

**AGENDA**  
**INVESTMENT COMMITTEE MEETING**  
**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

**One McInnis Parkway, 1st Floor**  
**Retirement Board Chambers**  
**San Rafael, CA**

**June 16, 2021 – 9:00 a.m.**

---

This meeting will be held via videoconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020.

Instructions for watching the meeting and/or providing public comment, as well as the links for access, are available on the [Watch & Attend Meetings](https://www.mcera.org/retirementboard/agendas-minutes/watchmeetings) page of MCERA's website. Please visit <https://www.mcera.org/retirementboard/agendas-minutes/watchmeetings> for more information.

The Board of Retirement encourages a respectful presentation of public views to the Board. The Board, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board meetings.

**CALL TO ORDER**

**ROLL CALL**

**A. OPEN TIME FOR PUBLIC EXPRESSION**

Note: The public may also address the Committee regarding any agenda item when the Committee considers the item.

Open time for public expression, from three to five minutes per speaker, on items not on the Committee Agenda. While members of the public are welcome to address the Committee during this time on matters within the Committee's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Committee concerning a non-agenda item. Members of the Committee may (1) briefly respond to statements made or questions posed by persons addressing the Committee, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

**B. MANAGER REPORTS**

1. Manager Overview – Jim Callahan, Callan LLC
2. KBI Global Investors Ltd – Global Resources Solutions Equities – Noel O'Halloran, Simon Padley

## **C. NEW BUSINESS**

### **1. Domestic Equity Portfolio (Action)**

Consider and take possible action regarding small cap tilt in the domestic equity portfolio

### **2. Investment Policy Statement Updates (Action)**

Consider and take possible action on recommended amendments to Investment Policy Statement re:

- a. Introduction: Modify composition of Board of Retirement.
- b. General Investment Objectives and Guidelines: Add Opportunistic Portfolio.
- c. Investment Management Policy: Remove manager quarterly certification to compliance with guidelines.
- d. Private Equity Policy
  1. Clarify direct investments by managers are known as secondaries or co-investments and increase allocation of same to 35% from 25% of portfolio.
  2. Increase life of vehicle to 15 years from 12 years and increase performance period to 10 rolling years from 5 rolling years.
  3. Define combined public market equity benchmark; generalize IRR performance benchmark.
  4. Remove the Fund's investment limit of 20% of a private equity fund-of-funds total value.
- e. Duties of Responsible Parties
  1. MCERA Board of Retirement: Remove guideline certification from portfolio review.
  2. Investment Managers: Categorize as public or private markets.
  3. Public Markets Investment Managers: Acknowledge guidelines on hire or contract renewal or amendment.
  4. Private Markets Investment Managers: Tie reporting to legal documentation; change time to meet with MCERA from annually to as needed basis.
  5. General Investment Consultant: Remove check on guidelines compliance in quarterly report; remove negotiating with private investment managers; and add assist with custodian assignment.
- f. Appendix A, Long-Term Strategic Asset Allocation Targets and Ranges
  1. Change asset allocation review from monthly to quarterly.
  2. Add Opportunistic Asset Class with 0% target and range of 0.0% to 5.0%.
  3. Relax rebalancing requirement to within target range.

4. Add Opportunistic allocations to real estate and private equity rebalancing guidelines.
- g. Appendix B: For all portfolios, add “MCERA” to Performance Objectives and remove quarterly written certification of compliance to guidelines where applicable.
- h. Appendix B-3: Morgan Stanley Investment Management, Non U.S. Value Equity Statement of Objectives, Guidelines & Procedures: Clarify investment approach and change notification of MCERA from 24 hours to promptly for a change in lead personnel.
- i. Appendix B-14: UBS Core Real Estate Statement of Objectives, Guidelines and Procedures: (1) Add net of fees to Performance Objectives; (2) Reporting Requirements – remove monthly reports, limit quarterly reports to performance, and remove quarterly year-to-date period.
- j. Appendix B-15: AEW Capital Management, Core Real Estate Statement of Objectives, Guidelines and Procedures: (1) Add net of fees to performance objectives; (2) Reporting Requirements – remove monthly reports, limit quarterly reports to performance, and remove year-to-date period.
- k. Appendix B-16: CarVal Investors, Credit Value Fund V LP Statement of Objectives, Guidelines and Procedures: Add.
- l. Appendix B-17: Fortress Investment Group, Fortress Credit Opportunities Funds V Expansion Statement of Objectives, Guidelines and Procedures: Add.
- m. Appendix B-18: Varde Management, L.P., The Varde Dislocation Fund Statement of Objectives, Guidelines and Procedures: Add.
- n. Appendix B-19: Parametric Portfolio Associates, Policy Implementation Overlay Service Statement of Objectives, Guidelines and Procedures: Reporting Requirements – remove monthly and quarterly benchmark report; remove quarterly one-, three- and five-year performance report.
- o. Appendix C-1: Pathway Capital Management, Statement of Objectives, Guidelines & Procedures: (1) Add Pathway Private Equity Fund Investors 10 (PPEF I-10); (2) Performance Objectives, change Thomson/Cambridge (All Regions) All Private Equity Index to Refinitiv/Cambridge (All Regions) All Private Equity Index; (3) Investment and Other Guidelines, remove 20% limitation on General Partner’s investment in aggregate Capital Commitments; (4) Reporting Requirements, limit to Partnership legal documentation.
- p. Appendix C-2: Abbott Capital Management, Statement of Objectives, Guidelines & Procedures: Add Abbott Annual Program 2021, LP (AP 2021); (2) Performance Objectives, change Thomson/Cambridge (All Regions) All Private Equity Index to Refinitiv/Cambridge (All Regions) All Private Equity Index; (3) Investment and Other Guidelines, remove 20% limitation on General Partner’s investment in aggregate

Capital Commitments; (4) Reporting Requirements, limit to Partnership legal documentation.

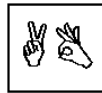
- q. Appendix D: Resolution 2010/11-03 Placement Agent Payment Disclosure Resolution and Policy: Add “or similar acknowledgement” to agreement with Placement Agent Payment Disclosure Policy and its filing, and add “or similar disclosures” to the Form 700 filing.

#### **D. INVESTMENT CONSULTANT QUARTERLY REPORT**

1. Summary Report as of March 31, 2021
2. Flash Performance Update

**Note on Process: Items designated for information are appropriate for Committee action if the Committee wishes to take action.**

**Note on Voting: As provided by statute, the Alternate Safety Member votes in the absence of the Elected General or Safety Member, and in the absence of both the Retired and Alternate Retired Members. The Alternate Retired Member votes in the absence of the Elected Retired Member. If both Elected General Members, or the Safety Member and an Elected General Member, are absent, then the Elected Alternate Retired Member may vote in place of one absent Elected General Member.**



Agenda material is provided upon request. Requests may be submitted by email to [MCERABoard@marincounty.org](mailto:MCERABoard@marincounty.org), or by phone at (415) 473-6147.

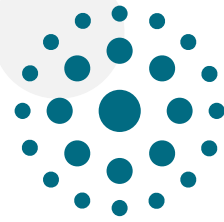
MCERA is committed to assuring that its public meetings are accessible to persons with disabilities. If you are a person with a disability and require an accommodation to participate in a County program, service, or activity, requests may be made by calling (415) 473-4381 (Voice), Dial 711 for CA Relay, or by email at least five business days in advance of the event. We will do our best to fulfill requests received with less than five business days' notice. Copies of documents are available in alternative formats upon request.

The agenda is available on the Internet at <http://www.mcera.org>

## B.1 Manager Overview

There is no backup for this agenda item.

B.2



**KBIGI**

**KBI Global Investors**

**Review of the KBIGI  
Global Resource Solutions Strategy  
June 2021**

**Mcera**



B.2



**Noel O'Halloran, B.E., C.DiP A.F., A.S.I.P**

**Director – Chief Investment Officer**

**29 years with firm, 33 years industry experience**

Noel joined the firm in 1992, was promoted to Head of Equities in 1996 and was appointed CIO in 2002. As CIO, he has overall responsibility for investment process and performance of the firm's assets under management across the various asset classes and specialist equity portfolios. The firm's team of investment professionals report to Noel. He has specifically managed equity portfolios across Irish, European, Asian and US equity markets. Prior to joining the firm, Noel worked for Irish Life Investment Managers as a US Equity Asset Manager. He is an engineer by profession having graduated with 1st Class honours degree from University College Cork. He is a member of the CFA Institute, the Society of Investment Analysts in Ireland & the UK Society of Investment Professionals.



**Simon Padley BSc (Hons), H Dip (Hons)**

**Senior Vice President, Business Development & Client Services**

**10 years with the firm 19 years industry experience;**

Simon worked with the firm in the position of Client Servicing Manager and Business Development Manager in the institutional client segment from 2002 to 2004. From 2005 - 2007 he was a Product Development Manager with KBC Asset Management in Belgium, specialising in the development of innovative structured products for KBC's distribution networks in Poland, Hungary and the Czech Republic. From 2007 to 2009 Simon was Head of Distribution at the KBCAM's office in Sydney Australia where he filled the role of investment specialist for the KBC Environmental Funds in that market, alongside a business development role. Prior to re-joining the firm in June 2013 as part of the business development team in North America, Simon was the Senior Vice President responsible for Marketing & Products at Union KBC Asset Management in India. He graduated from the University College Dublin with an Honours Science Degree in Cell & Molecular Biology in 2000, and completed a Higher Diploma in Business Studies in 2001.

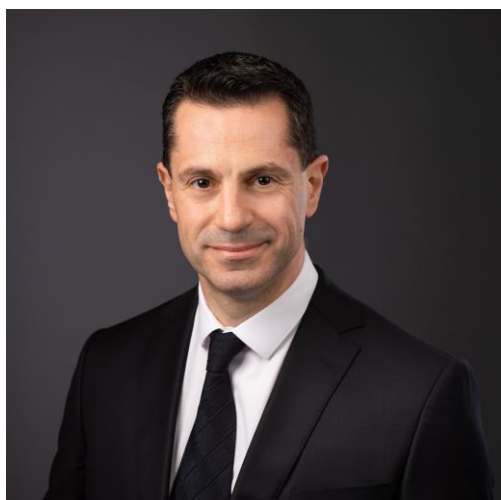


## **Colm O'Connor BComm, Masters in E-Commerce**

### **Senior Portfolio Manager**

**18 years with the firm; 18 years industry experience**

Colm is a Portfolio Manager for the KBI Energy Solutions, Global Sustainable Infrastructure and Global Resource Solutions Strategies where he is responsible for the development of investment strategy as well as the day to day management of the strategies. Colm joined the Natural Resource Strategies team in 2006 as an analyst on the Energy Solutions Strategy and was promoted to Portfolio Manager in 2008. Prior to that, he worked at the firm as an analyst in the Alternative Investments unit and as a Performance analyst in the Performance Measurement and Risk Analysis Unit. Colm graduated from University College Dublin in 2000 with a Commerce degree and continued on to complete a Masters in E-Commerce. Colm is the Co-Portfolio Manager for the KBI Global Resource Solutions Strategy since its inception.



## **Andros Florides BA (Hons) Economics, ASIP**

### **Senior Portfolio Manager**

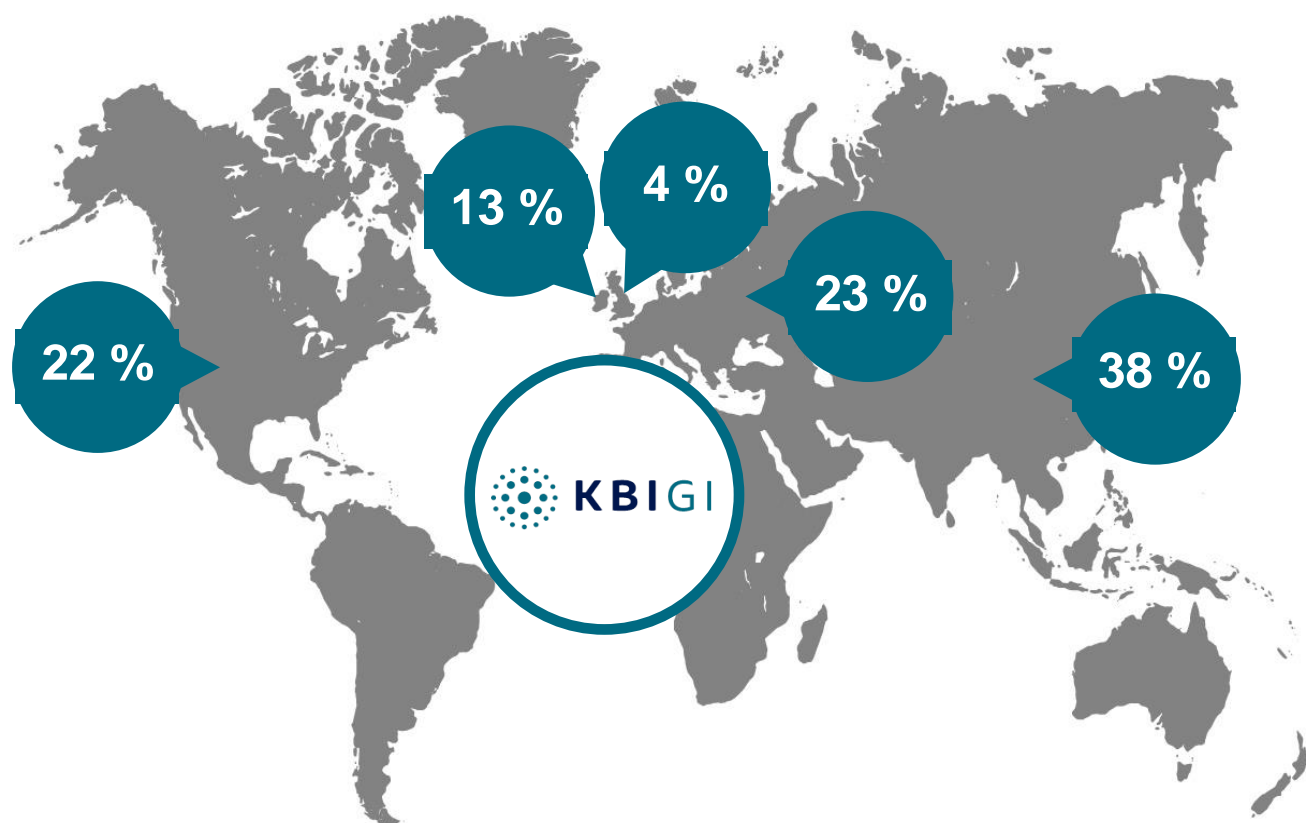
**13 years with the firm; 25 years industry experience**

Andros is a Portfolio Manager for the KBI Agribusiness, Energy Solutions and Global Resource Solutions Strategies where he is responsible for the development of investment strategy as well as portfolio management. Andros joined the KBIGI Natural Resource Strategies team in 2008. He is a senior member of the team and an investment professional with over 20 years of investment management experience. Prior to joining KBI Global Investors Andros was a Senior Research Analyst, Global Consumer Equities at Bank of Ireland Asset Management (BIAM). During his 10-year tenure with BIAM, Andros was a member of the European equity portfolio team. Prior to this, he worked with New Ireland Investment Managers, Barings and Irish Life Assurance Company. Andros graduated from Trinity College Dublin with a BA (Hons) Economics in 1995. Andros is an Associate of the U.K. Society of Investment Professionals (ASIP) and was awarded 1st place in the UK Society of Investment Professionals Portfolio Management examination. Andros is the Co-Portfolio Manager for the KBI Global Resource Solutions Strategy since its inception.



## Differentiated solutions and a global footprint

**KBIGI Firmwide AUM**  
£10.5 bn | €12.3bn | \$14.5bn



**Amundi**  
ASSET MANAGEMENT



Signatory of:



**Founded in 1980:** asset management company for institutional clients. In September 2016 **Amundi Asset Management** became majority shareholder of KBI GI.



Headquartered in Dublin, Ireland with representative sales office in Boston. **An international team of 63 people.**



**Global client base** with mandates in the United Kingdom, Europe, North America and Asia.



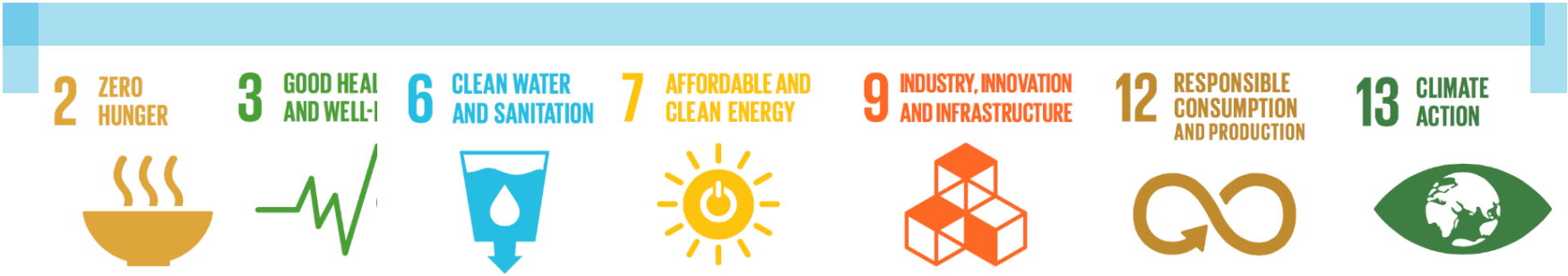
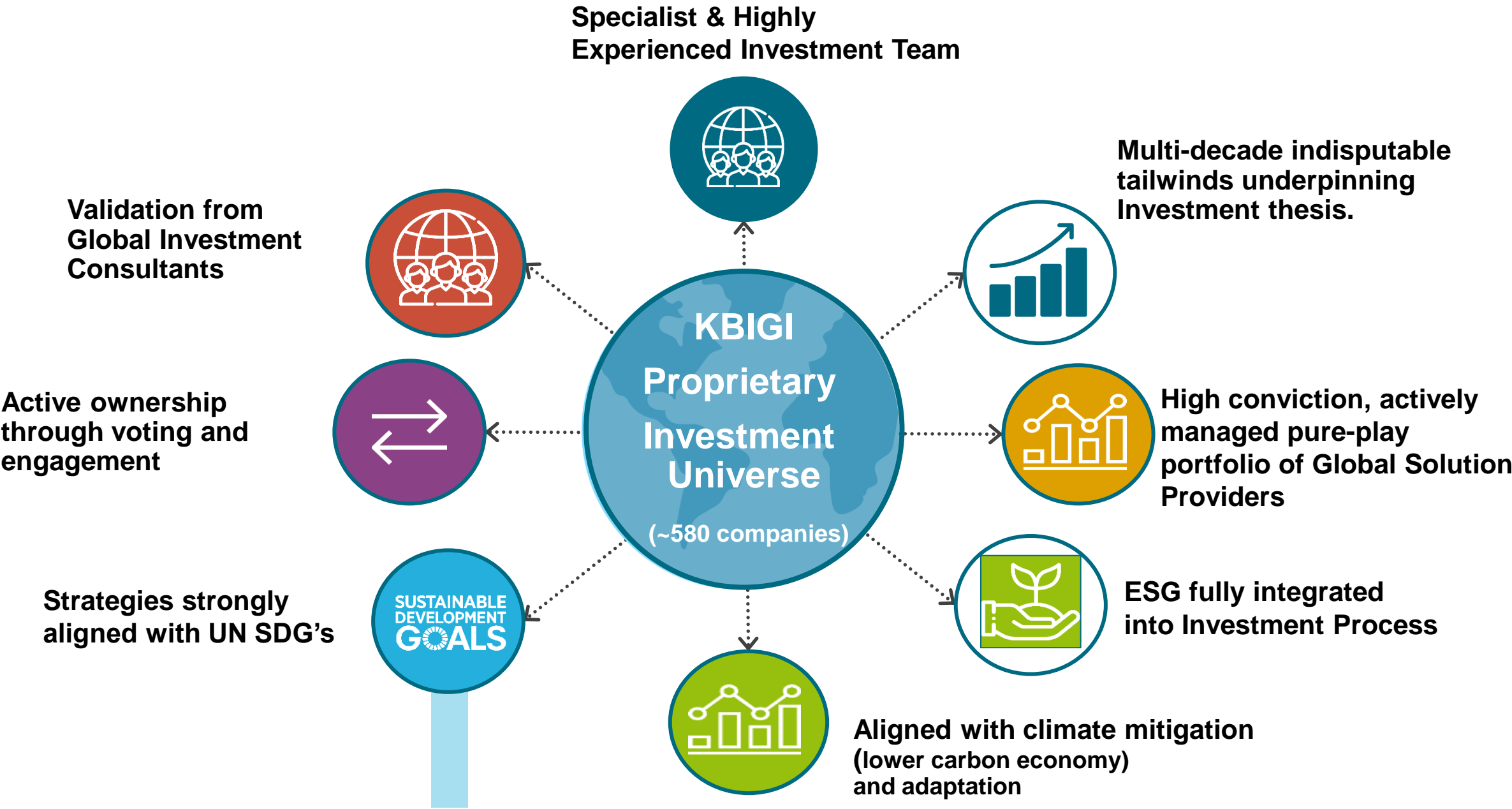
**Strong growth** in assets under management in the last 10 years, primarily driven by new external institutional mandates.

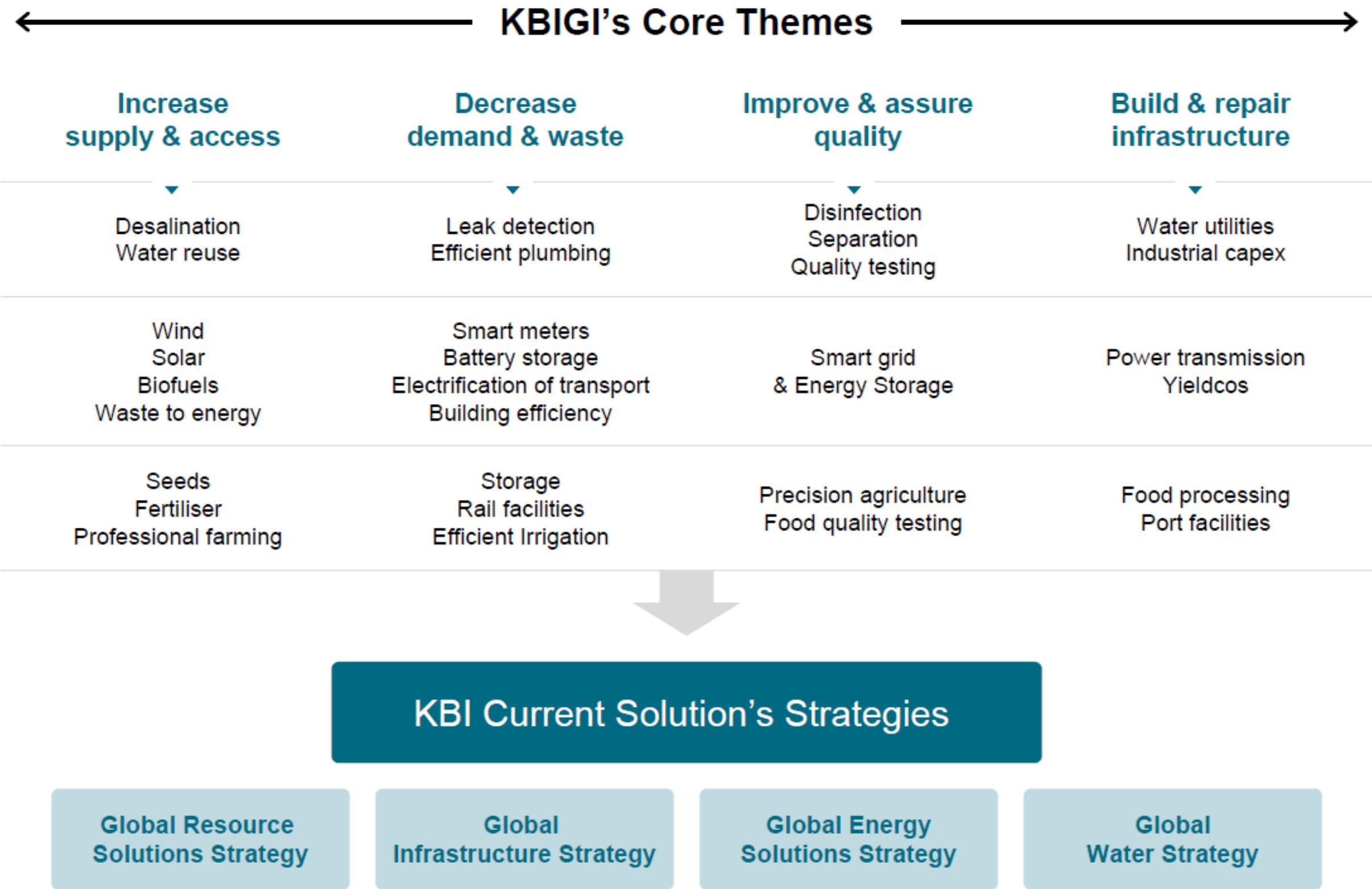


Meeting highest international regulatory **risk and operational** standards.



