountability and responsiveness - including on ESG topics, diversity	Independence (>50%), composition, accountability and responsiveness - including on ESG topics, with focus on climate-related risk oversight	Independence (>50%), composition, accountability and responsiveness - including on ESG topics, diversity	Independence (>50%), composition, accountability and responsiveness	Independence (67%), composition, accountability and responsiveness
<b>2. <u>Compensation</u></b>	Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance including on ESG topics, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance - including on ESG topics, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay & performance, presence of problematic compensation practices, voting power dilution (15%)	Alignment of pay & performance, presence of problematic compensation practices, voting power dilution (10%)
<b>3. <u>Environmental &amp; Social</u></b>	Consider shareholder proposals on social, environmental and labor/human rights issues on a case-by-case basis	Generally support shareholder proposals advocating ESG disclosure or universal norms/codes of conduct	Generally support shareholder proposals on social, environmental and labor/human rights issues	Generally support shareholder proposals promoting greater disclosure of corporate environmental policies and practices	Generally support shareholder proposals on social, environmental and labor/human rights issues	Generally support shareholder proposals on social, environmental & labor/human rights issues	Generally support shareholder proposals on social, environmental & labor/human rights issues
<b>Board Opposition</b>	12%	12%	25%	8%	37%	35%	42%
<b>Auditor Ratification Opposition</b>	<1%	<1%	6%	<1%	6%	66%	66%
<b>Equity Pay Plans Opposition</b>	24%	24%	24%	10%	20%	86%	88%
<b>Say on Pay Opposition</b>	12%	12%	19%	13%	18%	24%	24%
<b>Gov. Shareholder Proposal Support</b>	78%	83%	96%	88%	96%	98%	97%
<b>E&amp;S Shareholder Proposal Support</b>	65%	72%	95%	90%	95%	95%	95%

\* Recommendations for shareholder meetings in the Russell 3000 (2021)

# ISS MULTIPLE POLICY PERSPECTIVES for Meetings in the S&P 500 for CY2021

	ISS Benchmark Policy	Sustainability Policy	SRI Policy	Climate Policy	Catholic Policy	Public Fund Policy	Taft-Hartley Policy
<b>Policy Focus</b>	All – including Investment managers and institutional investors of all sizes	UN PRI Signatories or similarly aligned investment managers & asset owners	SRI investment firms, religious groups, charitable foundations & university endowments	Climate-focused investors, inclusive of asset managers, asset owners and mutual funds	Catholic faith-based investors, including dioceses & Catholic healthcare systems	Public pension fund managers & public plan sponsors/trustees	Taft-Hartley pension funds & investment managers (ERISA)
<b>Orientation</b>	“Best practice” governance standards that promote total, long-term shareholder value & risk mitigation	United Nations Principles for Responsible Investment (UN PRI)	The “triple bottom line” value creation	Widely recognized frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD)	Economic gain, social justice, environmental stewardship, ethical conduct & teachings of the Catholic Church (USCCB)	Long-term best interests of public plan participants & beneficiaries	Worker-owner view of long-term corporate value based on the AFL-CIO proxy voting guidelines
<b>Key Policy Highlights:</b>							
<b>1. <u>Board</u></b>	Independence (50%), composition, accountability and responsiveness	Independence (50%), composition, accountability and responsiveness - including on ESG topics	Independence (50%), composition, accountability and responsiveness - including on ESG topics, diversity	Independence (50%), composition, accountability and responsiveness - including on ESG topics, with focus on climate-related risk oversight	Independence (50%), composition, accountability and responsiveness - including on ESG topics, diversity	Independence (50%), composition, accountability and responsiveness	Independence (67%), composition, accountability and responsiveness
<b>2. <u>Compensation</u></b>	Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance including on ESG topics, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance - including on ESG topics, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay & performance, presence of problematic compensation practices, voting power dilution (15%)	Alignment of pay & performance, presence of problematic compensation practices, voting power dilution (10%)
<b>3. <u>Environmental &amp; Social</u></b>	Consider shareholder proposals on social, environmental and labor/human rights issues on a case-by-case basis	Generally support shareholder proposals advocating ESG disclosure or universal norms/codes of conduct	Generally support shareholder proposals on social, environmental and labor/human rights issues	Generally support shareholder proposals promoting greater disclosure of corporate environmental policies and practices	Generally support shareholder proposals on social, environmental and labor/human rights issues	Generally support shareholder proposals on social, environmental & labor/human rights issues	Generally support shareholder proposals on social, environmental & labor/human rights issues
<b>Board Opposition</b>	3%	3%	8%	14%	4%	29%	36%
<b>Auditor Ratification Opposition</b>	<1%	<1%	7%	7%	<1%	91%	91%
<b>Equity Pay Plans</b>	7%	7%	7%	7%	7%	67%	70%
<b>Say on Pay Opposition</b>	11%	11%	15%	15%	12%	27%	27%
<b>Gov. Shareholder Proposal Support</b>	73 %	80%	97%	97%	87%	98%	98%
<b>E&amp;S Shareholder Proposal Support</b>	63%	71%	94%	94%	90%	94%	94%