Thought-leader status attained through long track record of managing **Responsible Investing** investment strategies. Awarded **UNPRI 'A+' rating\***, **UK Stewardship Code 'Tier 1' rated**, member of **IIGCC, CDP, Ceres**,










The KBI team is a  
**innovator in the  
Resource Solutions  
theme.**



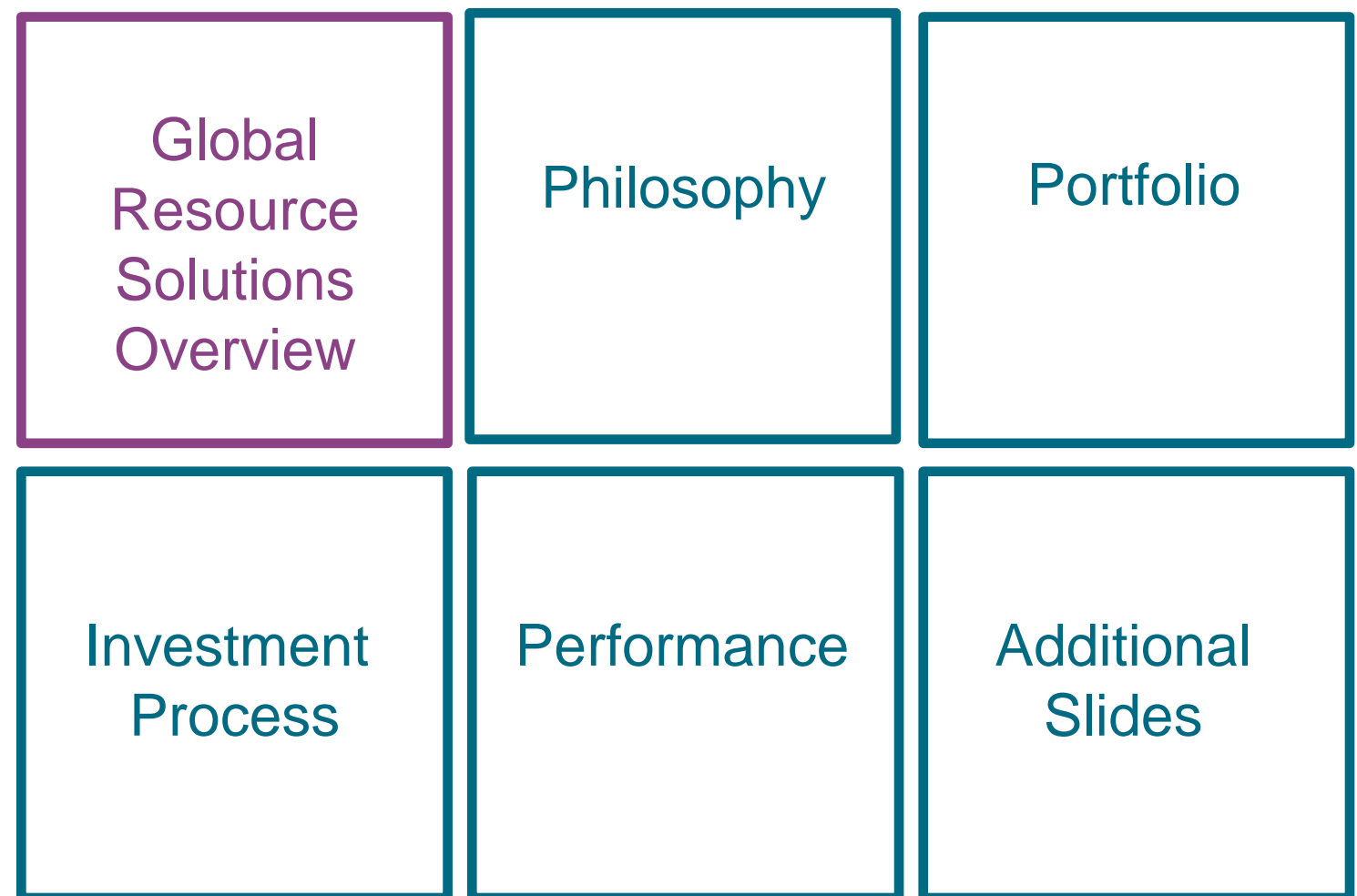
**Long-serving  
experienced  
investment team**



**Long-term orientated  
investment approach**

	GRS Portfolio Management Team	Role	Experience (years)	In firm (years)
	Noel O'Halloran	Lead Portfolio Manager	33	29
	Andros Florides	Co Portfolio Manager	26	13
	Colm O'Connor	Co Portfolio Manager	18	18

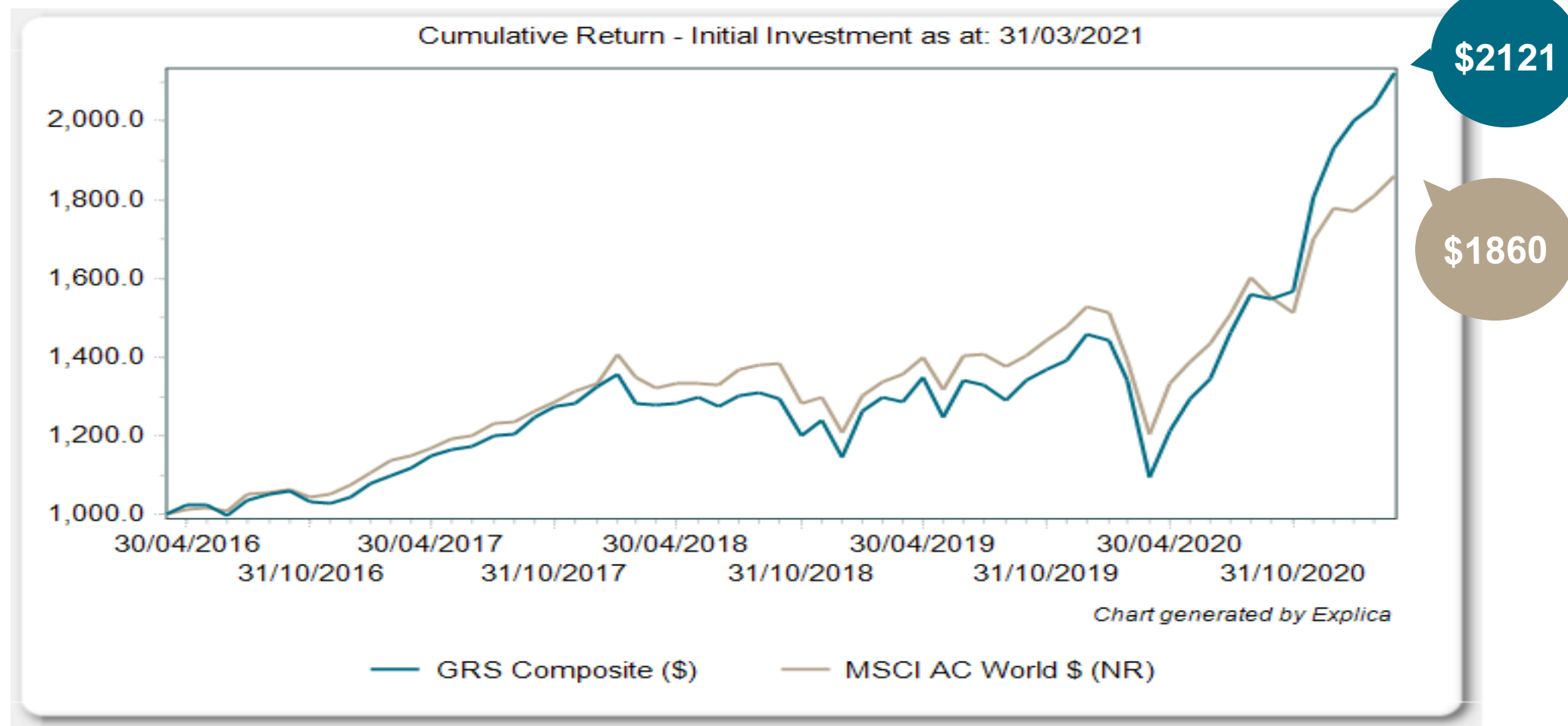
	Investment Team	Title	Experience (years)	In firm (years)
	Treasa Ní Chonghaile	Senior Portfolio Manager	22	22
	Martin Conroy	Portfolio Manager	17	17
	Catherine Cahill	Senior Portfolio Manager	21	13
	Matt Sheldon	Senior Portfolio Manager	19	10
	Eoin Fahy	Head of Responsible Investing	33	33
	Ultan O'Kane	Trader	15	14



3.0%

## ANNUALISED EXCESS RETURN OVER PAST 5 YEARS

### GRS Strategy Performance vs MSCI ACWI NR index



Past performance is not necessarily indicative of future results

Source: KBI Global Investors, Datastream. Strategy returns are gross of fees in USD at 31<sup>st</sup> March 2021 using GIPS Composite. MSCI ACWI NR Index benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes. See disclaimer for further information. \*Returns versus the broad market' is based on outperformance of Global Resource Solutions Solutions strategy versus the MSCI ACWI index NR by 3.0% p.a. over 5 years to 31<sup>st</sup> March 2021. A GIPS Composite presentation to the latest quarter end is attached as an appendix.



MCERA's investment in GRS CIT				USD
Total Contributions				36,500,000
Total Withdrawals				-14,000,000
Value 31 <sup>st</sup> May 2021				57,013,044
Net Return Table*	YTD to 31 <sup>st</sup> May 2021	1 year	3 Years p.a.	Inception p.a. 09/29/2016
Marin GRS CIT	17.6%	73.6%	19.3%	16.6%
S&P Global Natural Resources Index	22.2%	54.7%	5.8%	10.7%
MSCI ACWI	10.8%	41.8%	13.9%	14.1%

Cumulative Gross Return since Inception: 112.8%

B.2

- MCERA's investment in KBIGI Sustainable Natural Resources has outperformed both traditional natural resource indices and the broader market (MSCI ACWI).  
Why?
  - Alpha proposition: good stock selection, investors recognise the faster growing 'sustainable' earnings of the companies in our portfolio.
  - Looking to the Future: Investors want access to those companies with the technologies and services that are driving the transition to a more sustainable economy.
  - Risk Management: investing in the technologies and infrastructure that are mitigating and adapting to climate change related risk, avoid fossil fuel and polluting industries, avoiding stranded assets.
- Clean Energy has been the best performing resource sleeve in the portfolio since the inception of the mandate, followed by Water and then Agribusiness. Within the resource sleeves the segments of Renewable Energy and Water Infrastructure have performed well.
- The advantage of KBI's approach to natural resource management is our ability to balance our portfolio across different styles and risk profiles. We had overweighted Clean Energy for much of 2019/2020, but have now moved more money to Water and Agribusiness based on their more attractive risk/return profiles.



	Brent Oil	Vs low	GRS	S&P GNR	MSCI A/C
2016	43%	76%	9.2%	35.4%	11.2%
3Q17-2Q18	66%		5.5%	21.2%	8.2%
2020	-22%	224%	20.1%	-8.3%	6.7%
Q1 2021	23%	53%	14.3%	16.2%	8.9%

- Strong absolute performance in Q1 2021, ahead of MSCI A/C. Only marginally behind S&P GNR despite the continued sharp rally in oil and commodity prices.
- This compares to previous periods of sizeable underperformance relative to S&P GNR where there was a sharp rally in oil and commodity prices (2016 and 3Q17-2Q18).
- One potential reason for this improved resilience is the maturity of the Clean Energy resource; a considerable fall in renewable energy costs and attractive new markets across Energy Efficiency.

## Brent Futures



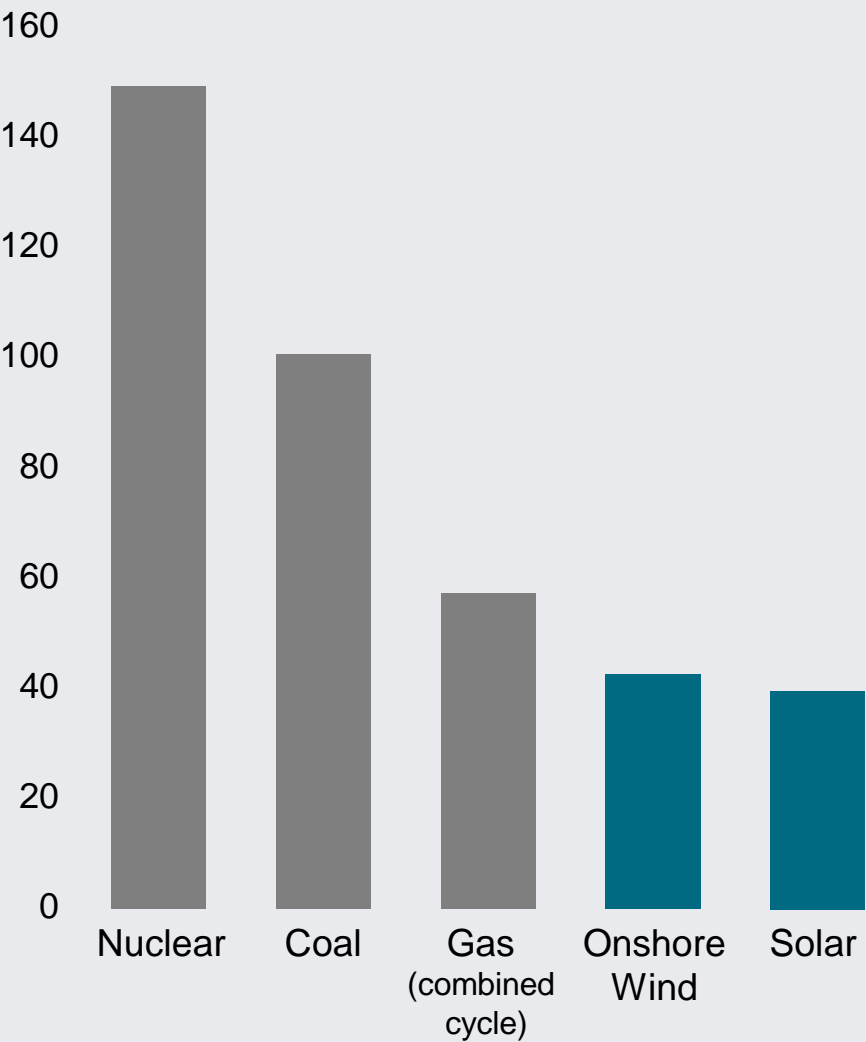
Cheapest Energy Generation Technology

2014				2019			
Coal	Gas	Wind	Solar	Coal	Gas	Wind	Solar
Belgium	Algeria	Denmark	N/A	Indonesia	Algeria	Argentina	Australia
Bulgaria	Argentina	Germany		Japan	Belgium	Brazil	Chile
Chile	Australia	Uruguay		Malaysia	Bulgaria	Canada	Egypt
China	Brazil			Phillippines	Greece	China	France
France	Canada			Poland	Russia	Denmark	India
Greece	Egypt			South Korea		Germany	Israel
India	Israel			Thailand		Mexico	Italy
Indonesia	Mexico			Turkey		Morocco	Saudi Arabia
Italy	Peru			Vietnam		Peru	South Africa
Japan	Philippines					U.K.	Spain
Malaysia	Russia					U.S.	UAE
Morocco	Saudi Arabia					Uruguay	
Poland	U.S.						
South Africa	UAE						
South Korea							
Spain							
Thailand							
Turkey							
U.K.							
Vietnam							

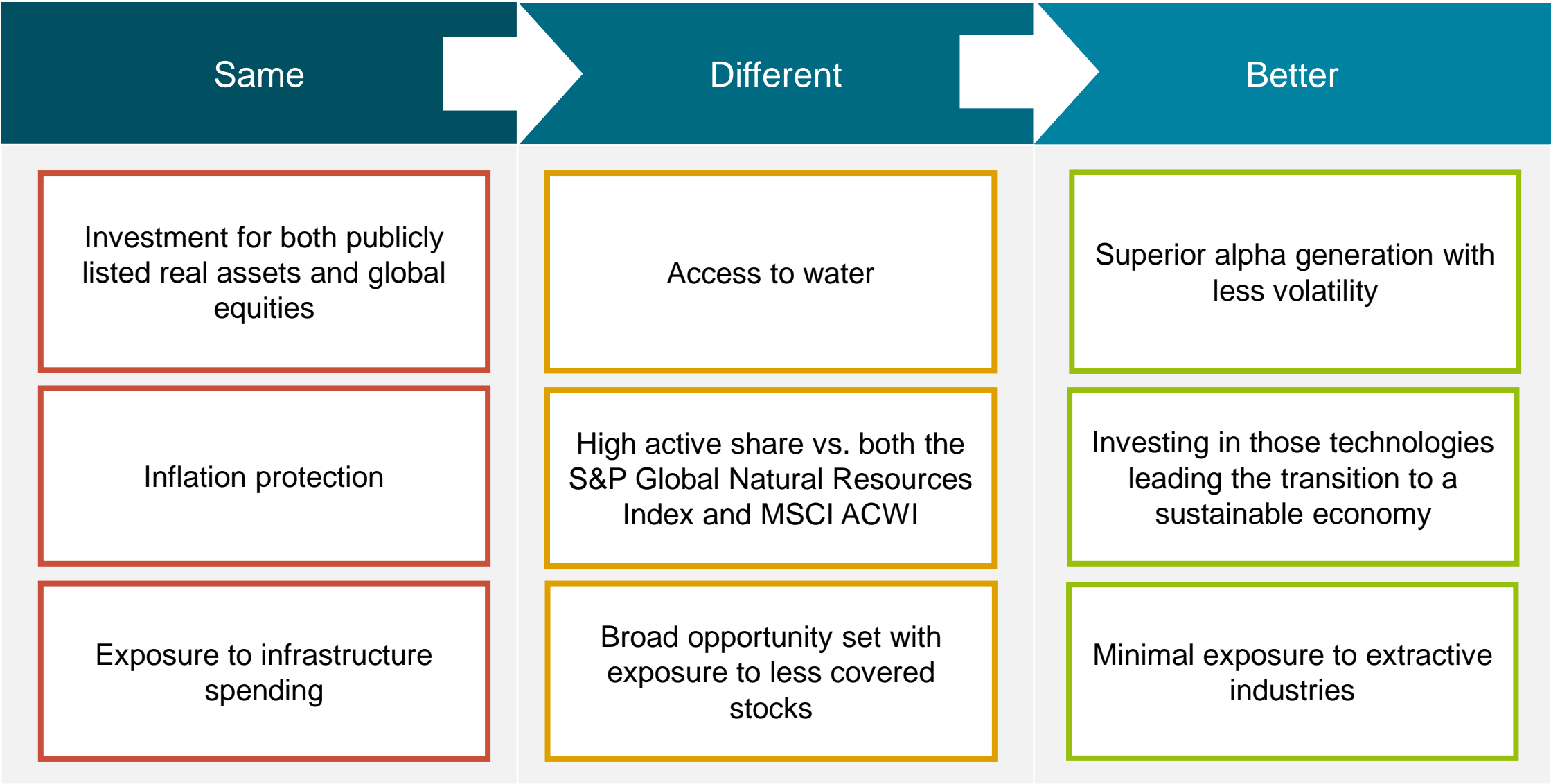
Note: Reflecting the cheapest benchmark project for each technology and market.  
Source: <https://smallcaps.com.au/wind-solar-energy-cheapest-power-two-thirds-world/>

Renewable Energy is now cost competitive

Generation Cost (US\$) \$/MWh, Standardised cost

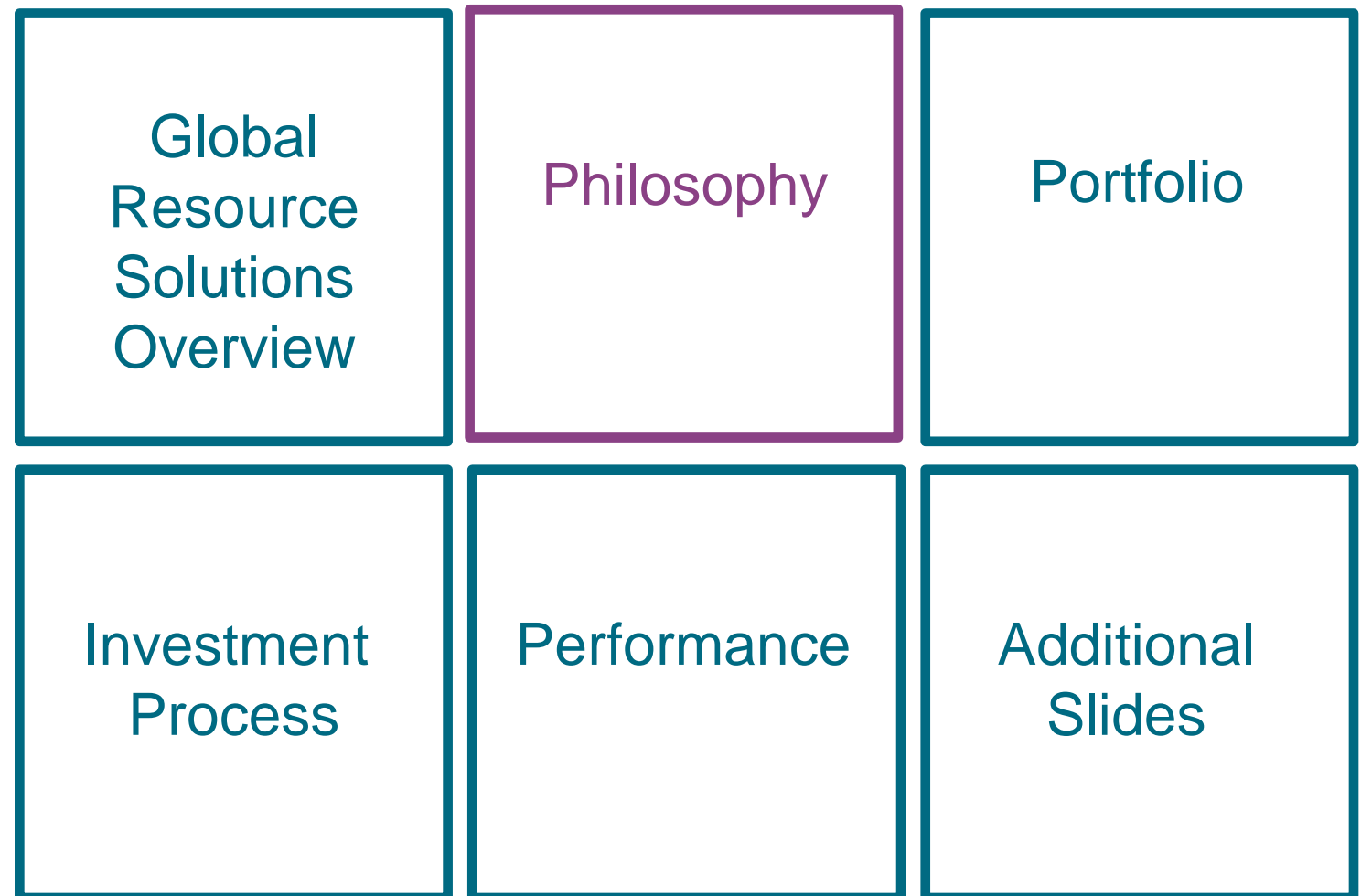


Source: Lazard’s Leveled Cost of Energy Analysis, v 12.0, Nov 2018



Sustainable Investment

Specialist investment team with an average 20 years industry experience

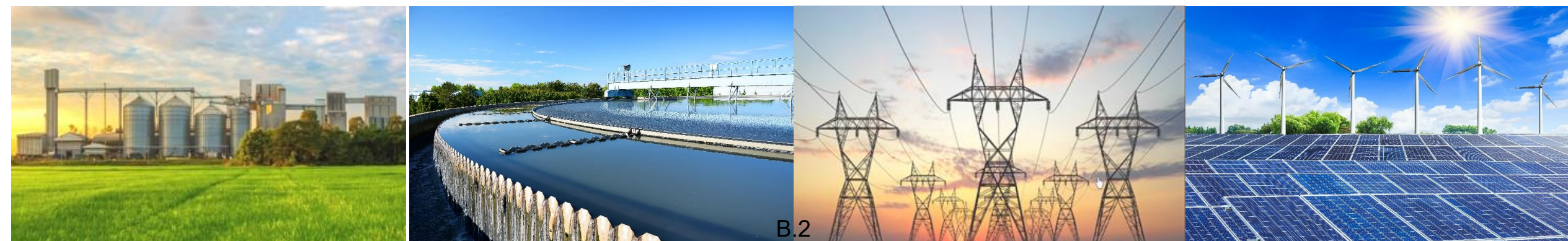


## Stronger now than ever

### Drivers



### Solutions



# 1. Insufficient Supply & 2. Increasing Demand

## Drivers



**TODAY**, the demand for necessities have already outpaced supply...

**TOMORROW**, the problems will only worsen if no change is made...

**41**

# of countries where less than half the population has access to electricity



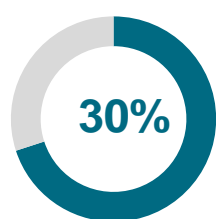
**<1%**

of the earth's water is fit for human consumption

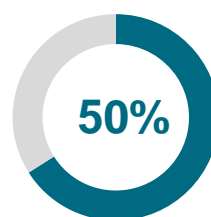


**50%**

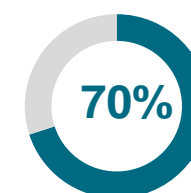
of harvest is wasted between farm and fork



Clean energy sources have to meet most of the 28% growth in Energy demand by 2040



50% projected increase in demand for water by 2025 driven by rising population mainly



Demand for food is expected to increase at least 70% by mid century.