\* Recommendations for shareholder meetings in the S&P 500 (2021)

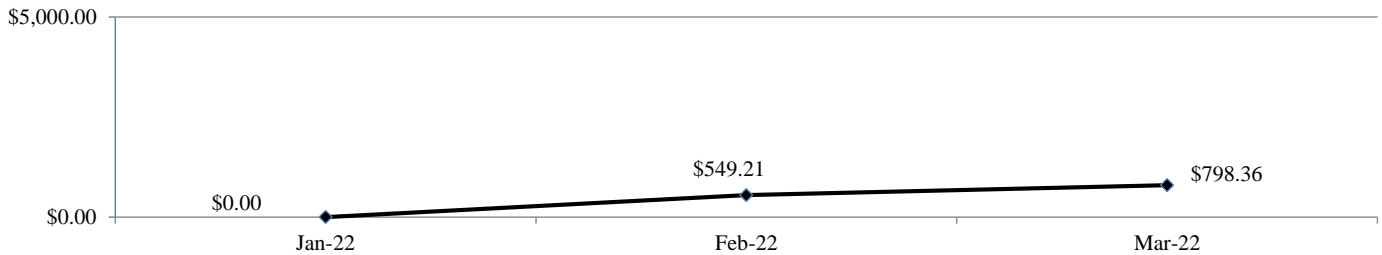


# Alameda County Employees' Retirement Association First Quarter 2022 Directed Brokerage Report

## Quarterly Commentary

**In 1Q22, the total recaptured dollar amount for ACERA's Directed Brokerage (DB) Program was \$1,204.35.** Since inception<sup>1</sup>, ACERA has recaptured \$2,093,702.27. For the quarter, TCW - Trust Company of the West directed the highest percentage (28.53%) of trading volume and William Blair also generated the largest recaptured directed commission dollar amount (\$844.51). CAPIS received 81.2% of ACERA's directed trades among the network of correspondent brokers. On average the program continues to operate in compliance with ACERA's DB Policy; however, participating active management makes up less than 20% and 25% of domestic equity and international equity asset classes, respectively.

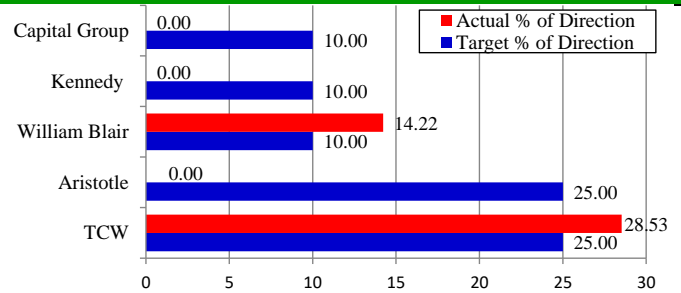
## Monthly Recaptured



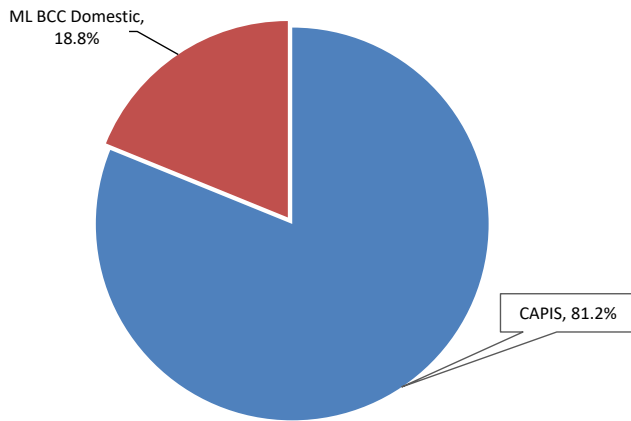
### Directed Commission \$<sup>2</sup>

Manager	1Q2022	YTD
Capital Group	0.00	0.00
Kennedy	0.00	0.00
William Blair	844.51	844.51
Aristotle Capital	0.00	0.00
TCW	503.06	503.06
<b>Total</b>	<b>\$1,347.57</b>	<b>\$1,347.57</b>