**Sources:** <https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data> <https://www.eia.gov/outlooks/archive/ieo17/> <https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy/oil/oil-reserves.html> <https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS> <http://www.cnn.com/SPECIALS/road-to-rio/secret-life-drinking-water> <http://online.wsj.com/news/articles/SB123483638138996305> <http://www.cnn.com/SPECIALS/road-to-rio/secret-life-drinking-water> <http://fieldnotes.unicefusa.org/infographic-world-water-crisis> <https://www.scientificamerican.com/article/can-we-feed-the-world/> <https://www.mercatorcorp.org/articles/quick-facts-what-you-need-know-about-global-hunger> <http://blogs.worldbank.org/transport/comment/reply/672>



# 3. Multi-Decade Policy / Regulation driving more investments

## Drivers



“If carbon is the driver of climate change, water is the casualty”

Our most essential / critical industries are at the intersect of policy support and investment opportunity



### USA

Biden US\$2 trillion Climate-Focused Infrastructure Plan<sup>1</sup>



### UK

Plan to power all UK homes with wind by 2030<sup>4</sup>



### USA

Drinking Water and Wastewater Infrastructure Act<sup>7</sup>



### EU

Water framework directive<sup>9</sup>



### EU

GHG emissions cut by >55% in 2030, climate neutral by 2050<sup>2</sup>



EU Green deal EUR 750bn<sup>3</sup>

### China

2060 net zero target & 14th 5 Year Plan in 2021<sup>5</sup>



### Brazil

New Basic Sanitation Law<sup>8</sup>



### India

Jal Jeevan Mission<sup>11</sup>



### Japan

Carbon Neutral by 2050, 50% renewable electricity by 2030<sup>6</sup>



### China

Water Pollution Prevention and Control Law<sup>10</sup>



Sources: 1 <https://www.nytimes.com/2020/07/14/us/politics/biden-climate-plan.html> ; 2 [https://ec.europa.eu/clima/policies/strategies/2030\\_en#:~:text=Greenhouse%20gas%20emissions%20%2D%20raising%20the,least%2055%25%20compared%20to%201990](https://ec.europa.eu/clima/policies/strategies/2030_en#:~:text=Greenhouse%20gas%20emissions%20%2D%20raising%20the,least%2055%25%20compared%20to%201990) ; 3 [https://ec.europa.eu/info/strategy/recovery-plan-europe\\_en](https://ec.europa.eu/info/strategy/recovery-plan-europe_en) ; 4 <https://www.bbc.co.uk/news/uk-politics-54421489> ; 5 <https://www.bbc.com/news/science-environment-54256826> ; 6 <https://climateactiontracker.org/press/japans-net-zero-2050-announcement-step-forward-2030-target-revision-key-crucial/> ; 7 <https://www.waterworld.com/drinking-water/infrastructure-funding/press-release/14202376/senate-passes-water-infrastructure-package> ; 8 <https://www.forbes.com/sites/mergermarket/2020/07/14/brazils-new-sanitation-bill-to-draw-domestic-and-foreign-private-investment/?sh=51d1cdf4ef0> ; 9 [https://ec.europa.eu/environment/water/water-framework/info/intro\\_en.htm](https://ec.europa.eu/environment/water/water-framework/info/intro_en.htm) ; 10 <https://www.chinawaterrisk.org/notices/revised-water-pollution-prevention-and-control-law-approved/> ; 11 <https://jaljeevanmission.gov.in/>



Greater than **USD38 trillion**  
of investment opportunity

Investing in technologies leading  
the transition to a sustainable economy

**USD2.5 trillion required** in Agriculture investment



**Precision Agriculture, Satellite Crop Management  
Driverless Farm Machines**

**USD 13.7 trillion required** in Water investment



**Smart Water, Waste Water Treatment,  
Ultra Pure Water, Ballast UV Disinfection**

**USD22 trillion required** in Energy investments with  
over 70% projected to be in clean energy

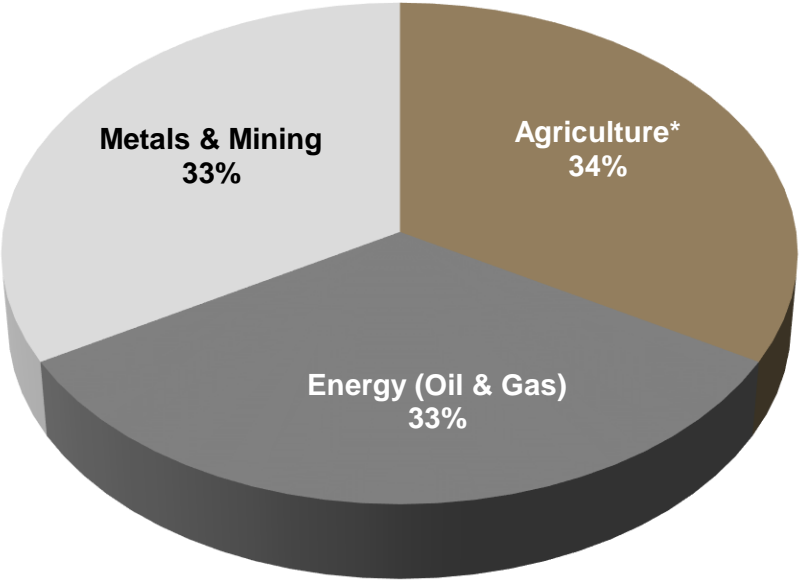


**Electric Vehicles, Smart Grid, Battery Storage,  
Renewables**

Sources: Food Demand: Michigan State University, “Feeding the world in 2050 and beyond”, 2018. Water Demand: McKinsey Global Institute, November 2011; “Water and Power Infrastructure”. Energy Demand: US Energy Information Administration, 2019. Power and Water required investment: Brookings Institute, “Delivering on Sustainable Infrastructure”, 2016. Agribusiness required investment: FAO, ‘The Future of Food and Agriculture, Trends and Challenges, 2017; Land for Farming’.



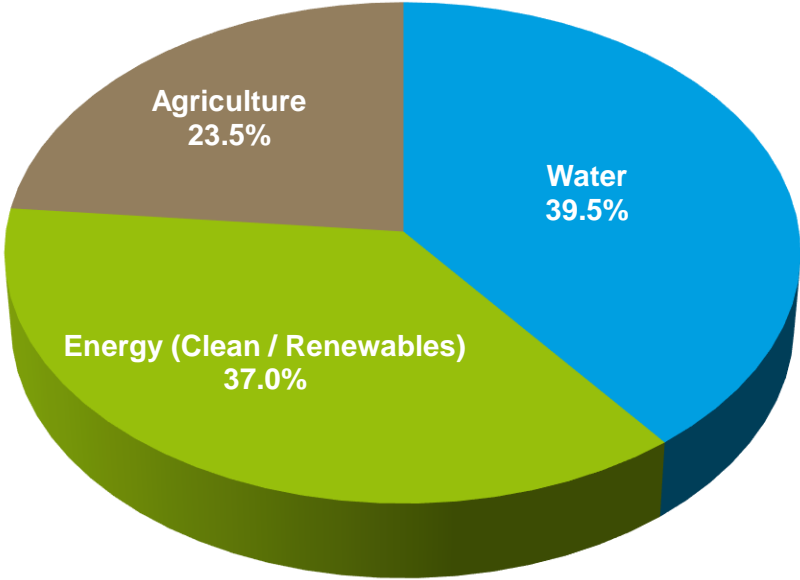
**S&P  
Global Natural Resource  
Index**



\*Traditional Agri includes paper, forestry and timber.

Source: S&P Dow Jones Indices

**KBIGI  
Global Resource  
Solutions Strategy**



ESG is used as a key part of the stock selection process

Source: KBI Global Investors

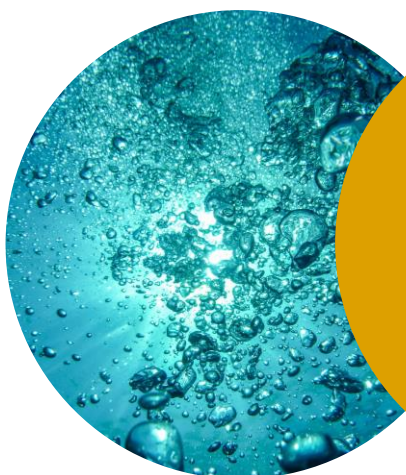
Key differences:  
GRS has Water, *clean* Energy, broader Agri solutions set and no exposure to fossil fuel extraction

Source: KBI Global Investors, S&P Thematic Indices Methodology. Data as of 31<sup>st</sup> March 2021. Note that the index weights are set at the levels shown on the annual rebalancing date, actual weights will vary from time to time due to relative market performance. S&P Global Natural Resource Index, please see disclaimer for description of index information.



## Agribusiness

Soft commodity inflation is positive for agri-inputs such as fertiliser, seeds etc. and farmers' income. Non crop inflation such as steel for farm equipment is passed through to end consumer.



## Water

Utility price increases in line with inflation, increased spending on industrial waste water treatment, EM utilities linked to EM growth, pricing power of equipment makers.



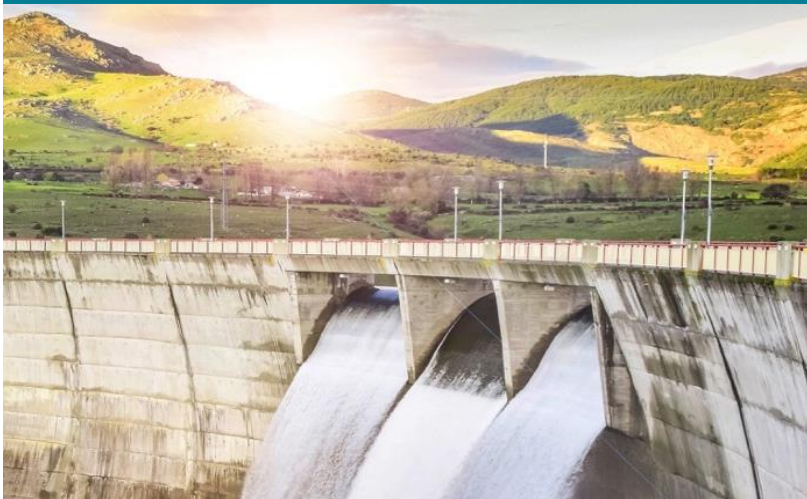
## Energy Solutions

Rising energy costs further improves already strong economics and increases spending on renewables and energy efficiency measures, Utility price increases in line with inflation.


**\$13.7trn\***  
**Required in global infrastructure spend by 2030**

**EQUAL TO**

**>4.5x**  
**The GDP of the United Kingdom**




## Consulting Engineering

 Canadian water consulting engineer that plays a key role in water infrastructure investments, beginning to end

- ✓ Expected to be a key beneficiary of infrastructure spending in North America, particularly in PPP space.
- ✓ With planning, permitting, design, engineering, procurement capabilities, Stantec has strong insights into future infrastructure spending trends of their clients.



## Increase Access & Supply

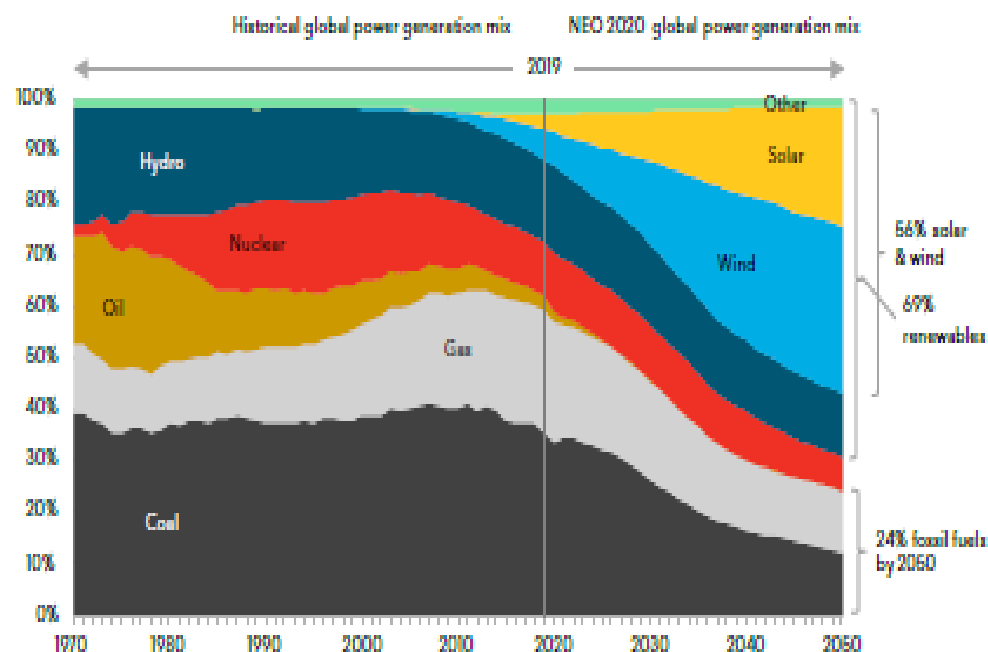
 Chinese water utility focused on water supply

- ✓ Supplier of raw water and tap water for industrial and municipal end users
- ✓ Provider of related services including sewage treatment, metering and connection services
- ✓ Beneficiary of policy initiatives in China encouraging the use of private capital for build out of water infrastructure





Wind and PV will meet 56% of world electricity demand by 2050, with batteries, flexible demand and peakers in support.<sup>1</sup>



Source: BloombergNEF, IEA

Source: <https://about.bnef.com/new-energy-outlook/>  
Page 8 of report



## SOLAR



US thin solar film panel manufacturer

- ✓ Differentiated panel manufacturer
- ✓ Leveraged to growth in US solar market.
- ✓ Strong balance sheet & disciplined management team.
- ✓ High barriers to entry



## WIND



Largest manufacturer of wind turbines

- ✓ Design, manufacture, install, and service wind turbines across the globe
- ✓ Largest player in the industry with wind turbines in 82 countries and a global market share of 16%
- ✓ Leading player in fast-growing offshore wind market.





Smart Sustainable Agri-Inputs



Nutrien is the world's largest provider of crop inputs and services, playing a critical role in helping growers increase food production in a sustainable manner.

- ✓ The world's largest crop nutrition company; low cost asset with profit leverage into rising crop and fertiliser prices
- ✓ Market leading positions across Potash, Phosphate and Nitrogen fertilisers
- ✓ Great diversification, growth and expansion opportunities across its Retail segment and significant Precision Ag opportunities. Smart systems to ensure efficient application of inputs
- ✓ Clear focus on shareholder returns (~50% of FCF as dividends and share buy backs)
- ✓ Strong ESG focus and credentials.



Precision Agriculture



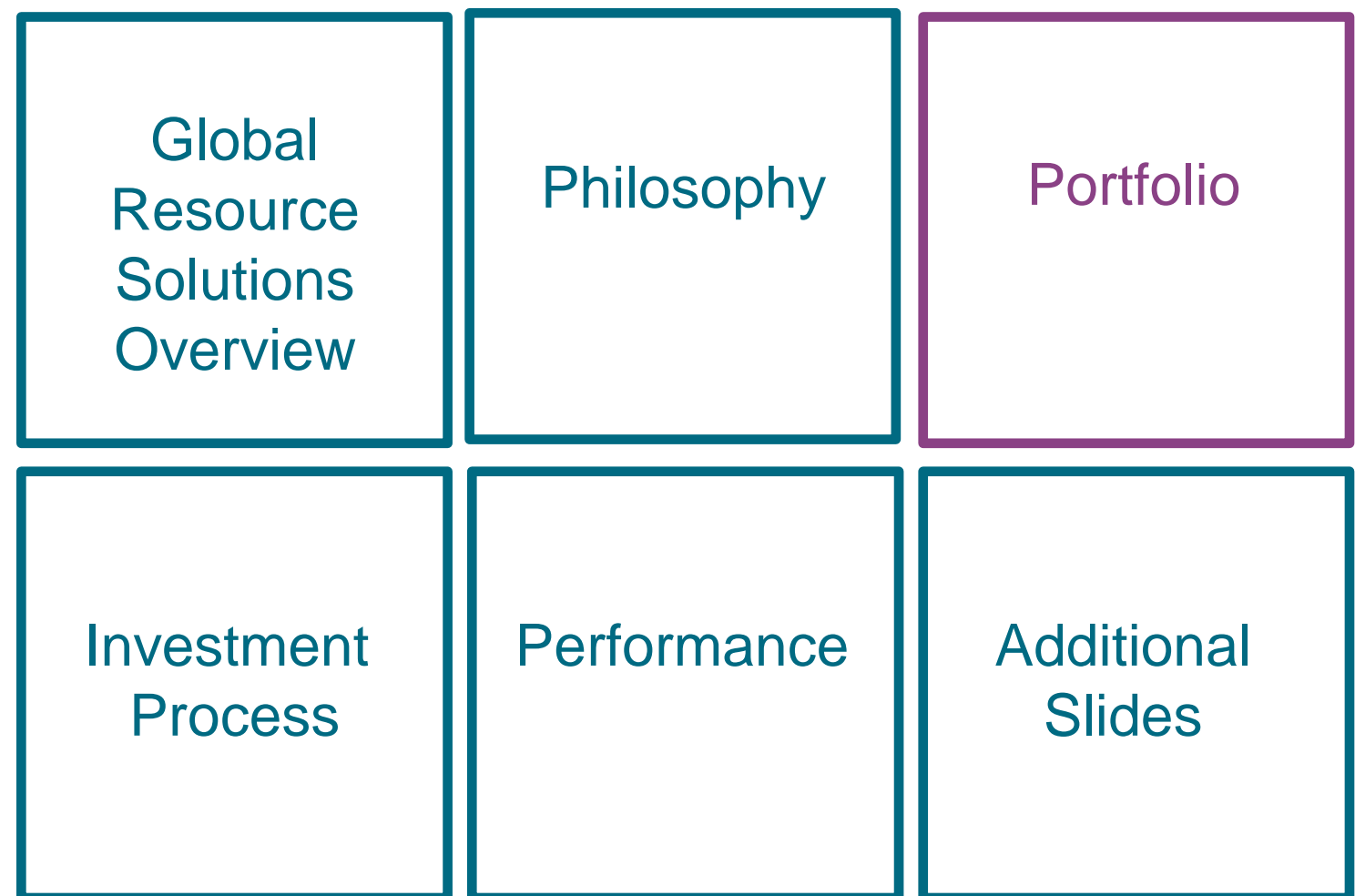
Own precision ag technology that connect farmers entire operation in real time to maximise productivity, profitability, and sustainability.

- ✓ Big Data used to identify field specific factors such as soil moisture and nutrient levels.
- ✓ Advanced positioning technology, combined with Big Data, allows farmers optimise input usage, reducing waste
- ✓ Farmers can maximise crop output and minimise waste, increasing sustainability.
- ✓ Migration of technology into adjacent areas that requires precise asset mobilisation e.g. surveying, construction and transportation.



SMART WATER, SMART GRID, SMART AG

Integration of analytics and software tools to collect vast amounts of information to ensure better real-time management of water systems, the electrical grid, and real-time monitoring and precision control of equipment and inputs on farms.



Identification of sustainable companies as either:

**Pure plays** (>50% of sales from either Water, Agri or Clean Energy) or

**Market leaders** (>10% sales and also be a global leader)

**Water** (manufacturers, service providers and operators across the water cycle)

- Water Utilities
- Water Infrastructure
- Water Technology



**Actively managed strategy allocating across three resources (range 15-50%) and nine resource segments (range 0-25%)**

**Agri** (across the agribusiness value chain inc. increasing crop yields, storing, transporting & processing of agri-products)



- Agri Producers
- Agri Infrastructure & Processors
- Agri Inputs

**Energy Solutions** (renewable energy, technologies that facilitate grid integration and use energy more efficiently)

- Clean Energy Utilities
- Renewable Energy
- Energy Efficiency

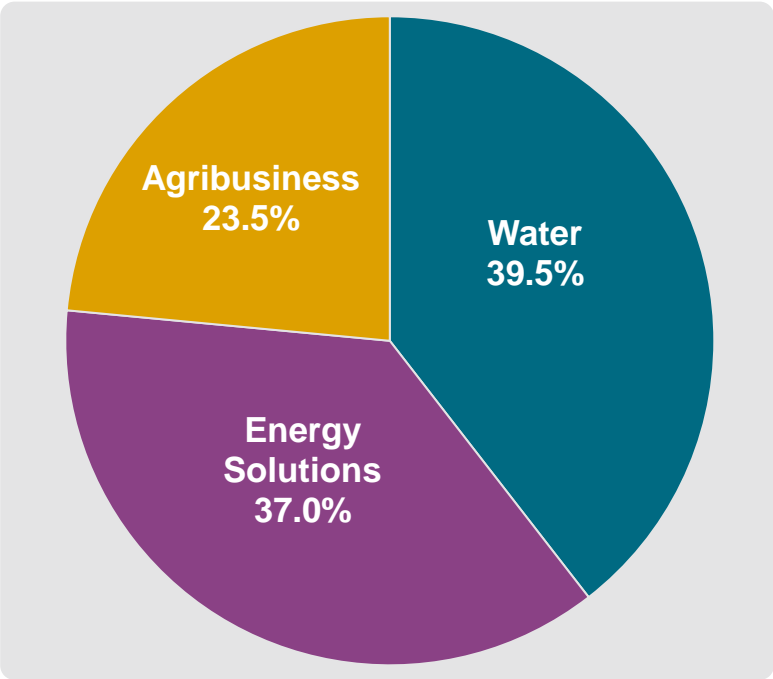




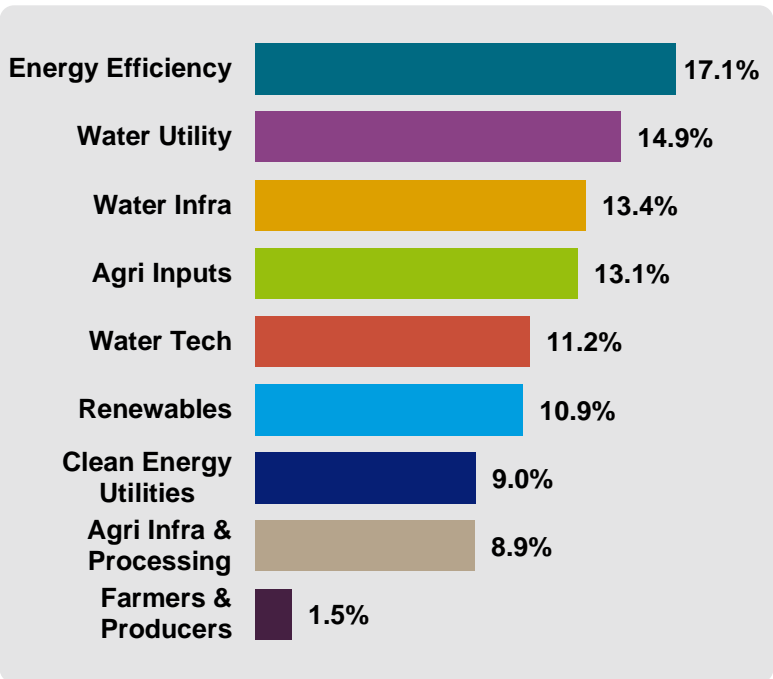
Portfolio Characteristics

	GRS	S&P Nat Res	ACWI
No. of holdings	130	89	2,978
Active Share	-	91.1%	97.0%
Weighted Ave. Market Cap	\$20.9bn	\$61.9bn	\$280bn
Dividend Yield	1.9%	3.3%	1.7%
P/E (forward)	19.4x	15.0x	20.1x
Beta*	-	0.8	1.2
Tracking Error*	-	10.9%	6.4%

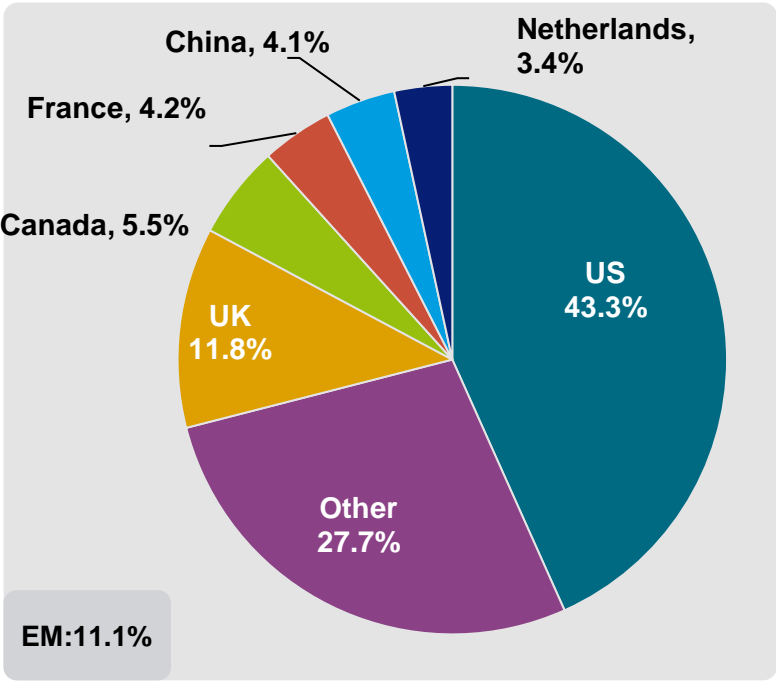
Segments/Resources



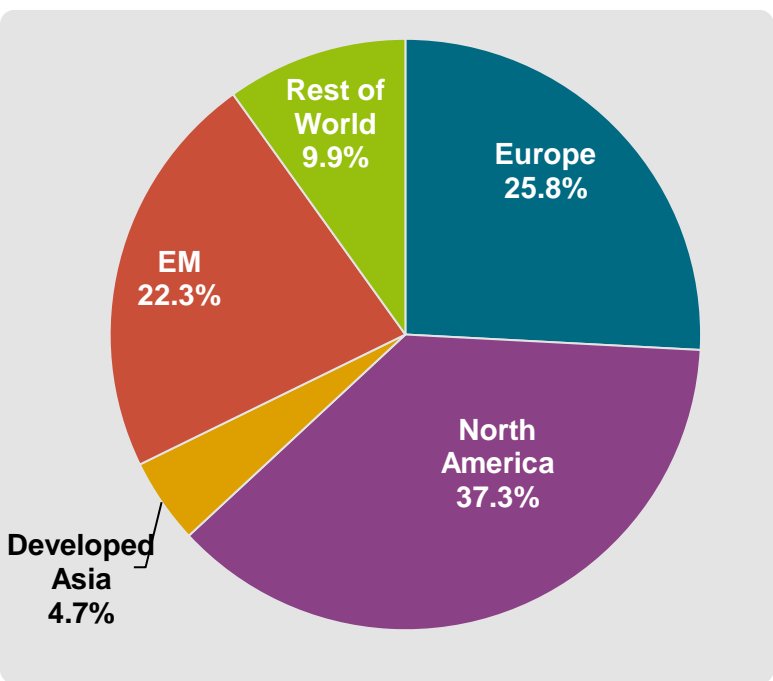
End Markets



Company Domicile



Company Revenue



Top Ten Stocks

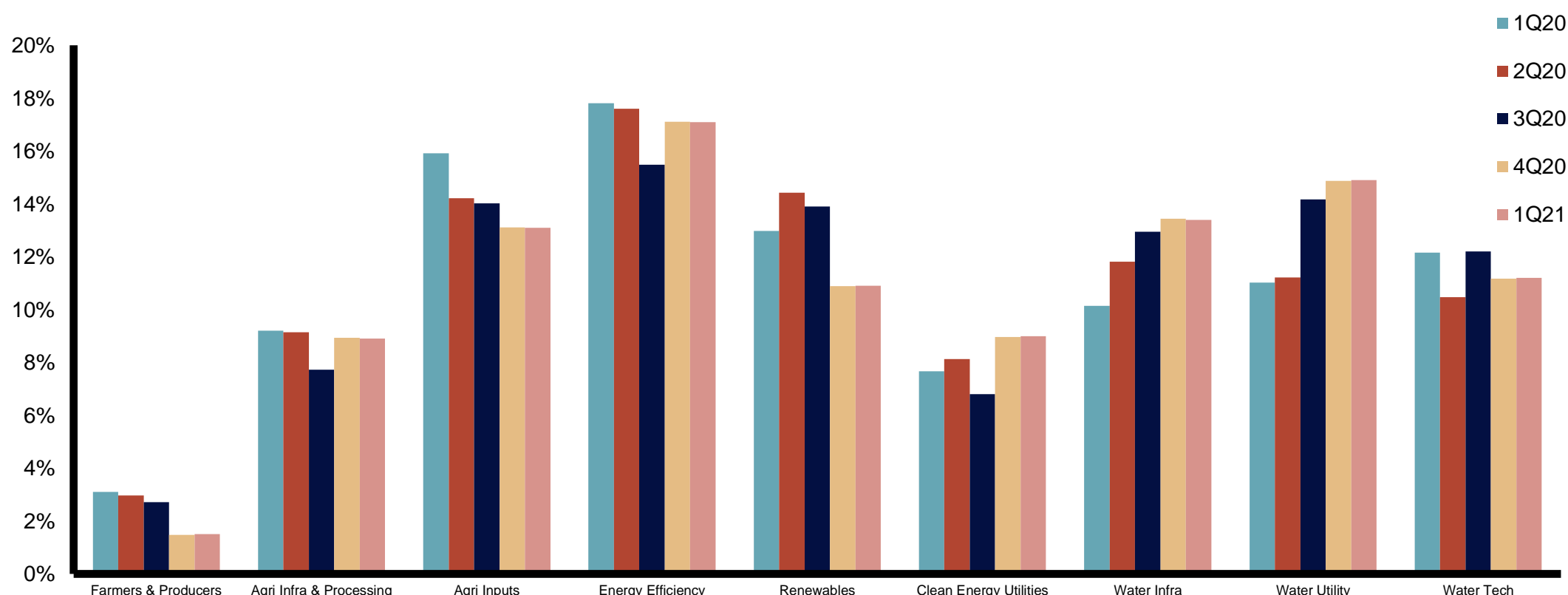
	Country	Weight %
United Utilities Group	UK	2.7%
Veolia Environment SA	France	2.7%
Fortune Brands	USA	1.8%
Nutrien Limited	Canada	1.7%
Pennon Group Plc	UK	1.7%
Essential Utilities	USA	1.6%
First Solar Inc	USA	1.6%
Pentair Plc	USA	1.5%
Andritz AG	Austria	1.5%
Suez	France	1.5%

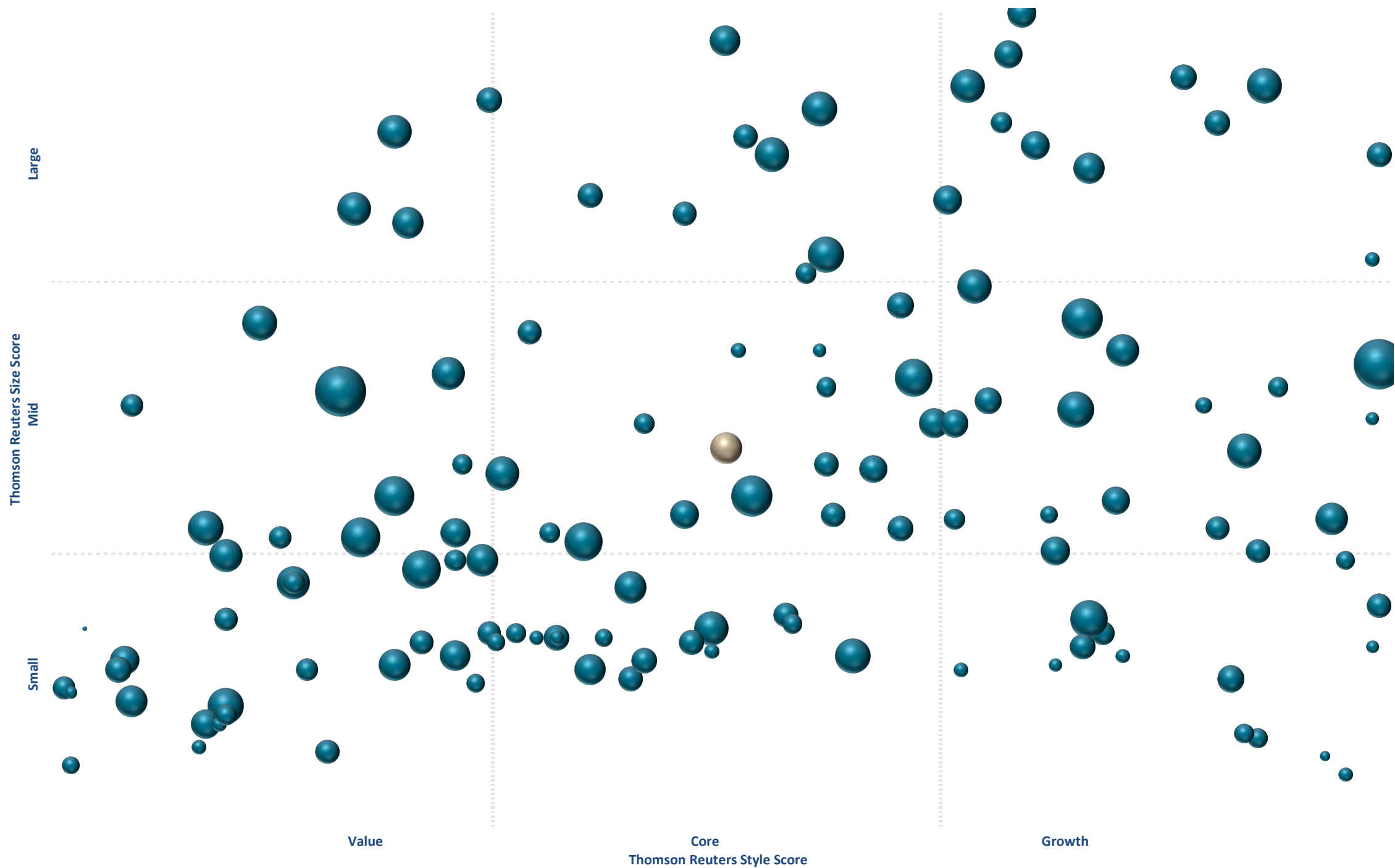
Source: KBI Global Investors Ltd. Data as at 31<sup>st</sup> March 2021. \*GRS versus Index. 3 Years tracking error and Beta to 31<sup>st</sup> March 2021 in USD. This information contains forecasts, which are estimates only and not a reliable indicator of future performance. See disclaimers for description of index. Stocks mentioned in this document are a representative sample of stocks that may or may not be in the strategy. The securities listed are selected based on objective, consistently applied, non-performance-based criteria. Size or profitability of stocks mentioned have not been used in determining the selection of stocks and their inclusion should not be construed as a stock recommendation. A complete list of all securities recommended for the immediately preceding year is available upon request. Each quarter KBI Global Investors uses this same objective, non-performance based criteria to select the ten largest holdings. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Infrastructure Strategy, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. All information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned. A complete list of all securities recommended for the immediately preceding year is available upon request.



Resource	Latest Month %	3 Months ago %	6 Months ago %	9 Months ago %	1 Year ago %
Agribusiness	23.25	23.21	23.29	25.50	27.96
Energy					
Solutions	36.55	37.79	36.27	40.72	39.96
Water	39.03	36.31	37.67	31.96	32.34
Cash	1.17	2.69	2.77	1.82	-0.26
Total Fund	100.00	100.00	100.00	100.00	100.00

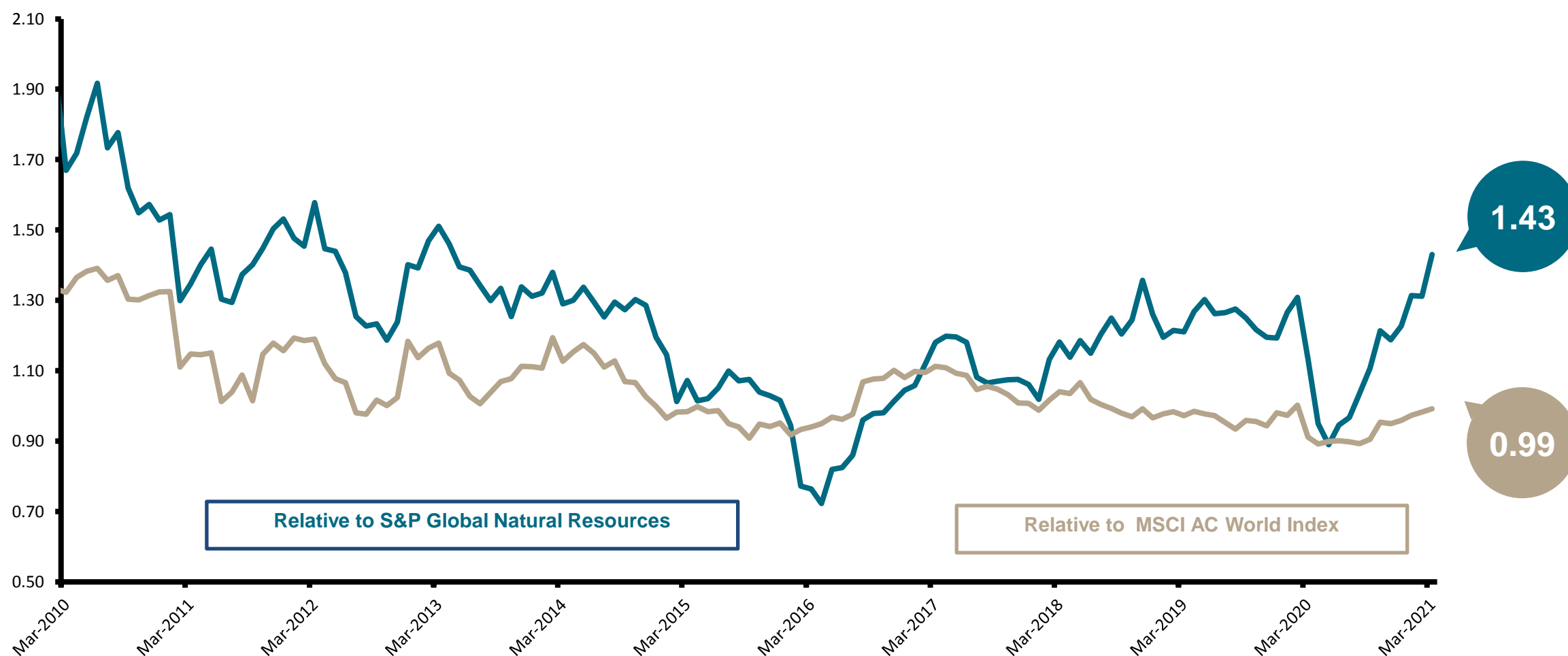
- Reduced our pure play Renewables exposure after strong performance and a run up in valuation.
- Increased exposure to both value and cyclicals across Energy Efficiency, Water and Utilities.





Source: Thomson Reuters Datastream, KBI Global Investors, as of 31<sup>st</sup> March 2021  
B.2




## Strategy vs S&P Global Natural Resources Index and MSCI ACWI







- Attractive valuation relative to MSCI AC World Index based on long-term average
- Valuation vs. S&P GNR just above the average relative valuation. Not as attractive as before but very much supported by response to climate change / decarbonisation, as well as significant infrastructure - related spend towards the forward looking solutions offered by the GRS strategy.
- We believe that GRS has more resilient long-term earnings growth than MSCI ACWI and S&P GNR

Note: P/E is the forward price earnings ratio using bottom-up estimates. This information contains forecasts, which are estimates only and not a reliable indicator of future performance.

Source: KBI Global Investors, 31<sup>st</sup> March 2021 \*ACWI Index is the MSCI All Country World Index (see disclaimers for description of index information)

 <b>Fiscal Stimulus</b>	<p><b>Significant fiscal stimulus seen globally</b>, with a strong green agenda. Biden's aggressive infrastructure plan echoes that of other world governments.</p>
 <b>Valuation discipline with faster growth</b>	<p><b>Attractive valuations</b> relative to long-term averages; <b>superior earnings growth</b> of our companies.</p>
 <b>Supportive Portfolio Positioning</b>	<p>Exposed to faster growing end markets: housing, industrials, electric vehicles, Agri. M&amp;A activity.</p>
<b>Accelerated of trends due to Pandemic</b>	<p>Pandemic provided clarity on residential, digital, and resiliency needs in areas of food, energy and water. Trends like universal sanitation have been accelerated.</p>

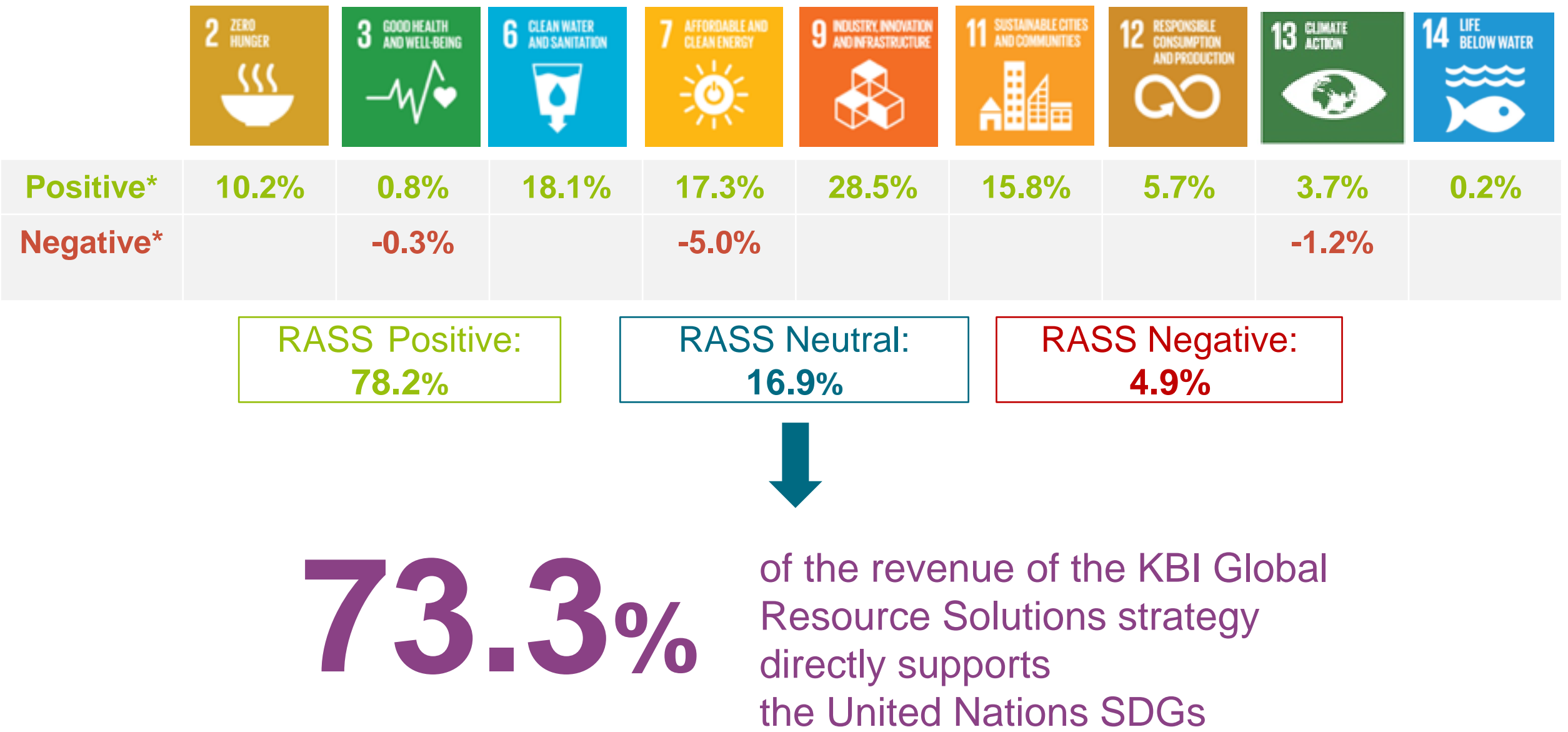
 <b>Indisputable trends</b>	<p><b>Indisputable factors</b> driving water, food and energy as investment themes stronger now than every before.</p>
 <b>Climate Crisis</b>	<p>Companies providing <b>solutions to climate change related issues</b> benefit from the shift to a sustainable economy: decarbonization of energy, investment in resilient water, food and energy infrastructure</p>
 <b>Adoption of disruptive technologies</b>	<p><b>Secular growth:</b> smart water &amp; energy grids, precision agriculture, electric vehicles. battery storage</p>
 <b>Diverse Opportunity Set</b>	<p><b>Proprietary Universe</b> of 500+ stocks with diverse style characteristics, end markets, regional exposures etc. allowing us to construct a balance portfolio to suit the economic cycle.</p>

Short & medium-term drivers

Long-term trends

B.2

KBI leads the way in measurement of impact on the UN SDGs through company revenue



\*as a percentage of total positive revenues

RASS: Revenue Aligned SDG Scores



- The **indisputable factors** driving water, food and energy as investment themes are more relevant today than ever before.
- Momentum globally **to tackle Climate Change** and invest in those companies providing solutions to climate related issues.
- Investors concerned about potential **inflation** creeping back into the system.



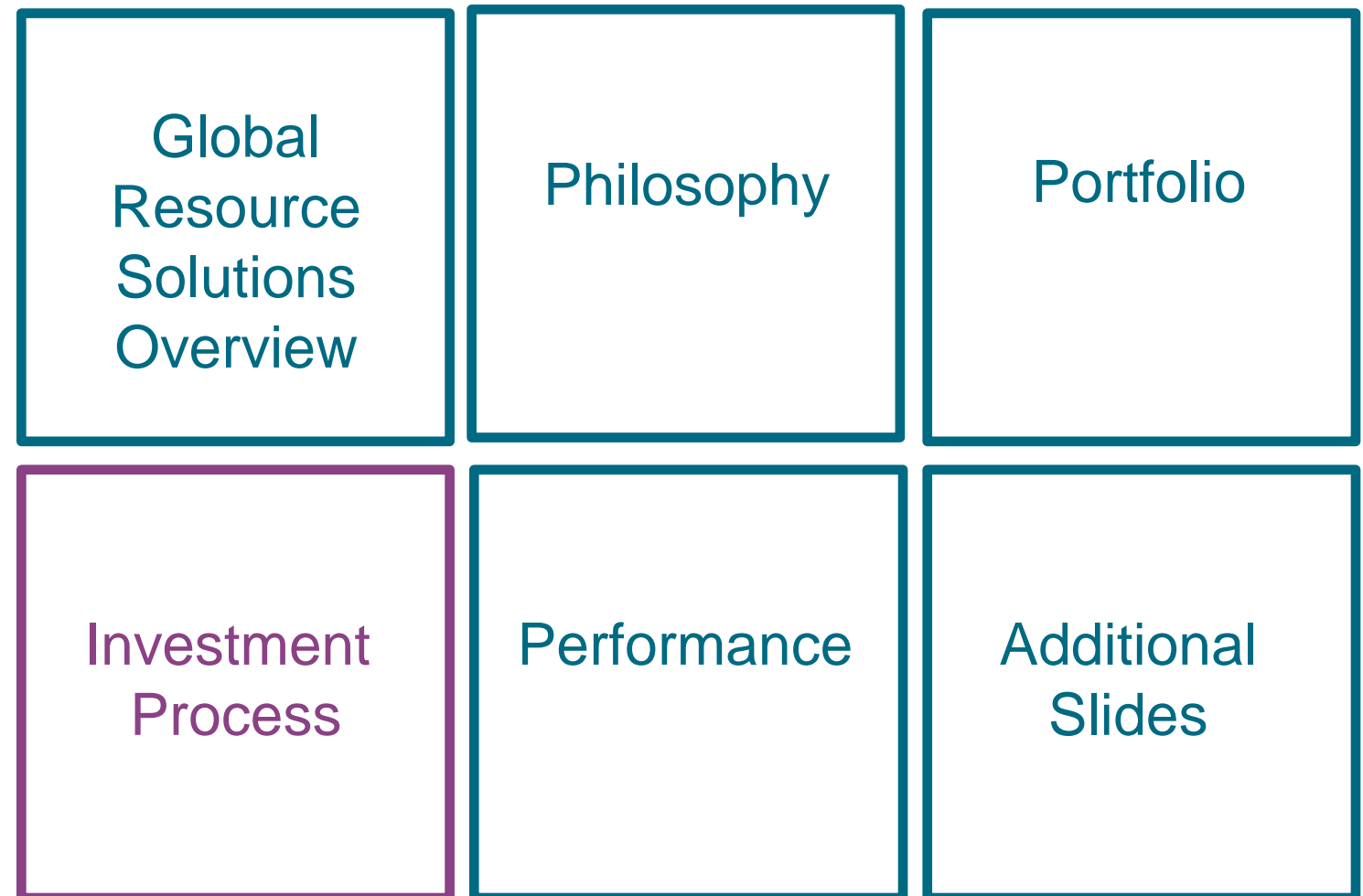
## Why this strategy?