### Directed %<sup>3</sup>



## Directed % to Correspondent Brokers<sup>4</sup>



- |                         |                                      |
|-------------------------|--------------------------------------|
| Andes Capital Group     | Instinet LLC                         |
| B. Riley & Co.          | ITG, Inc.                            |
| Barclays (US Algo/DMA)  | LAM Securities                       |
| BIDS Trading            | Liquidnet                            |
| Bley Investment Group   | Merrill Lynch (U.S.)                 |
| Cabrera Capital Markets | Mischler Financial Group             |
| CAPIS                   | North South Capital                  |
| CAPIS Step Out          | O'Neil Securities                    |
| CF Global Trading       | Penserra Securities, LLC             |
| Cowen Securities (U.S.) | Pershing, LLC                        |
| Drexel Hamilton         | Piper Sandler                        |
| HSBC James Capel        | Societe Generale                     |
| ICAP (U.S.)             | State Street Global Markets (Europe) |
| Imperial Capital        | Virtu America LLC                    |

**Brokers are selected at the discretion of the Investment Managers, pursuant to Best Execution and ACERA's DB Policy.**

1. ACERA's DB Program began in September 2006. Mondrian, Bivium do not participate in Commission Recapture; Blackrock, Newton, and Templeton are comingled accounts and do not participate.

2. Data provided by CAPIS. Directed Commission \$ - Dollar amount of commissions from directed trades - this amount is split among ACERA (36.49% for 1Q2022), CAPIS, & the Correspondent Brokers.

3. Data provided by Zeno Consulting Group (Zeno). Directed % - Calculated by dividing Manager's directed trading volume by its total trading volume and compared to its assigned target. Target percentages are ranges (e.g. up to 25% for TCW).

4. Data provided by CAPIS.



**INVESTMENT MANAGER,  
CONSULTANT, AND CUSTODIAN FEES**  
For Quarter Ending March 31, 2022

**INVESTMENT NET ASSET VALUE AND INVESTMENT MANAGER FEES  
FOR THE QUARTER ENDED MAR 31, 2022**

For the Quarter Ended Mar 31, 2022	NAV <sup>2</sup> (\$) As of 3/31/22	Q1 - Total Fees (\$)	bps of NAV
Name of Fund			
<b>Domestic Equity<sup>1</sup></b>			
Aristotle Capital	159,869,681	156,580	9.79
BlackRock R1000 Index Fund	2,433,029,727	50,588	0.21
Kennedy Capital	165,076,147	328,830	19.92
Trust Co. of the West	148,622,980	159,805	10.75
William Blair Small Cap Growth	142,621,924	274,032	19.21
Total Domestic Equity	3,049,220,459	969,834	3.18
<b>International Equity<sup>1</sup></b>			
BlackRock MSCI World ex-US	758,164,594	46,589	0.61
Bivium International Equity	145,734,858	295,577	20.28
Capital Group	642,532,107	308,927	4.81
Franklin Templeton Inv.	274,127,530	428,468	15.63
Mondrian	724,928,077	632,736	8.73
Newton Emerging Market Equity Fund	258,860,833	323,576	12.50
Total International Equity	2,804,347,999	2,035,874	7.26
<b>Fixed Income<sup>1</sup></b>			
Baird Advisors	1,270,051,324	213,811	1.68
Loomis Sayles	410,531,459	328,864	8.01
Brandywine Global FI	210,427,817	156,490	7.44
Total Fixed Income	1,891,010,600	699,165	3.70
<b>Real Estate<sup>4, 5, 6</sup></b>			
Total Real Estate	773,256,430	2,000,175	25.87
<b>Private Equity<sup>4, 5, 6</sup></b>			
Total Private Equity	953,886,245	3,049,172	31.97
<b>Absolute Return<sup>4, 5, 6</sup></b>			
Total Absolute Return	781,070,305	1,598,648	20.47
<b>Real Assets<sup>4, 5, 6</sup></b>			
Total Real Assets	762,535,789	917,439	12.03
<b>Private Credit<sup>4, 5, 6</sup></b>			
Total Private Credit	209,007,186	550,737	26.35
<b>Cash*</b>			
	137,398,599		
<b>TOTAL<sup>7</sup></b>	<b>11,361,733,612</b>	<b>11,851,045</b>	<b>10.43</b>

Notes:

\*Cash total includes the Parametric Cash Overlay NAV

1. Domestic, International Equity, and Fixed Income managers' fees are based on staff validated manager invoices.

2. NAVs may use estimates at the time of this report's production.

3. Some accounts contain submanaged funds; the fees shown include all assets in the account.

4. Sometimes fees may be estimates. According to the Limited Partnership Agreements, management fees are based on committed amounts and/or assets under management.

5. Detailed records regarding these investments of public pension funds are exempt from disclosure under California Government Code Section 6254.26

6. As of 1Q 2021, the management fee totals no longer includes estimates for other expenses and carried interest allocations. This additional information will be reported in the annual 7514.7 Alternative Investment Vehicles Information Report presented each December.

7. Previous quarter's amounts may change as estimates are trueed up to actual amounts. Each true up is made using the most recent information.

**CONSULTANT/CUSTODIAN FEES  
FOR THE QUARTER ENDED MAR 31, 2022**

	<b>Q1 - Fees (\$)</b>
<b>Consultant</b>	
Doug McCalla	12,433
Callan Associates	56,250
Verus Advisory, Inc.	185,000
Institutional Shareholders Services	13,575
Zeno Consulting Group	11,813
Sub-total Consultant	279,070
<b>Custodian</b>	
State Street Bank	136,388
<b>TOTAL OF CONSULTANT / CUSTODIAN FEES <sup>1</sup></b>	<b>415,458</b>

Notes:

1. Previous quarter's amounts may change as estimates are trueed up to actual amounts. Each true up is made using the most recent information.





**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

475 14th Street, Suite 1000, Oakland, CA 94612    800/838-1932    510/628-3000    fax: 510/268-9574    www.acera.org

TO:                    Members of the Investment Committee

FROM:                Agnes Ducanes – Administrative Specialist II *Aducanes*

DATE:                June 8, 2022

SUBJECT:            Quarterly report on ACERA's Investment Products and Services  
Introductions (IPSI) Program

In the first quarter of 2022, Staff received 20 investment products and services inquiries from prospective providers. We met with 4 managers who presented through the IPSI process.

The purpose of IPSI is to provide prospective vendors an opportunity to gain a better understanding of ACERA's investment objectives and for Staff to learn about the vendors' investment products/services through face-to-face meetings, teleconferences, or video conferences. Staff has designated the morning of the first Wednesday of every month as ACERA's IPSI day. Each introductory session is approximately 45 minutes.

Below please find a chart depicting the types of IPSI sessions that were held in the first quarter of 2022.

<b>ASSET CLASS</b>	<b>Q1 '22</b>	<b>Q2 '22</b>	<b>Q3 '22</b>	<b>Q4'22</b>	<b>TOTAL</b>
<b>U.S. Equities</b>	0	0	0	0	0
<b>Int'l Equities</b>	0	0	0	0	0
<b>Fixed Income</b>	0	0	0	0	0
<b>Real Estate</b>	0	0	0	0	0
<b>Private Equities</b>	0	0	0	0	0
<b>Absolute Return</b>	1	0	0	0	1
<b>Real Assets</b>	1	0	0	0	1
<b>Private Credit</b>	2	0	0	0	2
<b>Other Services</b>	0	0	0	0	0
<b>TOTAL:</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

475-14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574 www.acera.org

TO: Members of the Investment Committee  
FROM: Thomas Taylor, Investment Officer *Thomas Taylor*  
DATE: June 8, 2022  
SUBJECT: Summary of Rebalancing and Cash Activities Completed in 1Q2022

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**Recommendation:**

Not Applicable – This is an informational report.

**Background/Discussion:**

1. For the 1Q2022, there was no action required to rebalance the Total Fund for the quarter ending December 31, 2021. In accordance with ACERA's General Investment Guidelines, Policies and Procedures, Section V: Asset Allocation and Rebalancing, Schedule IA: Asset Allocation Targets and Schedule IC: Asset Allocation Portfolio Rebalancing, no rebalancing signal was given or received during the period.
2. Regarding significant cash-flows for 1Q2022, Staff implemented the following changes to manage excess cash, make the supplemental month-end retiree benefits and administrative payroll, and to meet the capital calls and provide operating funds:
  - a. **Month-end payroll and Total Fund Withdrawals:** Staff withdrew a net \$70.5 million (M) from the Total Fund to supplement for month-end payroll for the three-months ending March 31, 2022. Staff wired out \$25.5M in January, \$21.5M in February, and \$23.5M in March to ACERA'S Wells Fargo Bank account. Fiscal Services wired in \$6.0M back to State Street Bank (#HI1A) from Wells Fargo Bank as subsequent employer contributions (\$3M in January, \$1M in February, and \$2M in March). The reason for noting the incoming wires is not all employer contributions are received before the month-end and administrative payroll for that month. Year-to-date (2022) withdrawals total a net \$64.5M.
  - b. **Capital Calls, Distributions:** In general, ACERA made wire-payments of \$123.9M in aggregate to meet capital calls and fund investments for ACERA's privately placed investments. Distributions, which include cash and in-kind distributions and return of principal (mainly real estate distributions), totaled \$61.6M for the first quarter. This dollar amount does not include other incidental income from other programs<sup>1</sup>.