- Superior and differentiated **source of alpha** in an investor's global equity or real assets portfolio.
- The **future** of resource investing which minimizes exposure to extractive industries
- Access to Water: the one resource for which there is no substitute
- Exposure to **less-covered stocks** where specialist knowledge can unlock upside potential
- **Integration of ESG** in philosophy and process with close alignment to **UN Sustainability Development Goals (SDGs)**

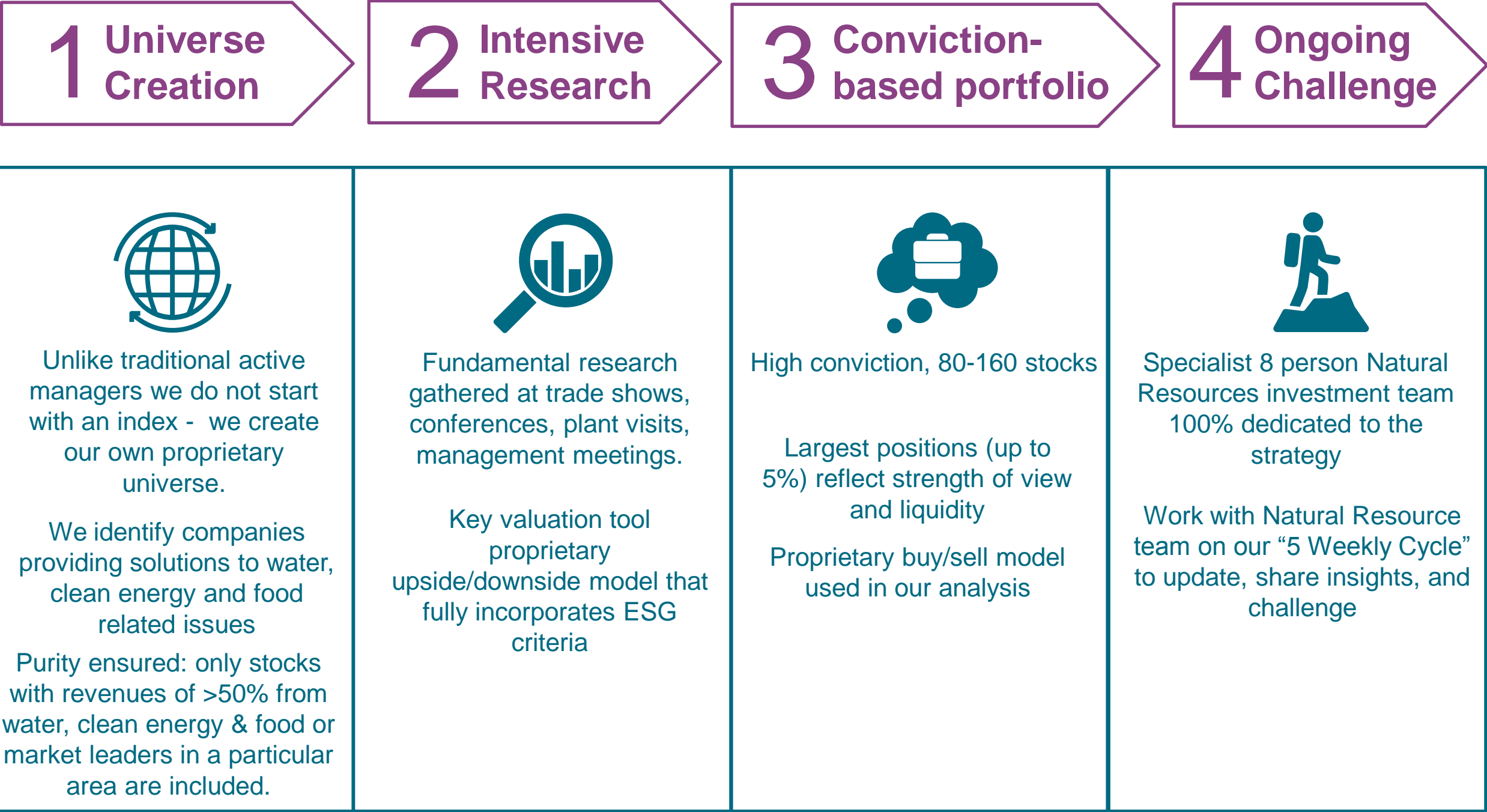


## Why KBIGI?

- **Experienced and specialist investment team:** an average 20 years industry experience
- Pioneering investor in sustainable natural resources (since 2000) with a broad client base and several consultant ratings.



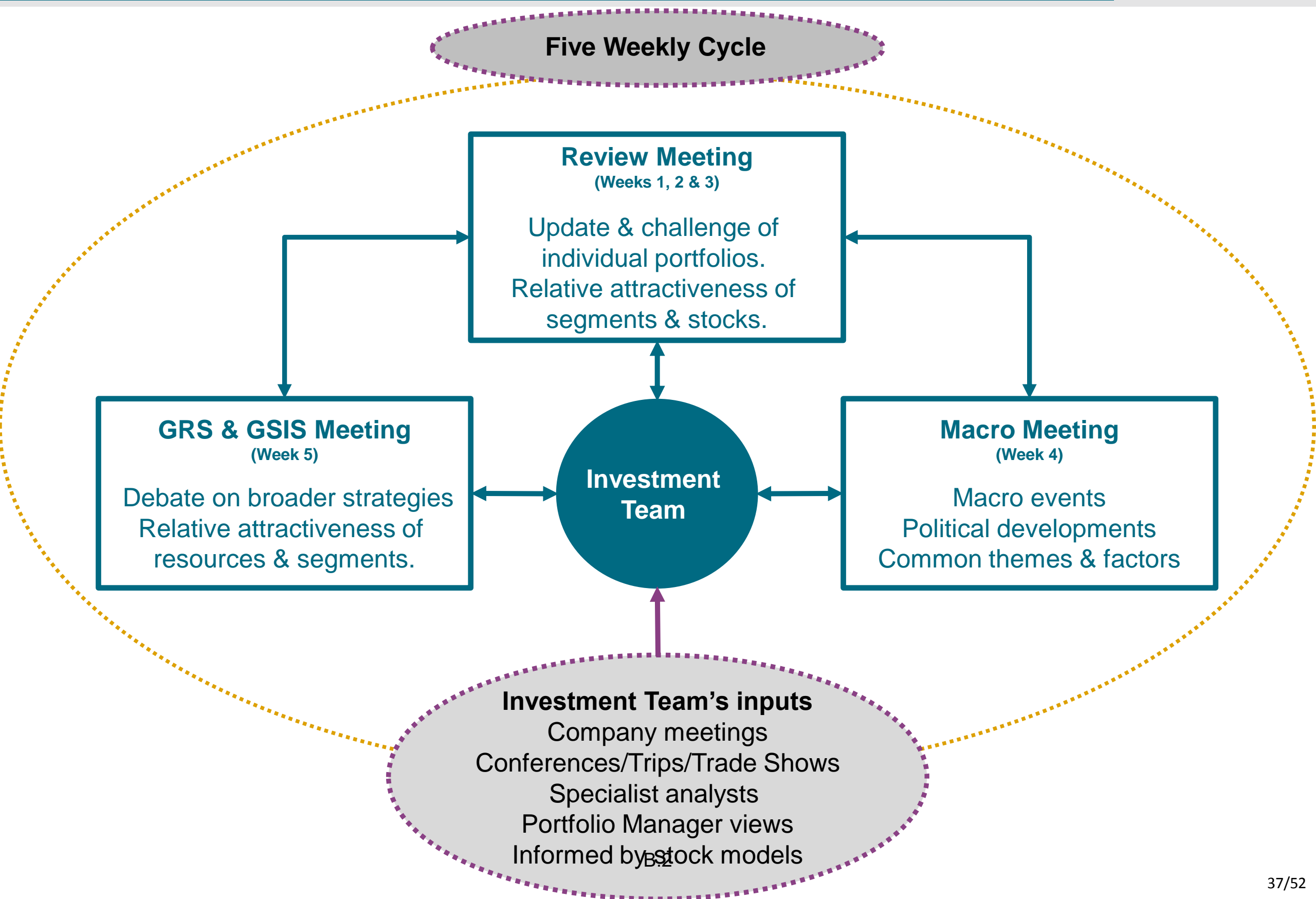
We stay on top of the market through maintaining a continuous learning process



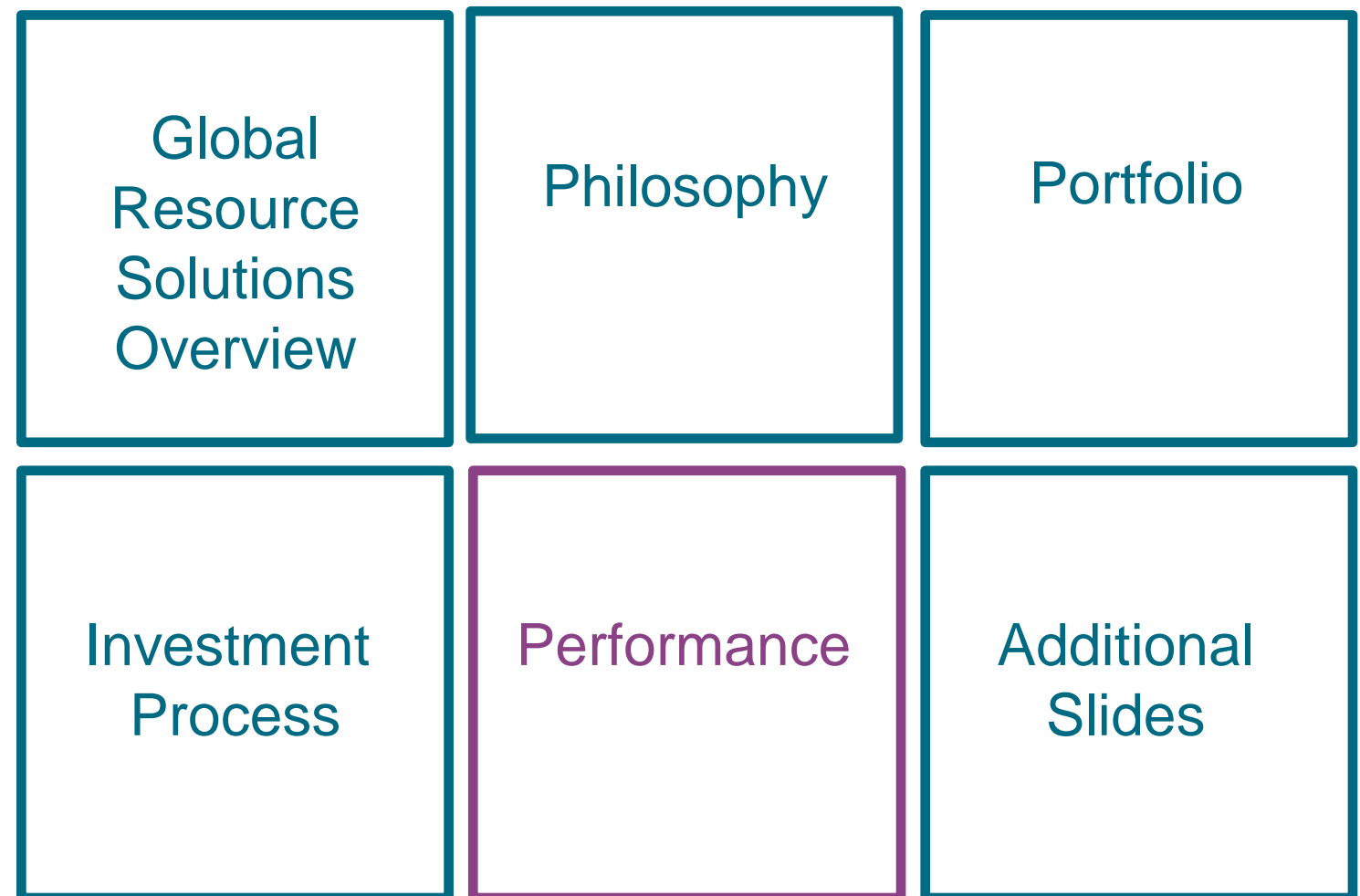


ESG: Fully integrated into our investment process

Management	End-markets	Environmental & Social	Governance
			
Does management have a repeatable, executable and credible business strategy?	Do the company's end markets show strong demand?	Do the company's products enhance society's Environmental or Social/sustainable goals?	Does the board sufficiently represent the interests of shareholders? If not, can it be changed?



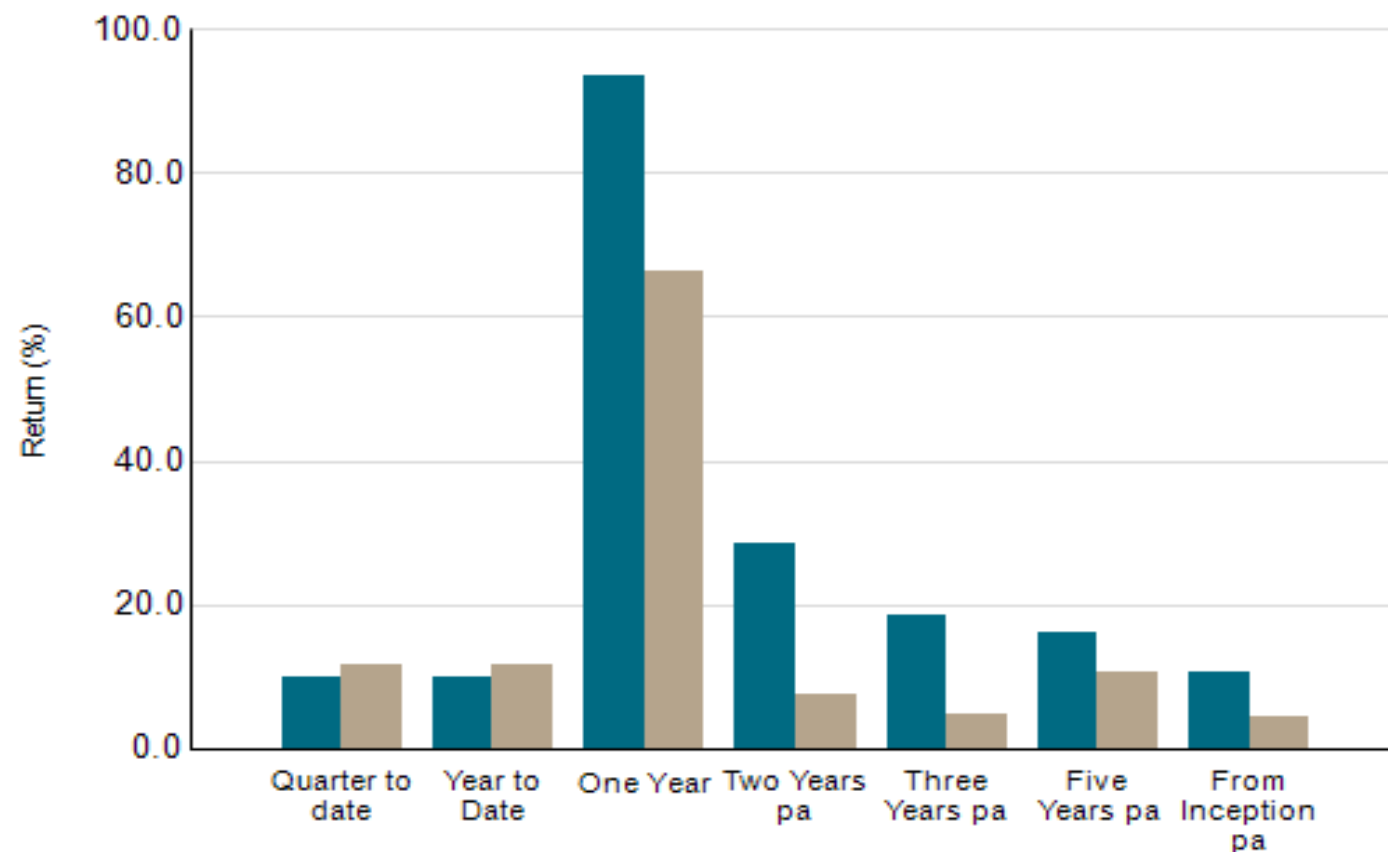
Security Controls	Resource/Region/Segment Controls	Portfolio Risk Monitoring
<ul style="list-style-type: none"> <li>Maximum position size: 5% Position sizes are based on stocks' risk-adjusted return potential</li> <li>Maximum % of a companies market cap: 10% (or 15% with prior approval from firm's Risk Committee)</li> <li>Manage any duplication of stocks across segments</li> <li>Liquidity analysis (monitored daily, formal review quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>Resource range: 15% to 50% (for each resource: Water, Energy &amp; Agribusiness)</li> <li>Segment range: 0 % to 25%</li> <li>Monitor regional exposures versus benchmark:  (max 20% Emerging Markets)</li> </ul> <p>Tools: <i>Eikon</i>, <i>Style Research</i>, <i>Statpro Revolution</i></p>	<ul style="list-style-type: none"> <li>Portfolio volatility vs benchmark                             <ul style="list-style-type: none"> <li>3 &amp; 5 Year</li> </ul> </li> <li>Tracking Error vs benchmark                             <ul style="list-style-type: none"> <li>Ex Post &amp; ex Ante</li> </ul> </li> <li>Information Ratio:                             <ul style="list-style-type: none"> <li>3 &amp; 5 Year</li> </ul> </li> <li>ESG / Carbon Footprint vs benchmark</li> <li>Top &amp; bottom stock contributors to risk</li> <li>Overall strategy capacity analysis (monitored daily, formal review quarterly)</li> <li>Macro considerations</li> </ul>



# Global Resource Solutions (GRS)

Benchmark S&P Gbl Nat Resources  
 Strategy Inception 01 March 2015  
 Reporting Date 31 Mar 2021

Term of Strategy (Yrs): 6.17  
 Return Type: Gross  
 Reporting Currency: USD



	Return To * partial year	Composite %	Benchmark %	Relative %
* 31-Mar-2021		9.9	11.6	(1.5)
31-Dec-2020		32.2	(0.0)	32.3
31-Dec-2019		27.2	16.4	9.3
31-Dec-2018		(13.3)	(13.1)	(0.3)
31-Dec-2017		26.6	22.0	3.8
31-Dec-2016		6.3	31.5	(19.1)
* 31-Dec-2015		(13.9)	(27.5)	18.8

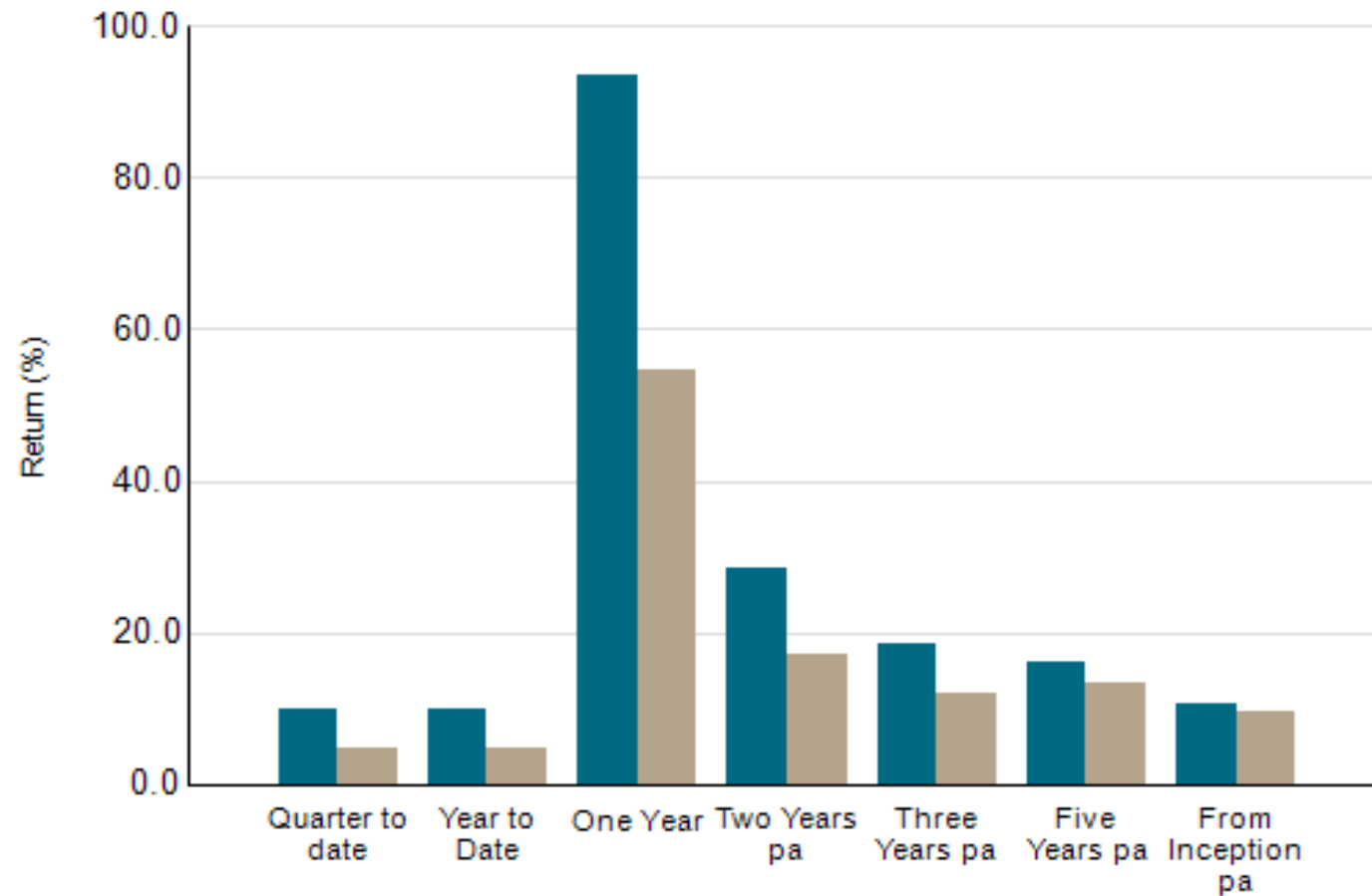
		Quarter to date	Year to Date	One Year	Two Years pa	Three Years pa	Five Years pa	From Inception pa
	Composite	9.9	9.9	93.4	28.4	18.4	16.2	10.7
	Benchmark	11.6	11.6	66.4	7.6	4.7	10.6	4.6
	Relative	(1.5)	(1.5)	16.2	19.4	13.1	5.0	5.9

Source: KBI Global Investors, Datastream and Bloomberg. Strategy returns are gross of fees in USD at 31-March-2021 using GIPS Composite. See disclaimer for further information. S&P Gbl Nat Resources benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes. See disclaimers for description of index information. A GIPS composite presentation to the latest quarter end is attached as an appendix.

# Global Resource Solutions (GRS)

Benchmark	MSCI AC WORLD (NR)
Strategy Inception	01 March 2015
Reporting Date	31 Mar 2021

Term of Strategy (Yrs):	6.17
Return Type:	Gross
Reporting Currency	USD

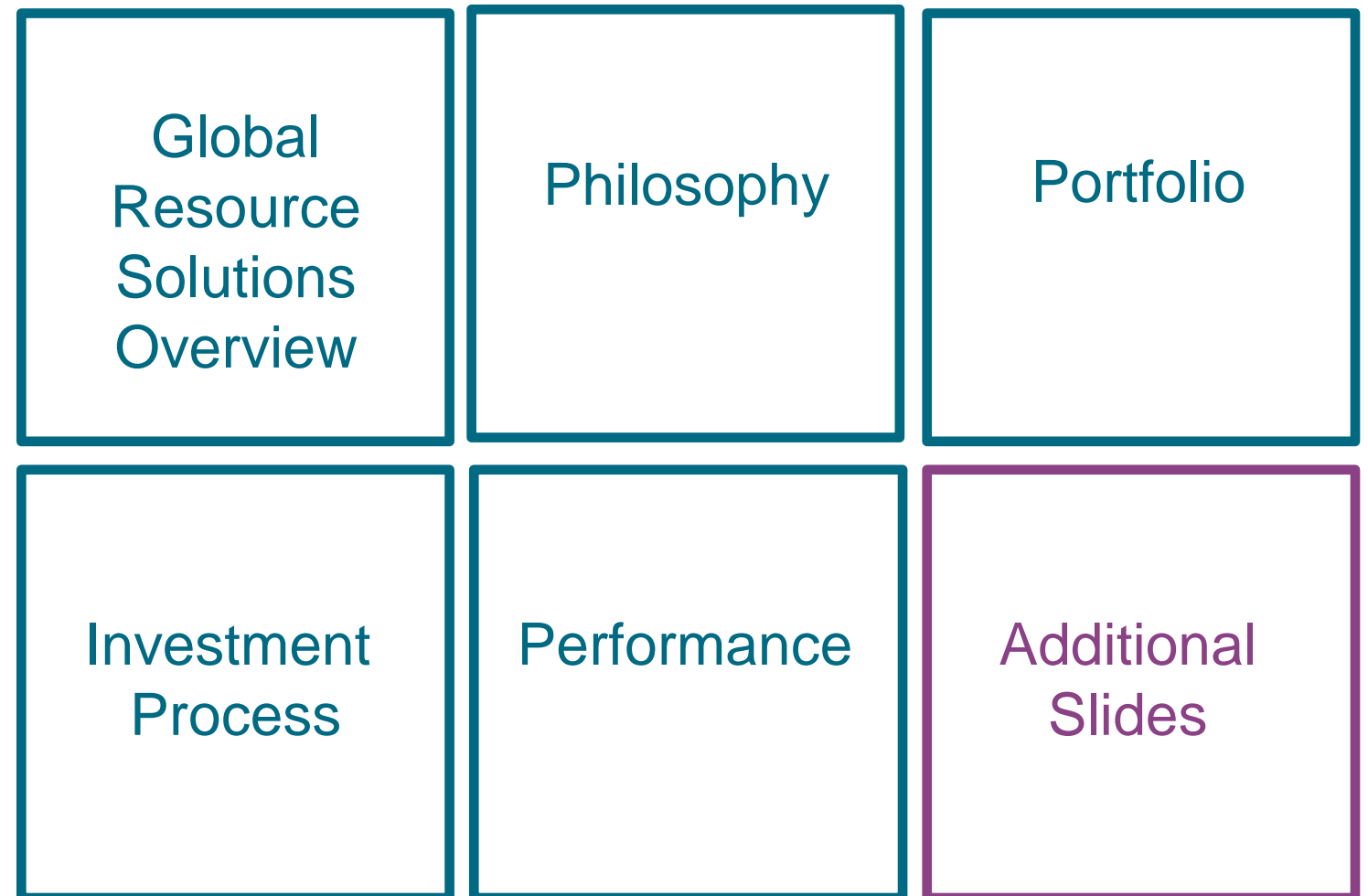


	Return To * partial year	Composite %	Benchmark %	Relative %
* 31-Mar-2021		9.9	4.6	5.1
31-Dec-2020		32.2	16.3	13.7
31-Dec-2019		27.2	26.6	0.5
31-Dec-2018		(13.3)	(9.4)	(4.3)
31-Dec-2017		26.6	24.0	2.2
31-Dec-2016		6.3	7.9	(1.5)
* 31-Dec-2015		(13.9)	(6.0)	(8.3)

		Quarter to date	Year to Date	One Year	Two Years pa	Three Years pa	Five Years pa	From Inception pa
	Composite	9.9	9.9	93.4	28.4	18.4	16.2	10.7
	Benchmark	4.6	4.6	54.6	17.1	12.1	13.2	9.7
	Relative	5.1	5.1	25.1	9.6	5.7	2.7	1.0

Source: KBI Global Investors, Datastream and Bloomberg. Strategy returns are gross of fees in USD at 31-March-2021 using GIPS Composite. See disclaimer for further information. MSCI AC WORLD (NR) benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes. See disclaimers for description of index information. A GIPS composite presentation to the latest quarter end is attached as an appendix.