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<sup>1</sup> Securities Lending Income (\$130.3K), Securities Litigation Income (\$50.2K) and Commission Recapture Income (\$0.55K) totaled \$181.1K. (Dividend and interest income from traditional managed accounts are reinvested and calculated separately, as part of the manager returns.)



- c. **Other Activity:** To meet the cash flow needs noted above (a. and b.) Staff raised \$60M from the Blackrock Russell 1000 Index Fund on 1/25/2022. The U.S. Equity asset class was the most overweight of the traditional asset classes in January. Staff, following standard procedures, withdrew funds from the domestic equity index fund. Additionally, Staff withdrew \$80M the Liquid Pool on 3/28/2022 as part of meeting a large capital call in the Real Asset asset class, and to re-balance the same asset class to target. Lastly, Staff moved \$5M to HIA8, the over-lay account, from HI1A, the Unallocated Cash account to increase the available margin.

Reporting of rebalancing activities will be submitted to the Investment Committee on a quarterly basis.

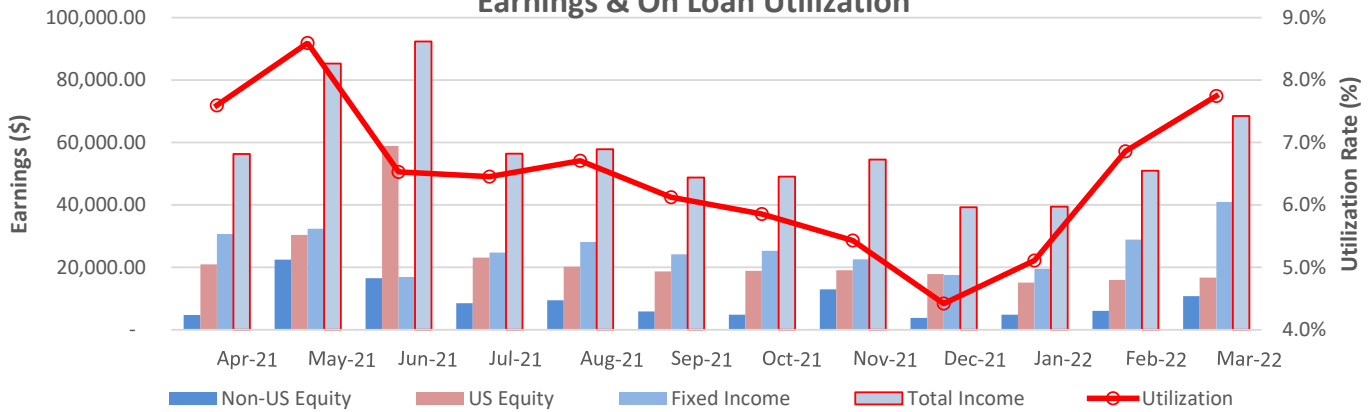
# Alameda County Employees' Retirement Association