Access to investment team for knowledge transfer: Onsite or offsite PM visits/conf calls



Highly rated compliance and operational framework. Multiple 3<sup>rd</sup> party custodian relationships



Thought leadership: client reporting, whitepapers, statistical analysis, conference participation



Shetland Islands Council

An allocation to the KBI Global Resource Solutions strategy has the potential to significantly reduce the carbon footprint of your natural resource portfolio



	Carbon Footprint	Data Coverage
KBI Global Resource Solutions	420.3	92.7%
S&P Global Natural Resources Index	890.9	100%
	t CO2e / \$M Invested	Market Value

Source MSCI ESG Research, Data as at end December 2019. S&P Global Natural Resources Index, See disclaimers for description of index information.

2021 Q1 ESG Metrics	Global Resource Solutions Portfolio	MSCI ACWI	S&P Natural Resources
ESG Score <sub>1</sub>	6.7	6.0	6.0
Weighted Average Carbon Intensity <sub>2</sub>	387.1	160.2	-
Board Gender Diversity <sub>3</sub>	25.5	26.0	27.0
Human Rights Policy <sub>4</sub>	93.2	89.4	-
Employee Health & Safety <sub>5</sub>	73.0	52.0	-

## Topical Issue:

- Solar industry: some concerns re supply chains
- EU is proposing a Carbon Border Adjustment Mechanism (CBAM) to avoid carbon leakage

1Q21 Engagement Examples	
SPX Corp	We asked the company to accelerate its ESG strategy, including identifying specific ESG targets, and to align activities with SDGs
Kurita	We asked the company to improve the composition of the board (gender, independence, international experience) and to align compensation with margin targets and to reduce cross-holdings
Quanta Services	We asked Quanta to consider divesting/selling its oil & gas pipeline business
Canadian Solar	We engaged with Canadian Solar regarding their supply chain
Ag Growth Int	We asked CEO and CFO to supplement initial sustainability report (Dec 2020) with environmental metrics and targets
Proxy Voting	
Orbia Advance	We voted against the election of one of the board members as he serves on more than five public company boards
Andritz	We voted against two proposed board nominees as their terms of office would exceed four years, and also due to the company's failure to establish a majority independent remuneration committee
Pinnacle Renewables	We voted against the takeover bid from Drax

Data as at 31<sup>st</sup> March 2021. Footnote: 1. Source: MSCI ESG Research. The weighted average ESG rating of the portfolio and index as determined by MSCI ESG ratings of investee companies; 2. Source: MSCI ESG Research, The weighted average carbon intensity is a measure of the portfolio/index's exposure to carbon related risks and computed as the sum product of the portfolio/index companies' carbon intensities and weights; 3. Refinitiv. The percentage of board members of companies in which the portfolio/index invests which are female; 4. Source: Refinitiv. The percentage of portfolio/index companies with a human rights policy. 5. Source: Refinitiv. The percentage of portfolio/index companies with the Employees Health & Safety OHSAS 18001 certification, an international standard which provides a framework to identify, control and decrease the risks associated with health and safety within the workplace. See description of MSCI ACWI index in disclaimer at end of presentation. Stocks mentioned in this document are a representative sample of stocks that may or may not be in the strategy. The securities listed are selected based on objective, consistently applied, non-performance-based criteria. Size or profitability of stocks mentioned have not been used in determining the selection of stocks and their inclusion should not be construed as a stock recommendation. A complete list of all securities recommended for the immediately preceding year is available upon request.

<b>Precision Agriculture</b>	Companies involved in developing precision agriculture solutions are improving crop yields and reducing the need for fertiliser, water and crop chemicals, with the use of highly precise satellite data and other advanced techniques
<b>Smart Water</b>	Emerging technologies and Artificial Intelligence are helping water utilities worldwide to reduce cost and increase resilience by building more reliable water infrastructure networks via innovative approaches to identify leaks pre-emptively
<b>Water re-use</b>	This technology is even more promising in many ways than desalination as way of delivering clean water to areas with some of the greatest need
<b>Energy Efficiency</b>	Across many segments of the economy from buildings to transport to manufacturing, the need to improve energy efficiency is an important priority. A wide range of new products and technologies address many critical uses including large scale retrofit projects in both public and private sectors
<b>Climate resiliency</b>	Extreme weather events are increasingly frequent as a result of climate change and other factors. Resilience of cities in particulate can be significantly improved through engineered storm management systems and advanced infrastructure diagnostics
<b>UV technology</b>	Treatment facilities, on board ships, are used to stop the spread of invasive species in ballast water of cargo ships
<b>Disruptive technologies</b>	Many new technologies are being developed to address the global shortages of clean and safe energy, water and food. Examples include lithium ion batteries which are used in electric vehicles to dramatically reduce tailpipe emissions from vehicles and contribute to the fight against climate change
<b>Renewable Energy</b>	Wind and solar operators may be the single most impactful way to speed the energy transition and mitigate the climate crisis
<b>Plant engineering</b>	Design, build, and operation of advanced wastewater treatment plants along rivers in China & India address extreme pollution and improve liveability

<u>KBI PRI Assessment Scores</u>	2020	2019	2018	2017
<b>1. Strategy and Governance</b>	A+	A+	A+	A+
<b>2. Listed Equity - Incorporation</b>	A+	A+	A+	A+
of which: Screening	A+	A+	A+	A+
of which: Integration	A+	A+	A+	A+
<b>3. Listed Equity – Active Ownership</b>	A+	A+	A+	A+
of which: Individual	A+	A+	A+	A+
of which: Collaborative	A+	A+	A+	A+
of which: Proxy Voting	A+	A+	A	A

Source: KBI Global Investors. Signatories of the PRI are assessed against a range of Responsible Investing indicators within each module. KBI Global Investors was awarded an A+ rating for all modules relevant to equity investors, i.e. Strategy and Governance, Listed Equity – Incorporation, and Listed Equity – Active Ownership. KBIGI’s Transparency Report, reporting the data on which the Assessment was made, is published at this link: <https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/A715F96B-7862-4D73-8220-202E48AF980C/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1> The methodology of assessment is detailed at this link: <https://www.unpri.org/reporting-and-assessment-resources/about-pri-assessment/3066.article>. The full Assessment Report is available to clients on request.



## USA/CANADA:

KBI Global Investors (North America) Ltd is a registered investment adviser with the SEC and regulated by the Central Bank of Ireland. KBI Global Investors (North America) Ltd is a wholly-owned subsidiary of KBI Global Investors Ltd. Form ADV Part 1 and Part 2 are available on request.

**IMPORTANT RISK DISCLOSURE STATEMENT :** Under MiFID II this is deemed marketing material and should not be regarded as investment research. This material is provided for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to purchase any security, product or service including any group trust or fund managed by KBI Global Investors (North America) Ltd, or any of its affiliates (collectively, “KBI Global Investors”). The information contained herein does not set forth all of the risks associated with this strategy, and is qualified in its entirety by, and subject to, the information contained in other applicable disclosure documents relating to such a strategy. KBI Global Investors (North America) Ltd’s investment products, like all investments, involve the risk of loss and may not be suitable for all investors, especially those who are unable to sustain a loss of their investment.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.** This introductory material may not be reproduced or distributed, in whole or in part, without the express prior written consent of KBI Global Investors (North America) Ltd. The information contained in this introductory material has not been filed with, reviewed by or approved by any United States regulatory authority or self-regulatory authority and recipients are advised to consult with their own independent advisors, including tax advisors, regarding the products and services described therein. The views expressed are those of KBI Global Investors (North America) Ltd. and should not be construed as investment advice. We do not represent that this information is wholly accurate or complete and it should not be relied upon as such. Opinions expressed herein are subject to change without notice. The products mentioned in this Document may not be eligible for sale in some states or countries, nor suitable for all types of investors; their value and the income they produce may fluctuate and/or be adversely affected by exchange rates, interest rates, or other factors. In some tables and charts, due to rounding, the sum of the individual components may not appear to be equal to the stated total(s). Additional information will be provided upon request.

Information about indices is provided to allow for comparison of the performance of the Adviser to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategy’s holdings may differ substantially from the securities that comprise the indices shown. All MSCI data is provided “as is”. In no event shall MSCI, its affiliates, or any MSCI data provider have any liability of any kind in connection with the MSCI data. No further distribution or dissemination of the MSCI data is permitted without MSCI’s prior express written consent. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. **MSCI World:** The MSCI World index covers more than 1,600 securities across large and mid-cap size segments and across style and sector segments in 23 developed markets. **MSCI ACWI:** The MSCI ACWI Index covers more than 2,400 securities across large and mid-cap size segments and across style and sector segments in 46 developed and emerging markets. **MSCI EM:** The MSCI Emerging Markets Index covers more than 800 securities across large and mid-cap segments and across style and sector segments in 23 emerging markets.

**MSCI EAFE:** The MSCI EAFE Index covers more than 900 securities across large and mid-cap stocks and across style and sector segments in 21 developed markets. **MSCI EMU:** The MSCI EMU Index covers more than 200 securities across large and mid-cap stocks and across style and sector segments in the 10 developed market countries in the EMU. **MSCI North America:** The MSCI North America Index covers more than 700 securities across large and mid-cap stocks and across style and sector segments in the USA and Canada markets. **MSCI Europe:** The MSCI Europe Index covers more than 400 securities across large and mid-cap stocks and across style and sector segments in 15 developed markets in Europe. **MSCI World Small Cap:** The MSCI World Small Cap Index covers more than 4,000 securities across small-cap stocks and across style and sector segments in 23 developed markets. **MSCI World Value:** The MSCI World Value Index covers more than 800 securities across large and mid-cap stocks exhibiting overall value style characteristics in 23 developed markets. **MSCI EAFE Value:** The MSCI EAFE Value Index covers more than 500 securities across large and mid-cap stocks exhibiting overall value style characteristics in 21 developed markets around the world, excluding the US and Canada. **MSCI ACWI Value:** The MSCI ACWI Value Index covers more than 1,300 securities across large and mid-cap stocks exhibiting overall value style characteristics in 46 developed and emerging markets. **MSCI EM Value:** The MSCI Emerging Markets Value Index covers more than 500 securities across large and mid-cap stocks exhibiting overall value style characteristics in 23 emerging markets. **Russell 1000:** The Russell 1000 index represents the highest-ranking 1,000 stocks in the Russell 3000 index. **Russell 2000:** The Russell 2000 is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 index. **MSCI EAFE Small Cap:** The MSCI EAFE Small Cap Index covers more than 2,200 securities across small-cap stocks and across style and sector segments in 21 developed markets. **S&P 500 Index:** The S&P 500 Index is a market-cap weighted index including 500 of the leading large-cap US equities. **MSCI EM Small Cap:** The MSCI EM Small Cap Index covers more than 1,800 securities across small-cap stocks and across style and sector segments in 23 emerging markets. **MSCI NA Small Cap:** The MSCI NA Small Cap Index covers more than 2,000 securities across small-cap stocks and across style and sector segments in the USA and Canada. **Dax Global Agribusiness:** The Dax Global Agribusiness Index represents the performance of global companies generating more than 50% of overall turnover from the agricultural economy. **S-Network Global Water Index:** The S-Network Global Water Index covers 60 global companies that derive 30% or more of annual revenues from participation in the water sector. **Wilderhill New Energy Global Innovation Index:** The Wilderhill New Energy Global Innovation Index is a global index of 98 companies listed on 29 exchanges in 23 countries whose technologies and services focus on the generation and use of cleaner energy, conservation, efficiency and the advancement of renewable energy in general. **S&P Global Natural Resources Index:** The index measures the performance of 90 of the largest companies in the natural resources and commodities businesses. This index is a composite of the three sub-indices listed below. The index is FMC weighted, subject to the single stock and country/market weight caps as detailed in Eligibility Criteria and Index Construction. **S&P Global Natural Resources – Agriculture Index.** The index measures the performance of 30 of the largest companies involved in agriculture and timber & forestry businesses around the world. **S&P Global Natural Resources – Energy Index.** The index measures the performance of 30 of the largest energy companies involved in oil, gas and coal exploration, extraction and production around the world. **S&P Global Natural Resources – Metals and Mining Index.** The index measures the performance of 30 of the largest mining companies involved in industrial and precious metals exploration, extraction and production around the world. **Lipper Global Natural Resources Index:** The Lipper Global Natural Resources Index is an index of 30 natural resource funds. **S&P Global Infrastructure Index:** The S&P Global Infrastructure Index is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities. **MSCI Japan:** The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

## **USA/CANADA Performance GIPS Disclaimer:**

Our firm claims GIPS compliance and is annually verified by an independent verification firm to be so. The verification report from our verifier and our GIPS composite presentation are available upon request. The performance record disclosed here is that of the firm's composite for this strategy. Gross results shown do not show the deduction of Adviser's fees. A client's actual return will be reduced by the advisory fees and any other expenses which may be incurred in the management of an investment advisory account. See Part 2 of Adviser's Form ADV for a complete description of the investment advisory fees customarily charged by Adviser. For example, a \$1,000,000 investment with an assumed annual return of 5% with an advisory fee of 0.85% would accumulate \$8,925 in fees during the first year, \$48,444 in fees over five years and \$107,690 in fees over ten years. Performance returns for individual investors may differ due to the timing of investments, subsequent subscriptions/redemptions, share classes, fees and expenses. Performance for periods of more than 1 year is annualized. Investments denominated in foreign currencies are subject to changes in exchange rates that may have an adverse effect on the value, price and income of the product. Income generated from an investment may fluctuate in accordance with market conditions and taxation arrangement. PAST PERFORMANCE IS NOT A RELIABLE GUIDE TO FUTURE PERFORMANCE AND THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP. Stocks mentioned in this document may or may not be held in this strategy at this time. Any projections, market outlooks or estimates in this document are forward-looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the strategy. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. Discussions of market conditions, market high/lows, objectives, strategies, styles, positions, and similar information set forth herein is specifically subject to change if market conditions change, or if KBIGI (North America) believes, in its discretion, that investors returns can better be achieved by such changes and/or modification. Style descriptions, market movements over time and similar items are meant to be illustrative, and may not represent all market information over the period discussed.

## **USA/CANADA Representative Strategy Performance Disclaimer:**

Gross results shown do not show the deduction of Adviser's fees. A client's actual return will be reduced by the advisory fees and any other expenses which may be incurred in the management of an investment advisory account. See Part 2 of Adviser's Form ADV for a complete description of the investment advisory fees customarily charged by Adviser. For example, a \$1,000,000 investment with an assumed annual return of 5% with an advisory fee of 0.85% would accumulate \$8,925 in fees during the first year, \$48,444 in fees over five years and \$107,690 in fees over ten years. The performance results are that of a representative strategy which has been managed on a discretionary basis since its inception. Performance returns for individual investors may differ due to the timing of investments, subsequent subscriptions/redemptions, share classes, fees and expenses. Performance for periods of more than 1 year is annualized. Investments denominated in foreign currencies are subject to changes in exchange rates that may have an adverse effect on the value, price and income of the product. Income generated from an investment may fluctuate in accordance with market conditions and taxation arrangement. PAST PERFORMANCE IS NOT A RELIABLE GUIDE TO FUTURE PERFORMANCE AND THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP. Stocks mentioned in this document may or may not be held in this strategy at this time. Any projections, market outlooks or estimates in this document are forward-looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the strategy. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. Discussions of market conditions, market high/lows, objectives, strategies, styles, positions, and similar information set forth herein is specifically subject to change if market conditions change, or if KBI Global Investors believes, in its discretion, that investors returns can better be achieved by such changes and/or modification. Style descriptions, market movements over time and similar items are meant to be illustrative, and may not represent all market information over the period discussed. Net results shown are net of all fees and expenses and include the reinvestment of all dividends and capital gains. In order to present meaningful performance results, the performance results reflected above were calculated by adjusting the gross performance by the fee structure that is available to U.S. clients.

## **Natural Resource Strategies USA/Canada:**

**Energy Solutions Representative Strategy Performance Disclaimer:** Returns up to 04/30/08 are based on a Belgian Fund which followed the Energy Solutions Strategy and was managed by KBI Global Investors. Returns from 05/01/08 are based on the KBI Global Investors Energy Solutions Strategy. **Water Representative Strategy Performance Disclaimer:** Returns up to 09/30/07 are based on a Belgian Fund which followed the same strategy as the KBI Global Investors Water Strategy and was managed by KBI Global Investors. Returns from 10/01/07 are actual returns from the KBI Global Investors Water Strategy. 'The S-Network Global Water Indexes<sup>SM</sup> are calculated, distributed and marketed by S-Network Global Indexes, LLC which have been licensed for use. All content of the S-Network Global Water Indexes<sup>SM</sup> © 2011 are the intellectual property of S-Network Global Indexes, LLC.' **AGRI Representative Strategy Performance Disclaimer:** Returns since inception are based on the KBI Global Investors Agri Representative Strategy. **GRS Representative Strategy Performance Disclaimer:** Water returns since inception are based on the KBI Global Investors Water Strategy. Agribusiness returns since inception are based on the KBI Global Investors Agri Strategy. Energy Solutions returns since inception are based on the KBI Global Investors Energy Solutions Strategy. **The Water strategy** gives investors the opportunity to invest in companies whose revenues are closely linked to the water industry. The strategy invests in circa 40 to 70 internationally diversified companies active across the water cycle - the range of activities needed to provide clean water to the end user (human, industrial, agricultural) and return it to nature. The firm invests across all parts of the cycle including: Water and Wastewater Treatment, Water Testing, Infrastructure, Filtration, Engineering/Consulting Services and Pumps/Valves. The strategy is managed by a dedicated, specialist team of investment professionals in Boston, USA and Dublin, Ireland. The strategy is ethically screened to exclude the diverse range of corporate activities which concern the ethical investor, from human rights to environmental exploitation and animal welfare. The benchmark is the MSCI AC World Index, inclusive of net income. The benchmark is designed to measure the equity market performance of developed and emerging market countries. The benchmark is market-cap weighted. Sources of foreign exchange rates may be different between the composite and the benchmark; but not materially so. **GESS Representative Strategy Performance Disclaimer:** Returns since inception are based on the KBIGI Global Environmental Solutions Strategy. Blended Environmental Index is made up of: Ardour Global Alternative Energy Index (25%), S-Network GlobalWater Index (25%), DAXglobal Agribusiness Index (25%), HSBC Climate Change Index (25%). 'The S-Network Global Water Indexes<sup>SM</sup> are calculated, distributed and marketed by S-Network Global Indexes, LLC which have been licensed for use. All content of the S-Network Global Water Indexes<sup>SM</sup> © 2011 are the intellectual property of S-Network Global Indexes, LLC.'

## Global Equity Strategies USA/Canada:

**KBIGI Global Equity Representative Strategy Global Performance Disclaimer:** Returns from 06/01/03 to 07/31/2004 are based on a Belgian Fund which followed the Global Equity Strategy and was managed by KBIGI. Returns from 08/01/2004 are actual returns from the KBIGI Global Equity Strategy. **KBIGI Developed Equity Representative Strategy Performance Disclaimer:** Returns from 06/01/03 to 07/31/2004 are based on a Belgian Fund which followed the KBI Global Investors Developed Equity Strategy and was managed by KBI Global Investors. Returns from 08/01/2004 are actual returns from the KBI Developed Equity Strategy. **KBIGI Emerging Markets Equity Representative Strategy Performance Disclaimer:** Returns since inception are actual returns from the KBI Global Investors Emerging Markets Equity Strategy. **KBIGI Emerging Markets ESG Equity Representative Strategy Performance Disclaimer:** Returns since inception are based on the KBI Global Investors Emerging Markets ESG Equity Strategy. **KBIGI Global ESG Equity Representative Strategy Performance Disclaimer:** Returns since inception are based on the KBIGI Global ESG Strategy. **KBIGI International Developed Equity Representative Strategy Performance Disclaimer:** Returns since inception are based on the KBI Global Investors Intl Developed Equity Strategy. **KBIGI International Equity Representative Strategy Performance Disclaimer:** Returns from 06/01/03 to 07/31/04 are based on the International Developed Equity component of a Global Belgian Fund which was managed by KBI Global Investors. Returns from 08/01/04 to 06/30/05 are based on the International Developed Equity component of the KBI Global Investors Global Equity Strategy. Returns from 07/01/05 to 07/31/10 are based on the KBI Global Investors Intl Developed Equity Strategy. Returns from 08/01/10 are based on the KBI Global Investors International Equity Strategy. **KBIGI North America Equity Representative Strategy:** Returns from 01/11/13 are actual returns from the KBIGI North America Strategy. Returns since inception to 31/10/13 are based on the KBIGI North America Developed Equity component of a segregated account (KBIGI Developed Equity Strategy) managed by KBIGI to an identical process applied to all KBIGI Global Equity Strategies. **KBIGI Global Developed Equity Strategy Performance:** Returns from 01/06/03 to 31/07/2004 are based on a Belgian Fund which followed the KBIGI Developed Equity Strategy and was managed by KBIGI. Returns from 08/01/2004 are actual returns from the KBIGI Developed Equity Strategy. **KBIGI ACWI Representative Strategy Performance Disclaimer:** KBIGI All World Equity Strategy Performance Returns from 01/08/11 are actual returns from a KBIGI segregated portfolio managed in line with the KBIGI All World Equity Strategy. **KBIGI European Equity Representative Strategy Performance Disclaimer:** Returns from 01/06/15 are actual returns from the KBI Global Investors Pan European Equity Strategy. Returns from 31/07/04 to 31/05/15 are based on the Pan European equity component of the KBI Global Investors Developed Equity Strategy managed by KBI Global Investors to an identical process applied to all KBI Global Investors Global Equity Strategies. **KBI Global Investors Equity Strategy Performance:** Returns from 01/06/03 to 31/07/2004 are based on a Belgian Fund which followed the KBI Global Investors Developed Equity Strategy and was managed by KBI Global Investors. Returns from 08/01/2004 are actual returns from the KBI Global Investors Developed Equity Strategy. **KBIGI ACWI ex US Equity Representative Strategy Performance Disclaimer:** Returns from 08/01/10 are based on a simulated combination of two live KBIGI strategies - the KBIGI Emerging Markets Equity Strategy and the KBIGI International Developed Equity Strategy. On a monthly basis each component (Emerging Markets & EAFE) is weighted by using the market caps of the MSCI Emerging Markets Index and MSCI EAFE Index. The weights are then multiplied by the actual strategy returns to calculate a total simulated ACWI ex US return. Simulated performance is hypothetical and is provided for informational purposes only to indicate historical performance had the strategy been available over the relevant time period. It is not a reliable guide to future performance. **KBIGI Global Small Cap Equity Representative Strategy Performance Disclaimer:** Returns from 07/01/15 are based on the KBIGI Global Small Caps Strategy. **KBIGI EAFE Small Cap Equity Representative Strategy Performance Disclaimer:** Returns from 07/01/2015 are based on the KBIGI EAFE Small Cap equity component of the KBIGI Global Small Cap Strategy managed by KBIGI to an identical process applied to all KBIGI Global Equity Strategies.