## 1st Quarter 2022 Securities Lending Report

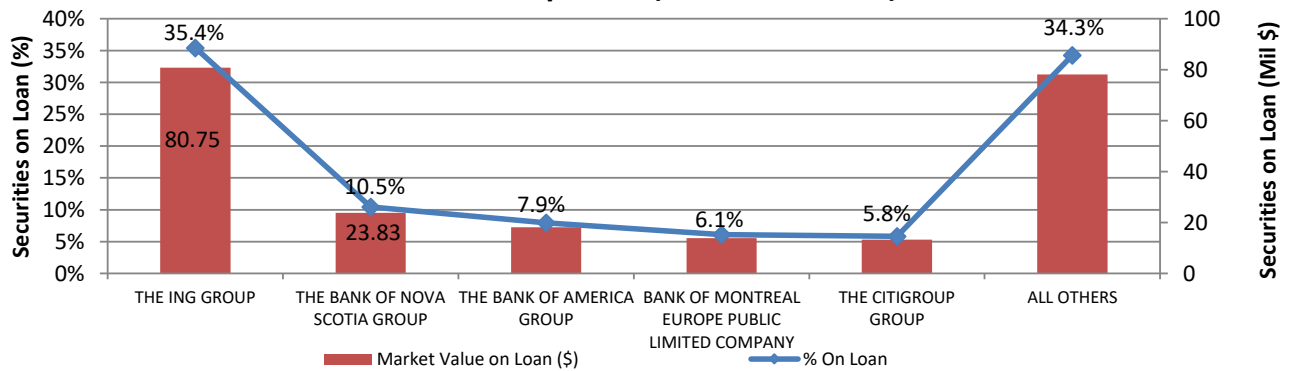
### Quarterly Summary

In 1Q2022, ACERA's earnings from Securities Lending activities were \$158,933.89. Fixed Income/Bonds generated the highest earnings of \$64,388.97. For the quarter ending March 31, 2022, the average value of securities on loan was \$211,175,156.00. The average lendable amount for the same period was \$3.4 billion. The Bank of America was the largest borrower of ACERA's securities with 16.1% or \$23.3 million.

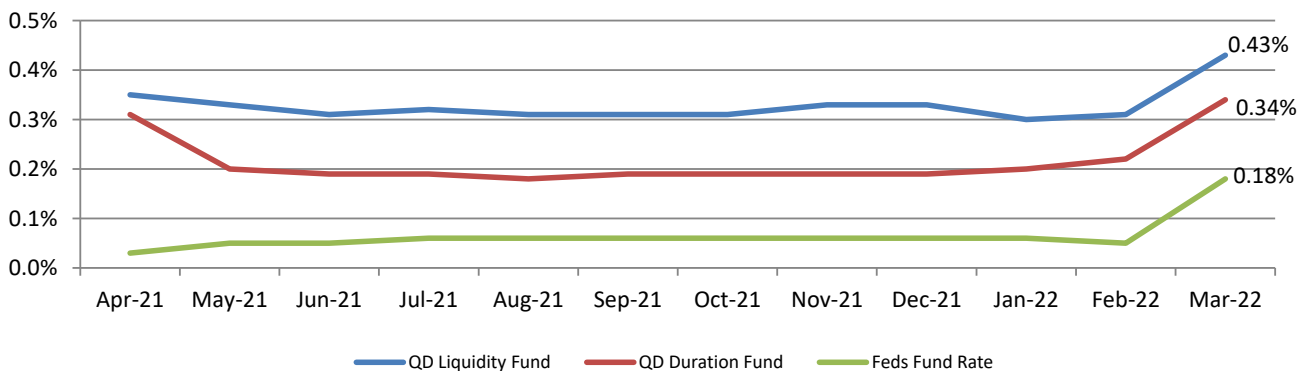
### Earnings & On Loan Utilization



### Borrower Exposure (as of 3/31/2022)



### Average Monthly Collateral Yields vs. Average Fed Funds Rate



**Notes:**

- Quality D Liquidity and Quality D Duration Funds are managed by an affiliate of State Street Bank (SSB); these funds are common pools in which many securities lending clients of SSB invest their cash collateral generated from their security lending activities. ACERA invests the cash collateral received from its security lending activities into Quality D Liquidity and Quality D Duration Funds. As of 3/31/2022, ACERA's combined NAV per unit of the Quality D Liquidity (0.9999) and Quality D Duration Funds (97.69) was \$0.9998. As of 3/31/2022, Quality D Liquidity had 127,934,194.68 units and Quality D Duration had 191,012.42 units.

(2) Data represents past performance and is not necessarily indicative of future results.

(3) Data Source: my.statestreet.com and Securities Finance Business Intelligence

*Securities Lending Report Provided by Staff*

ICM 6/8/2022



## Investment Committee Workplan for 2022

June 8, 2022

<b>Action Items</b>	<b>Information Items</b>
<p>January 12</p> <ol style="list-style-type: none"> <li>1. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$60 Million Investment in Great Hill Partners Fund VIII as part of ACERA’s Private Equity Portfolio – Buyout, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations</li> <li>2. Discussion and Possible Motion to Recommend that the Board Adopt an Implementation Plan for its ESG Policy</li> </ol> <p>Adjournment into Closed Session</p> <p>Consider the Purchase of Particular, Specific Pension Fund Investments (Cal. Gov. Code § 54956.81) (3 fund-of-hedge-funds investments – (i) BlackRock ; (ii) GCM Grosvenor; and (iii) Morgan Stanley</p>	<ol style="list-style-type: none"> <li>1. Proposed Investment Committee Work Plan for 2022</li> </ol>
<p>February 9</p>	<ol style="list-style-type: none"> <li>1. 2022 Capital Market Assumptions</li> <li>2. Semiannual Performance Review for the Period Ending September 30, 2021 – Equities and Fixed Income</li> <li>3. Semiannual Performance Review for the Period Ending September 30, 2021 – Absolute Return</li> <li>4. Semiannual Performance Review for the Period Ending June 30, 2021 – Private Equity</li> <li>5. Semiannual Performance Review for the Period Ending June 30, 2021 – Private Credit</li> <li>6. Semiannual Performance Review for the Period Ending June 30, 2021 – Real Assets</li> <li>7. Semiannual Performance Review for the Period Ending September 30, 2021 – Real Estate</li> </ol>