## Principles for Responsible Investing 2019 Assessment:

Signatories of the PRI are assessed against a range of Responsible Investing indicators within each module. KBI Global Investors was awarded an A+ rating for all modules relevant to equity investors, i.e. Strategy and Governance, Listed Equity – Incorporation, and Listed Equity – Active Ownership. KBIGI's Transparency Report, reporting the data on which the Assessment was made, is published at this link: <https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/A7685667-F0CE-48F8-9499-B545D9725A52/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1> The methodology of assessment is detailed at this link: <https://www.unpri.org/signatories/about-pri-assessment> The full Assessment Report is available to clients on request.

## European SRI Transparency logo

The European SRI Transparency logo signifies that KBI Global Investors commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Sustainable Responsible Investment (SRI) policies and practices relating to the strategy. Detailed information about the European SRI Transparency Code can be found on [www.eurosif.org](http://www.eurosif.org), and information of the SRI policies and practices of the KBI Water Strategy can be found at [www.kbiglobalinvestors.com](http://www.kbiglobalinvestors.com). The Transparency Code are managed by Eurosif, an independent organisation. The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual.



Report Date: 31 March 2021  
 Composite Creation Date: 01 March 2015  
 Composite Inception Date: 01 March 2015  
 Reporting Currency: USD  
 Reported Composite Returns: Gross-of-fees

Year	Composite %	Benchmark %	Internal Dispersion %	Number of Accounts	Composite Assets (USD million)	Firm Assets (USD millions)	% of Firm Assets
2021 YTD	9.9	11.6	n/a	>6	392	14406	2.7
2020	32.2	0.0	n/a	<6	378	13149	2.9
2019	27.2	16.4	n/a	<6	281	13323	2.1
2018	-13.3	-13.1	n/a	<6	69	11102	0.6
2017	26.6	22.0	n/a	<6	80	11984	0.7
2016	6.3	31.5	n/a	<6	64	9424	0.7
2015 *	-13.9	-27.5	n/a	<6	42	8244	0.5

## Ex-Post Standard Deviation

The three-year annualized ex-post standard deviation is not available when there is less than 36 months of performance.

Three Year Ending:	Composite %	Benchmark %
31 Mar 2021	21.0	24.1
31 Dec 2020	21.4	23.9
31 Dec 2019	12.8	14.9
31 Dec 2018	11.2	15.3

\*The 2015 composite and benchmark return is from the inception date of the composite to the end of the year..

## Compliance Statement

KBI Global Investors Ltd. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. KBI Global Investors Ltd. has been independently verified for the periods 1 January 2000 to 31 December 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The KBIGI Global Resource Solutions composite has had a performance examination for the periods 1 January 2020 to 31 December 2020. The verification and performance examination reports are available upon request.

## Definition of Firm

The firm is defined as the institutional business of KBI Global Investors Ltd., and its subsidiary, KBI Global Investors (North America). The term 'institutional business' shall have the meaning of all pensions, charity and corporate asset management strategies of the firm as they pertain to client funds. Unitised clients are specifically excluded from composite assignment given that their underlying unit holdings are already assigned to composites and such strategies are therefore accounted for in composite values and returns. The firm definition has been re-defined on two occasions over recent years; on 30 September 2010 to reflect the firm's sale to RHJI by our previous parent firm KBC Asset Management NV, and on 1 October 2016 to reflect the firm's sale to Amundi Asset Management. No change in investment process arose as a result of these sales.

## Composite Description

The Global Resource Solutions Strategy (GRS) is a long-only global equity strategy investing in securities across a broad range of companies providing value-added solutions to the increasingly challenging provision of vital natural resources. The opportunities are dominated by increasing investment in infrastructure and technological advancement across water, agribusiness and energy. The material risks associated with the composite include market risk and stock-specific event risk. Share prices can decline and there is a risk that the composite may under-perform its benchmark.

## Benchmark Description

The S&P Global Natural Resources index includes some of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements. The benchmark offers a diversified and investable universe across three primary commodities-related sectors: agribusiness, energy, and metals & mining. The benchmark returns include the reinvestment of dividend income from these constituent companies represented in the index.

## Treatment of Large and Significant Cash Flows

The strategy represented by the composite has a significant weight in mid- and small-cap stocks. Effective for all periods beginning 1 January 2010, the firm set a 70% of start-of-day portfolio aum cash flow threshold for significant cash flows. Where the significant cash flow threshold was met or exceeded, the portfolio was removed from the composite for the month of the cash flow event. All portfolios within the composite are valued daily and therefore the requirement within the GIPS standards to revalue for large cash flows does not apply. A review of the significant cash flow policy in March 2019 recognized that the strategy is highly liquid and a decision was made to suspend the significant cash flow policy with an effective date of April 1st 2019.

## Fee Schedule

The standard fixed management fee for accounts within this strategy is 0.850% per annum. Fees are negotiable depending of asset size.

## Treatment of Fees

Returns are presented gross of management fees, custodial fees, and other administrative charges not under the control of the firm, but net of all trading expenses.

## Income Accruals

Both interest and dividend accruals are included when valuing portfolio assets for performance measurement purposes. Dividend accruals are captured at the date of performance return processing and are dependent on the accuracy and timeliness of third party data providers. Any differences or omissions will be captured in the month of dividend payment. Returns are calculated including income net of non-recoverable withholding taxes while including recoverable tax as received. Benchmark returns are calculated on a net income basis.

## Policies

The firm's policies for valuing investments, calculating performance, and preparing compliant GIPS Reports are available upon request.

## List of Composites

A list of all composite descriptions and a list of broad and limited distribution pooled funds is available upon request.

## Internal Dispersion

Internal dispersion is calculated using the equal-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented.

## CFA Institute Trademark Statement

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, or warrant the accuracy or quality of the content contained herein.

Callan

June 16, 2021



**Domestic Equity Portfolio –  
Small Cap Tilt**

---

**Jim Callahan, CFA**  
President



## Domestic Equity Structure

### Key Decision Variables

The role of U.S. equity in the asset allocation is capital growth.

Primary determinants of equity risk and return:

- Size exposures as measured by market capitalization
- Styles exposures - value, core, and growth
- The amount of active/passive management

A diversified structure should generally reflect the characteristics of the market.

- The default structure is style and capitalization neutral.
- Active management has historically added more value in mid and small cap than large cap.

Two Primary determinants of Risk vs. Benchmark (Tracking Error)

- Active/Passive exposures
- “Misfit” Risk – different exposures than benchmark (i.e. Small Cap Overweight to Benchmark)

## Equity Structure Considerations

### Seek to maximize plan alpha at a palatable level of active risk relative to the plan benchmark

- Think of manager structure in an overall portfolio context
- Incorporate active managers only if they are expected to contribute sufficient alpha to compensate for the possibility of underperforming the benchmark
- This is a net-of-fees exercise

### Spend plan's active risk budget efficiently

- Spend active risk in sectors and regions where active management has high probability of succeeding
- Otherwise, rely heavily on indexes in order to control both expenses and risk
- Keep magnitude of systematic bets vs. the plan benchmark (misfit risk) under control

### Incorporate diversification

- Seek broad diversification across global equity markets
- The risk an individual active manager contributes to the overall portfolio depends on both its size and its tracking error
- Avoid excessive risk contribution from any one manager
- However, avoid over diversification or “closet indexing”

### Simplify where appropriate

- Structure should meet investment objective with the minimum level of complexity
- Benefit is lower monitoring costs as well as explicit costs
- Active manager mandate sizes must be large enough to be meaningful to the fund but not overwhelming to the manager

## Sources of Active Risk in the Equity Structure

### Selection Risk

**Risk stemming from active managers' bets relative to their benchmarks**

- Risk which is expected to be rewarded with alpha if manager is skillful
- The risk you are paying your active managers to take
- This risk at the plan level is reduced as the number of active managers increases due to diversification

### Misfit Risk

**Risk which results when the overall style exposures of the plan's manager benchmarks differ from the plan's benchmark**

- When unintentional, misfit confers additional active risk without any expected return
- Misfit can be controlled by ensuring overall manager style exposures (large vs. small; value vs. growth, U.S. vs. international) are generally consistent with the plan's benchmark
- When intentional, some misfit can be justified if reflects a high conviction bet on styles, capitalizations, or regions
- However, the bar for skill is high and tactical bets should be scaled as to not be a disproportionate driver of active risk

# U.S. Equity Framework



The Russell 3000 is a capitalization-weighted index which includes large, mid, and small cap stocks:

- 69% mega cap (Russell Top 200)
- 25% mid cap (Russell Midcap)
- 6% small cap (Russell 2000)

Large cap, mid cap, small cap are each split into growth and value components to arrive at six style buckets.

Style buckets are used both for performance attribution and to ensure the managers' styles, in aggregate, are close to the Russell 3000.

The S&P 500 is also a capitalization-weighted index which includes mostly large and some mid cap stocks:

- 90% large cap
- 10% mid cap

Source: FTSE Russell as of December 31, 2020.

## Active vs. Passive Management

### U.S. Equity Historical Results

Active management should be considered when the investor believes there will be compensation on a net-of-fee basis. Historical data can help indicate attractive market segments.

- Large Cap and Mid Cap strategies have been challenged to beat passive strategies, even gross-of-fees.
- SMID Cap, Small Cap, and Micro Cap active strategies have had greater historical success.

Equity Style	Benchmark	Avg. Gross Excess Return over Benchmark
Large Cap Core	Russell 1000	-0.05%
Large Cap Growth	Russell 1000 Growth	0.33%
Large Cap Value	Russell 1000 Value	0.05%
Mid Cap Core	Russell Midcap	-0.07%
Mid Cap Growth	Russell Midcap Growth	0.02%
Mid Cap Value	Russell Midcap Value	-0.13%
SMID Cap Core	Russell 2500	0.65%
SMID Cap Growth	Russell 2500 Growth	0.95%
SMID Cap Value	Russell 2500 Value	0.66%
Small Cap Core	Russell 2000	1.62%
Small Cap Growth	Russell 2000 Growth	1.48%
Small Cap Value	Russell 2000 Value	1.49%
Micro Cap	Russell Microcap	2.30%

Based on 20 years of rolling 3 year average annualized returns (Q4 2000 to Q4 2020)

Source: Callan Active vs. Passive Data.

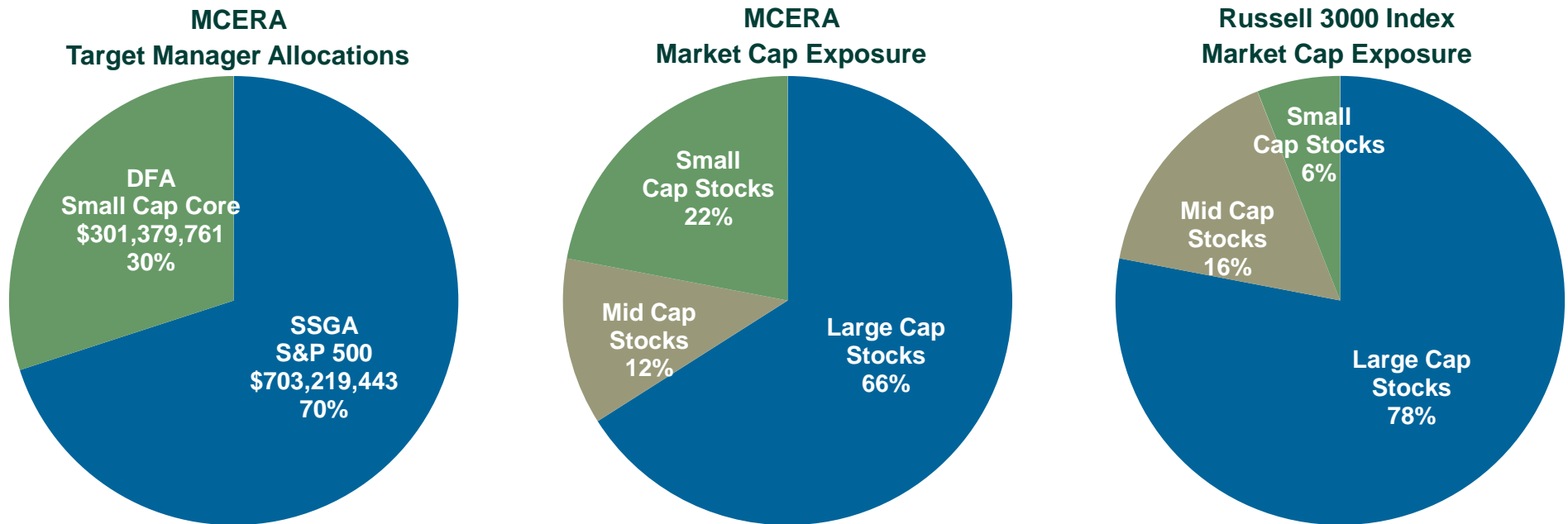
Callan

---

## Current Structure



## MCERA Domestic Equity Structure

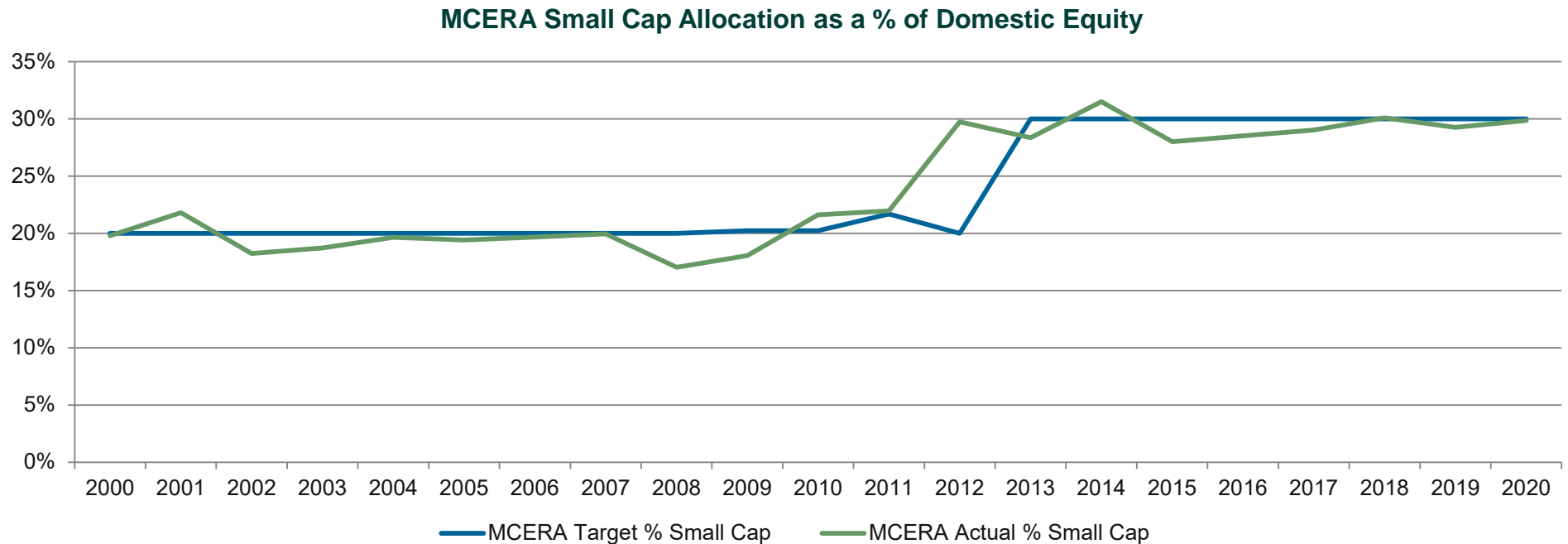


The target allocations are 70% to Large Cap (Passive) and 30% to Small Cap (Active).

Risk (tracking) relative to Russell 3000 comes from:

- Active Small Cap (DFA Core)
- Misfit Risk – significant overweight in small cap relative to Russell 3000 (22% vs. 6%)

## MCERA's Small Cap Allocation as a % of Domestic Equity



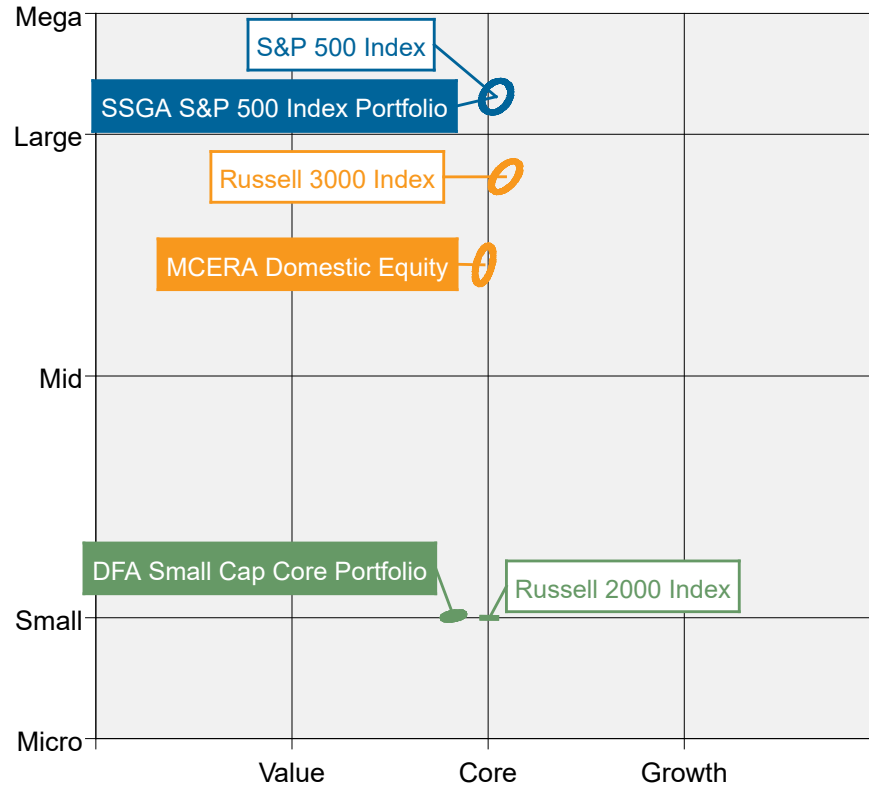
MCERA's target small cap allocation noticeably increased from 20% to 30% in 2012.

- At this time, the active large cap growth and value managers were terminated and the large cap assets were moved to 100% passive management.
- The small cap equity allocation was increased to generate excess return in the domestic equity composite. The small cap composite consisted of a small cap value portfolio (DFA) and a small cap growth portfolio (Columbus Circle).

The small cap style-oriented portfolios were removed in 2018 and converted to the current small cap core portfolio with DFA. It was decided at that time to keep the small cap target allocation at 30%.

# MCERA Domestic Equity Structure

**Domestic Equity Style Map  
for 2 Years Ended March 31, 2021**



**Style Exposure Matrix  
Holdings as of March 31, 2021**

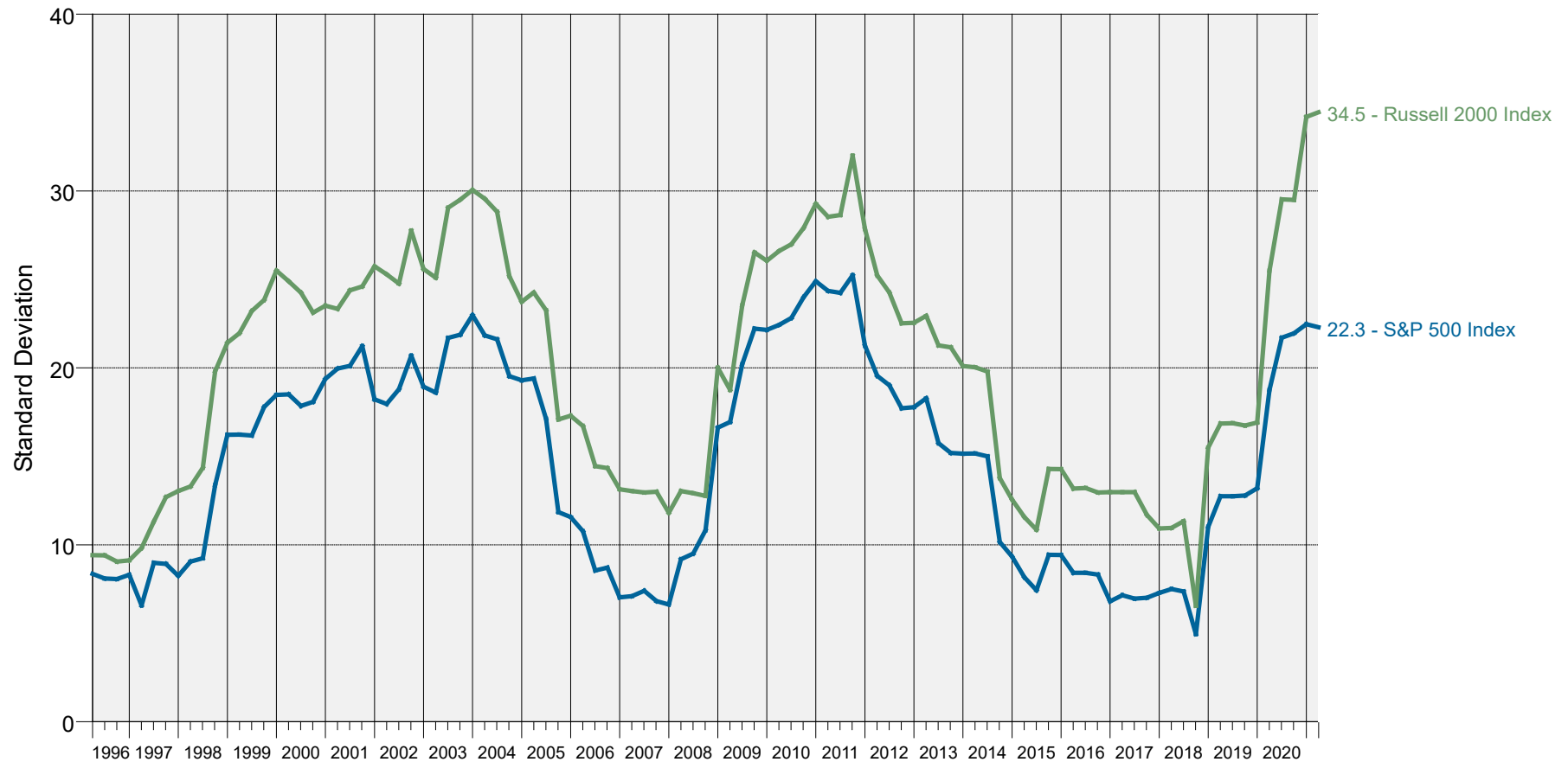
	15.1% (88)	17.6% (100)	30.8% (84)	63.5% (272)
Large	17.8% (89)	21.0% (103)	38.9% (111)	77.7% (303)
Mid	4.0% (123)	3.6% (119)	4.1% (111)	11.7% (353)
Small	4.6% (158)	4.8% (204)	6.2% (244)	15.6% (606)
Micro	5.1% (211)	8.4% (349)	8.3% (319)	21.9% (879)
Total	1.4% (275)	2.4% (509)	2.2% (428)	6.0% (1212)
	1.5% (353)	1.0% (221)	0.4% (79)	3.0% (653)
	0.3% (391)	0.3% (390)	0.1% (129)	0.6% (910)
	25.6% (775)	30.7% (789)	43.7% (593)	100.0% (2157)
	24.1% (913)	28.4% (1206)	47.5% (912)	100.0% (3031)
	Value	Core	Growth	Total