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## Investment Committee Workplan for 2022

June 8, 2022

Action Items	Information Items
<p>March 9</p> <ol style="list-style-type: none"> <li>1. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$43 million Investment in Altas Partners Holdings III as part of ACERA’s Private Equity Portfolio – Buyout,, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations</li> <li>2. Discussion and Possible Motion to Recommend that the Board Approve an Additional Investment of up to \$50 million Investment in Clarion Partners Lion Industrial Trust (“LIT”), as part of ACERA’s Real Estate Portfolio – Core Plus, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations</li> </ol>	<p>8. Investment Committee Work Plan 2022</p> <ol style="list-style-type: none"> <li>1. <i>Quarterly report of ACERA’s investment manager, consultant, and custodian bank fees for the fourth quarter of 2021</i></li> <li>2. <i>Quarterly report on ACERA’s rebalancing activities for the fourth quarter 2021</i></li> <li>3. <i>Quarterly report on ACERA’s securities lending activities for the fourth quarter of 2021</i></li> <li>4. <i>Quarterly report on ACERA’s Directed Brokerage (DB) Program for the fourth quarter of 2021</i></li> <li>5. <i>Quarterly report on Investment Products and Services Introductions (IPSI) for the fourth quarter of 2020</i></li> <li>6. <i>Investment Committee Work Plan 2022</i></li> </ol>
<p>April 13</p> <ol style="list-style-type: none"> <li>1. Discussion and Possible Motion to Recommend that the Board Approve the Qualified List of Candidates for ACERA’s Emerging Markets Equity Manager Search – International Equities</li> </ol> <p><b><u>Board Action Item:</u></b></p> <ol style="list-style-type: none"> <li>1. Proposed Findings Regarding State of Emergency Pursuant to Gov’t Code §54953(e) (3): Staff Recommendation: The Board finds that it has reconsidered the circumstances of the state of emergency and (1) the state of emergency continues to directly impact the ability of the members to meet safely in person, and</li> </ol>	<ol style="list-style-type: none"> <li>1. Discussion of Proposed Amendments to ACERA’s General Investment Guidelines, Policies and Procedures</li> <li>2. Traditional Asset Allocation and Investment Strategy Review for the period ending December 31, 2021 – Public Markets</li> <li>3. Update on Ares Senior Direct Lending Fund II in Response to the Public Comment Made at ACERA’s Board Meeting on March 17, 2022</li> </ol>

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## Investment Committee Workplan for 2022

June 8, 2022

	<b>Action Items</b>	<b>Information Items</b>
	(2) state or local officials continue to impose or recommend measures to promote social distancing.	
May 19 (meeting moved to 3 <sup>rd</sup> Thursday due to SACRS Conference)	<ol style="list-style-type: none"> <li>1. Discussion and Possible Motion to Recommend that the Board Approve Amendments to ACERA’s General Investment Guidelines, Policies and Procedures</li> <li>2. Discussion and Possible Motion to Recommend that the Board Approve an Additional Investment of up to \$50 million in PRISA III as part of ACERA’s Real Estate Portfolio – Value Added, Completion of Legal and Investment Due Diligence and Successful Contract Negotiations</li> </ol>	
June 8	<ol style="list-style-type: none"> <li>1. Discussion and Possible Motion to Recommend that the Board Approve an up to \$36 million Investment in Atalaya Special Opportunities Fund VIII as part of ACERA’s Private Equity Portfolio – Debt Related/Special Situations, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations</li> </ol>	<ol style="list-style-type: none"> <li>1. Semiannual Performance Review for the Period Ending December 31, 2021 – Private Equity</li> <li>2. Semiannual Performance Review for the Period Ending December 31, 2021 – Private Credit</li> <li>3. Semiannual Performance Review for the Period Ending December 31, 2021 – Real Assets</li> <li>4. Status Report on ESG Implementation</li> <li>5. <i>Quarterly report of ACERA’s investment manager, consultant, and custodian fees for the first quarter of 2022</i></li> <li>6. <i>Quarterly report on ACERA’s rebalancing activities for the first quarter of 2022</i></li> <li>7. <i>Quarterly report on ACERA’s securities lending activities for the first quarter of 2022</i></li> <li>8. <i>Quarterly report on ACERA’s Directed Brokerage (DB) Program for the first quarter of 2022</i></li> </ol>

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## Investment Committee Workplan for 2022

June 8, 2022

Action Items	Information Items
	<p>9. <i>Quarterly report on Investment Products and Services Introduction (IPSI) for the first quarter of 2022</i></p> <p>10. <i>Updated Investment Committee Work Plan 2022</i></p>
<p>July 13</p> <p><b><u>Board Action Item:</u></b></p> <p>Proposed Findings Regarding State of Emergency Pursuant to Gov't Code §54953(e) (3): Staff Recommendation: The Board finds that it has reconsidered the circumstances of the state of emergency and (1) the state of emergency continues to directly impact the ability of the members to meet safely in person, and (2) state or local officials continue to impose or recommend measures to promote social distancing</p> <p>1. Interview of the Finalists for ACERA's Emerging Markets Equity Manager Search – International Equities and Possible Motion by the Investment Committee to Recommend Finalist (s) to the Board</p>	
<p>August 10</p> <p>1. Discussion and Possible Motion to Recommend that the Board Adopt an up to \$XX million Investment in XX as part of ACERA's Real Estate Portfolio – Core, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)</p>	<p>1. Education session on rebalancing-Doug McCalla (Placeholder)</p> <p>2. Semiannual Performance Review for the Period Ending March 31, 2022 – Real Estate</p> <p>3. Semiannual Performance Review for the Period Ending March 31, 2022 – Equities and Fixed Income</p>

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## Investment Committee Workplan for 2022

June 8, 2022

	<b>Action Items</b>	<b>Information Items</b>
	2. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$XX million Investment in XX as part of ACERA’s Private Equity Portfolio – XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)	4. Semiannual Performance Review for the Period Ending March 31, 2022 – Absolute Return
September 14	1. Discussion of and Possible Motion to Recommend to the Board to Adopt Amendments on ACERA’s Emerging Investment Manager Policy	1. <i>Quarterly report of ACERA’s investment manager, consultant, and custodian bank fees for the second quarter of 2022</i> 2. <i>Quarterly report on ACERA’s rebalancing activities for the second quarter of 2022</i> 3. <i>Quarterly report on ACERA’s securities lending activities for the second quarter of 2022</i> 4. <i>Quarterly report on ACERA’s Directed Brokerage (DB) Program for the second quarter of 2022</i> 5. <i>Quarterly report on Investment Products and Services Introduction (IPSI) for the second quarter of 2022</i> 6. <i>Updated Investment Committee Work Plan for 2022</i>
October 12	1. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$XX million Investment in XX as part of ACERA’s Private Real Asset Portfolio – XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)	1. Possible manager review and/or education session (Placeholder)

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## Investment Committee Workplan for 2022

June 8, 2022

Action Items	Information Items
<p>November 2 (meeting moved to first Wednesday due to SACRS Conference)</p>	<p>1. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$XX million Investment in XX as part of ACERA’s Private Equity Portfolio – XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)</p>
<p>December 14</p>	<p>1. Discussion and Possible Motion to Recommend that the Board Adopt an up to \$XX million Investment in XX as part of ACERA’s Real Estate Portfolio – Core, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)</p>
	<p>1. Semiannual Performance Review for the Period Ending September 30, 2022 – Equities and Fixed Income</p> <p>2. Semiannual Performance Review for the Period Ending June 30, 2022 – Private Equity</p> <p>3. Semiannual Performance Review for the Period Ending September 30, 2022 – Absolute Return</p> <p>4. Semiannual Performance Review for the Period Ending June 30, 2022 – Private Credit</p> <p>5. Semiannual Performance Review for the Period Ending June 30, 2022 – Real Assets</p> <p>6. Semiannual Performance Review for the Period Ending September 30, 2022 – Real Estate</p> <p>7. CA Gov. Code § 7514.7 Information Report</p> <p>8. <i>Quarterly report of ACERA’s investment manager, consultant, and custodian bank fees for the third quarter of 2022</i></p> <p>9. <i>Quarterly report on ACERA’s rebalancing activities for the third quarter 2022</i></p> <p>10. <i>Quarterly report on ACERA’s securities lending activities for the third quarter of 2022</i></p> <p>11. <i>Quarterly report on ACERA’s Directed Brokerage (DB) Program for the third quarter of 2022</i></p>

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## Investment Committee Workplan for 2022

June 8, 2022

### Action Items

### Information Items

	Action Items	Information Items
		<p>12. <i>Quarterly report on Investment Products and Services Introductions (IPSI) for the third quarter of 2022</i></p> <p>13. <i>Updated Investment Committee Work Plan 2023</i></p>

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