-- MCERA Domestic Equity  
-- Russell 3000 Index

# Market Standard Deviation

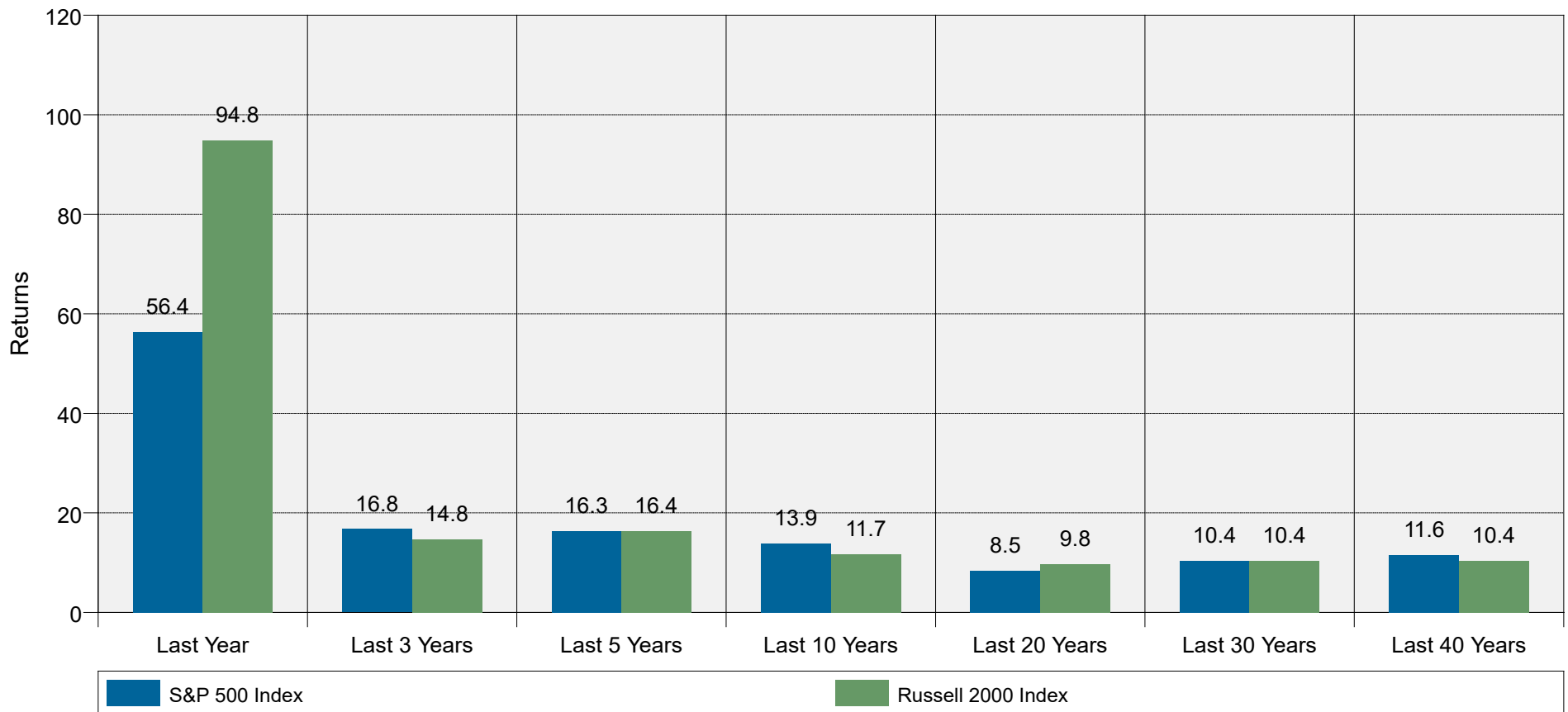
## Rolling Three Year Standard Deviation

Rolling 3 Year Standard Deviation  
for 25 Years Ended March 31, 2021



## Market Returns by Capitalization

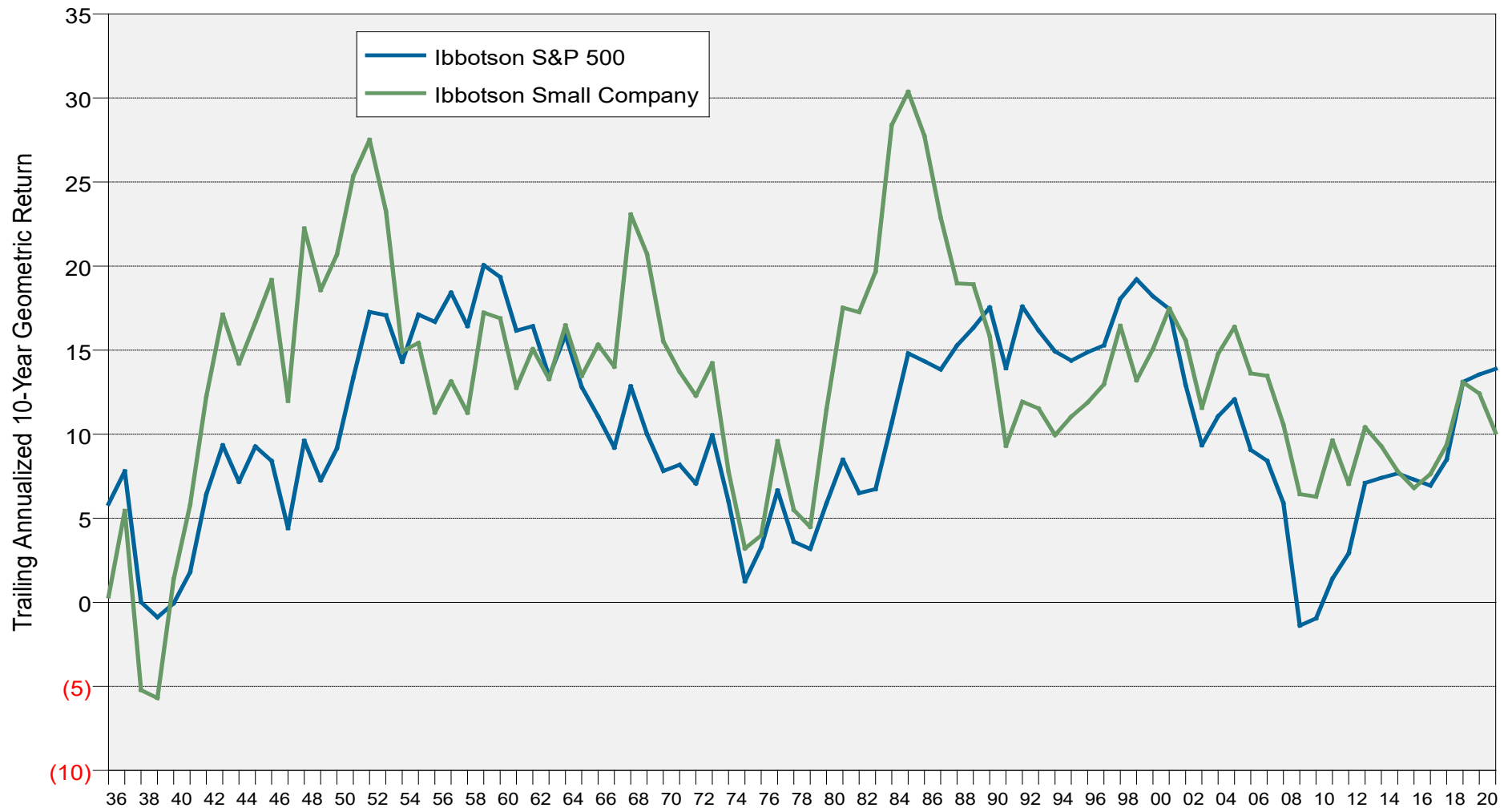
Annualized Returns For Periods Ending March 31, 2021



A small cap overweight is typically expected to generate greater returns over the long run albeit with greater volatility. However, returns for small cap versus large cap have been mixed with small cap returns trailing in more recent periods due to the dominance of some of the largest cap stocks.

## Historical Rolling 10-year Return – US Large Cap & Small Cap Equity

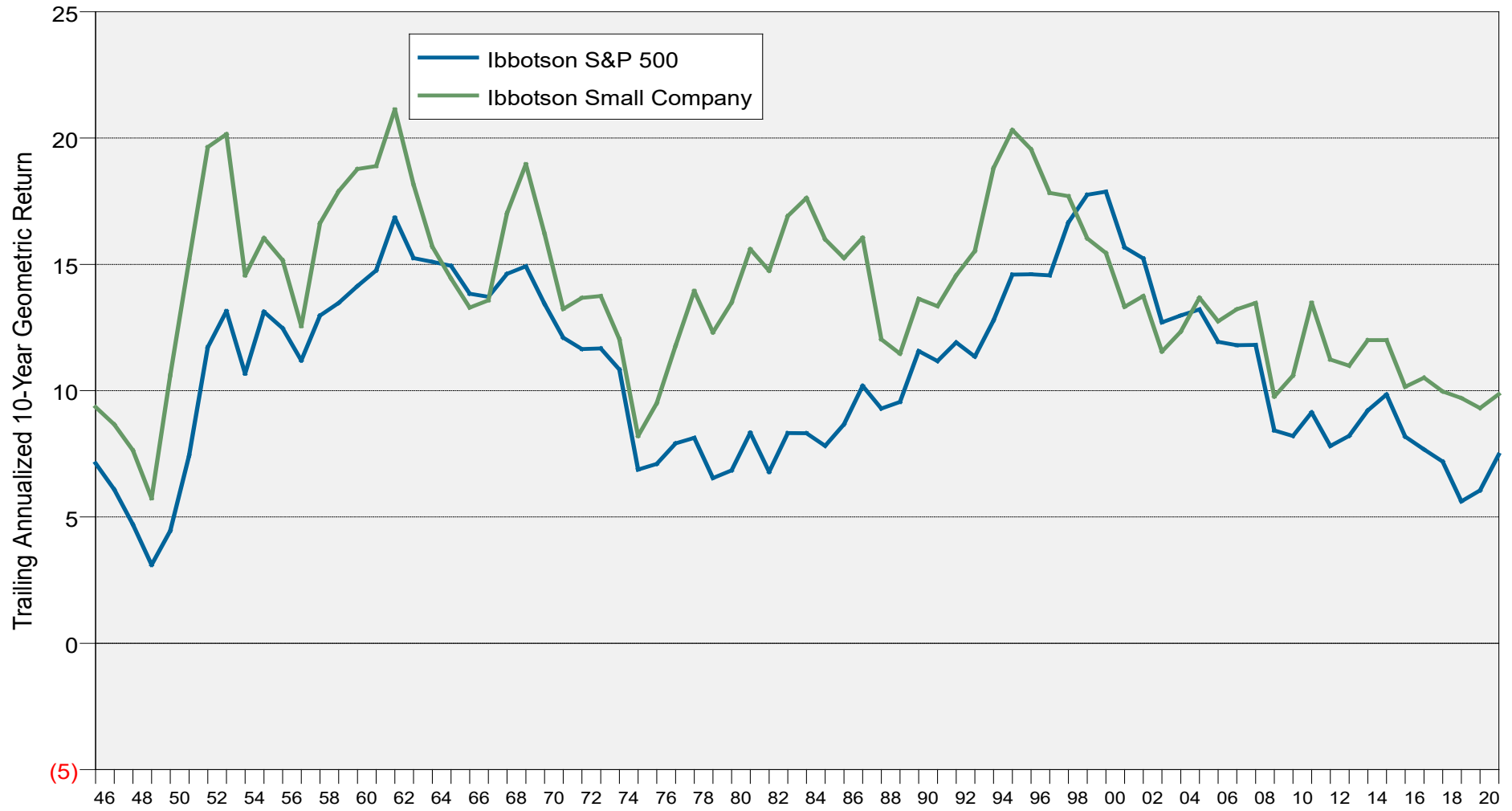
Rolling 10 Year Returns  
Ibbotson S&P 500





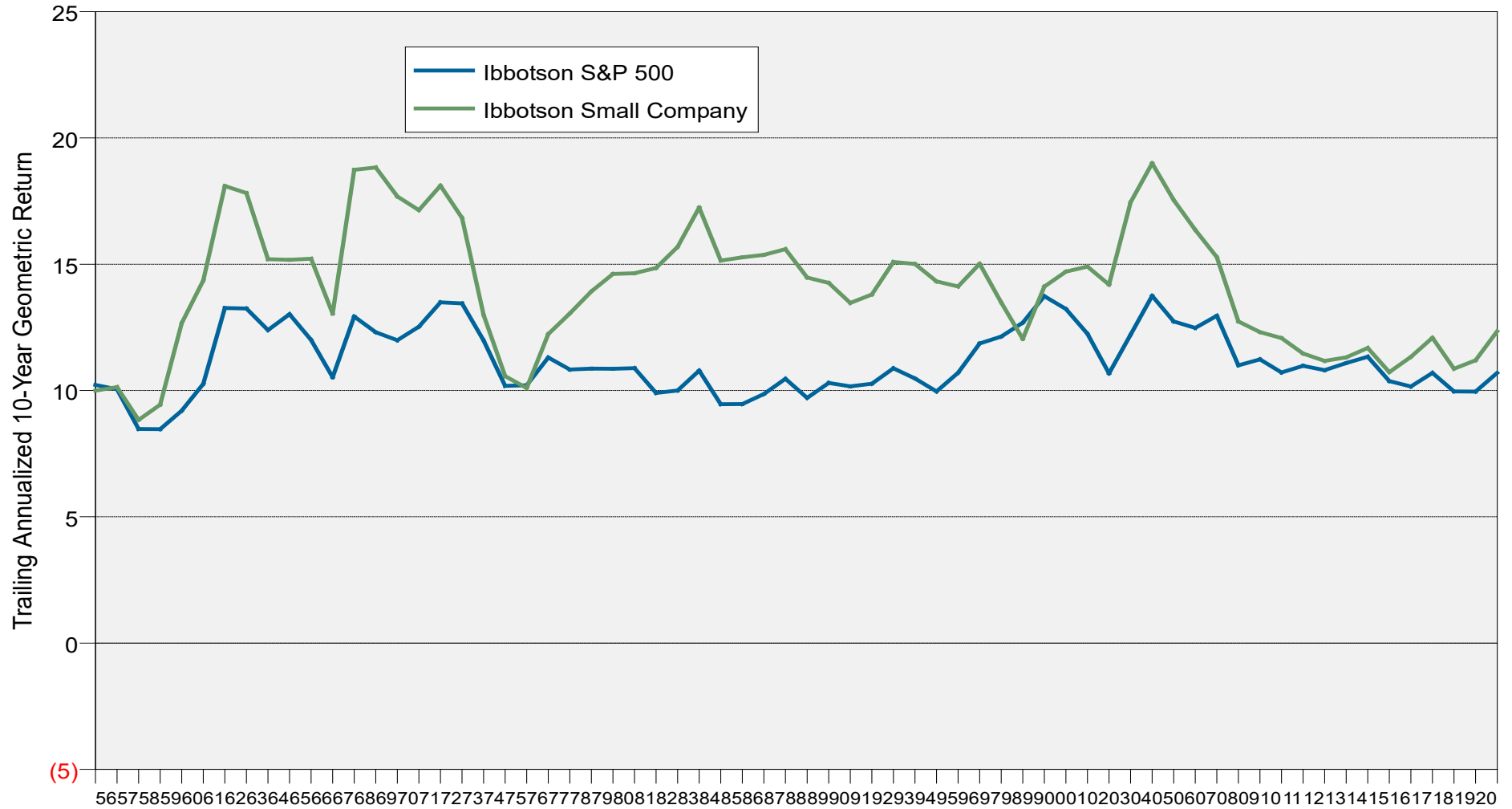
## Historical Rolling 20-year Return – US Large Cap & Small Cap Equity

Rolling 20 Year Returns  
Ibbotson S&P 500



## Historical Rolling 30-year Return – US Large Cap & Small Cap Equity

Rolling 30 Year Returns  
Ibbotson S&P 500



## Arguments Against Small Cap Premium

Fama/French research pointing to a premium for smaller stocks was published in 1992.

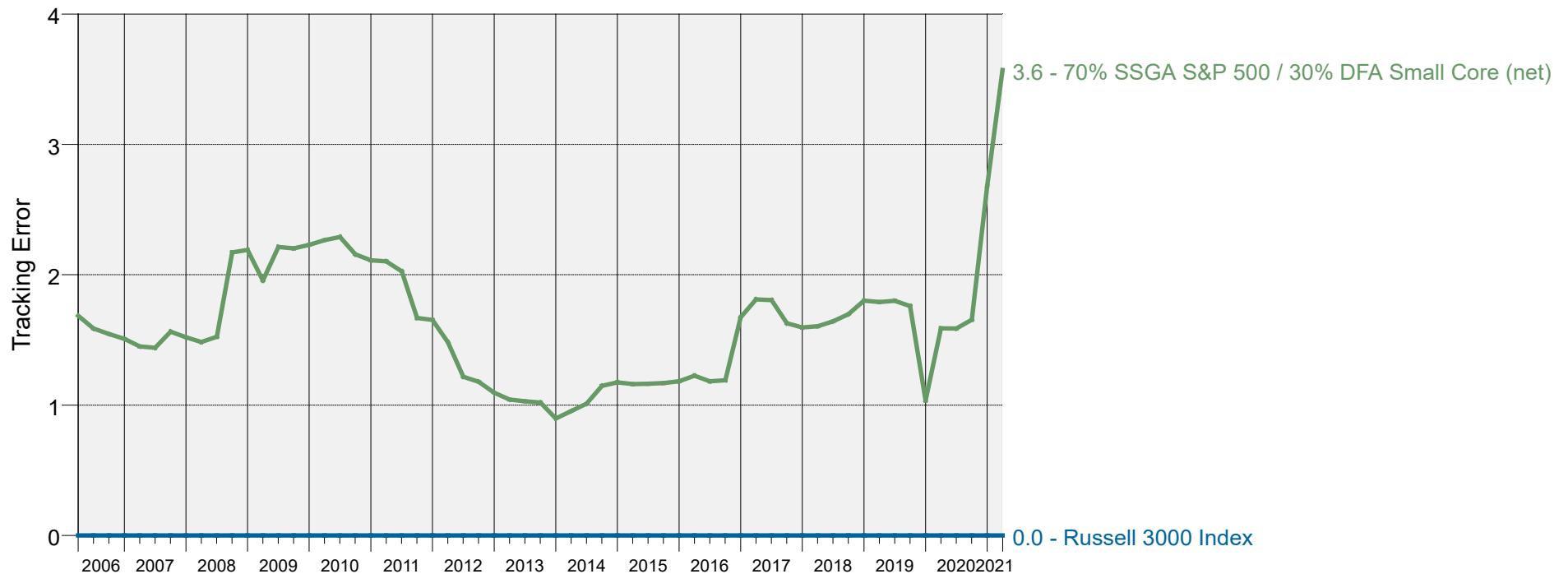
- Covered a time period (1920s through early 1990s) in which small cap stocks were not easily investable in a broad sense.
- As markets have evolved, liquidity and access to invest in smaller stocks has improved dramatically.
  - Creation of ETFs
  - Democratization via online brokerage
  - Improved settlement of trades
  - Decimalization of stock prices
  - Growth in quantitative, passive, and target date investing
  - Strong downward trend in interest rates

The premium may still exist, but it is cyclical in nature over the long term and can experience significant underperformance relative to larger stocks for extended periods.

## MCERA Current Structure

### Rolling Three Year Tracking Error

Rolling 3 Year Tracking Error vs. Russell:3000 Index  
for 15 Years Ended March 31, 2021



➤ Is the Board comfortable with this tracking error?

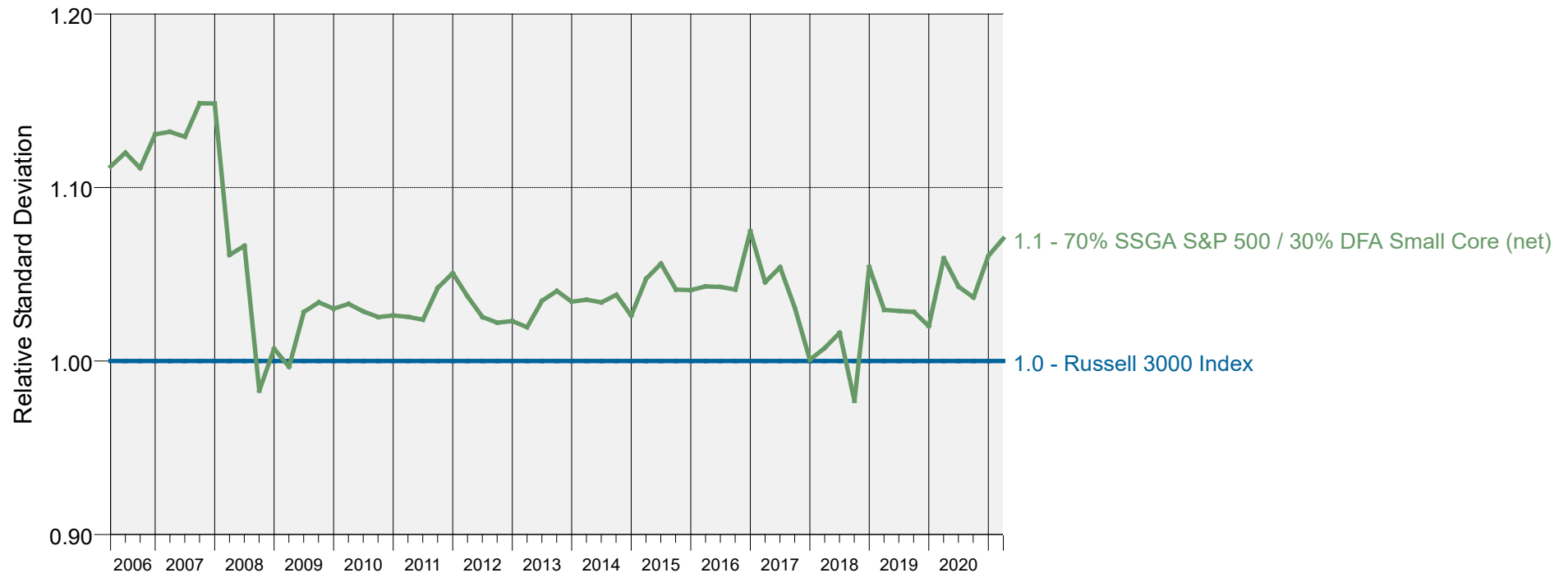
MCERA's current structure consists of:

- SSGA S&P 500 Index (net) – MCERA performance (from 2Q2011) linked to SSGA composite
- DFA Small Cap Core Portfolio (net) – MCERA performance (from 1Q2019) linked to DFA composite

## MCERA Current Structure

### Rolling Three Year Standard Deviation

Rolling 3 Year Relative Standard Deviation vs. Russell:3000 Index  
for 15 Years Ended March 31, 2021



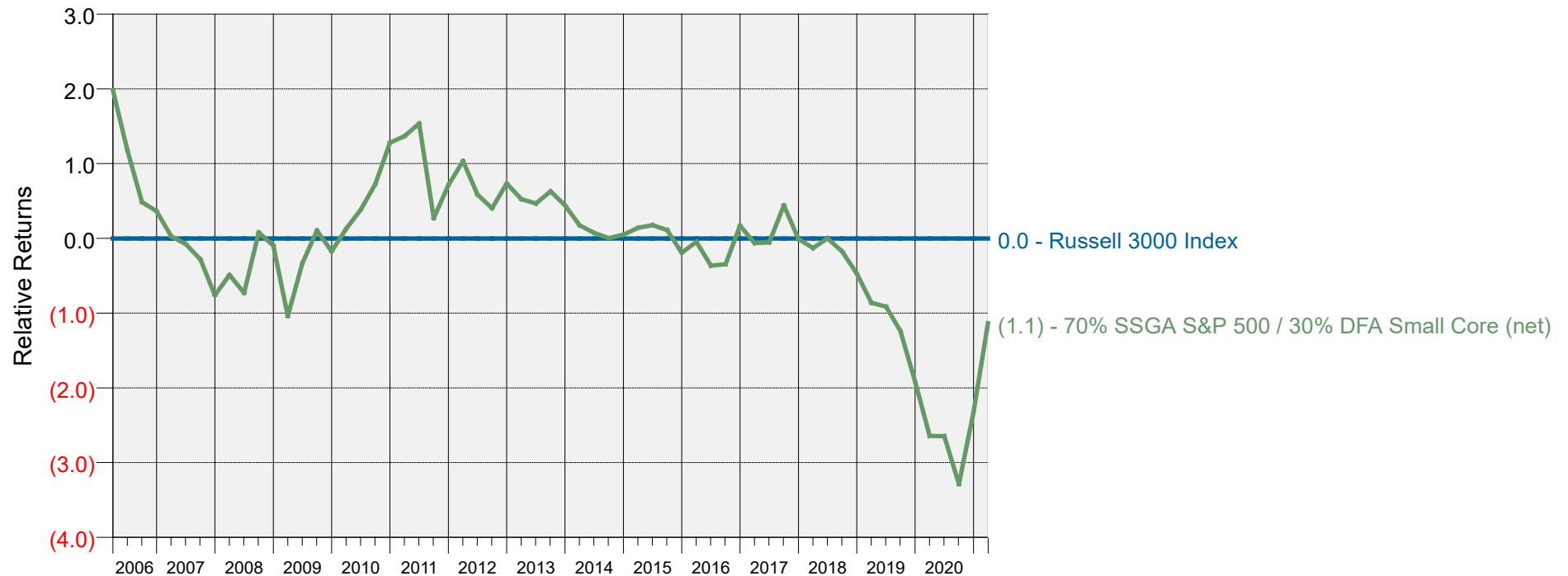
MCERA's current structure consists of:

- SSGA S&P 500 Index (net) – MCERA performance (from 2Q2011) linked to SSGA composite
- DFA Small Cap Core Portfolio (net) – MCERA performance (from 1Q2019) linked to DFA composite

## MCERA Current Structure

### Rolling Three Year Returns

Rolling 3 Year Relative Returns vs. Russell:3000 Index  
for 15 Years Ended March 31, 2021



MCERA's current structure consists of:

- SSGA S&P 500 Index (net) – MCERA performance (from 2Q2011) linked to SSGA composite
- DFA Small Cap Core Portfolio (net) – MCERA performance (from 1Q2019) linked to DFA composite



Callan

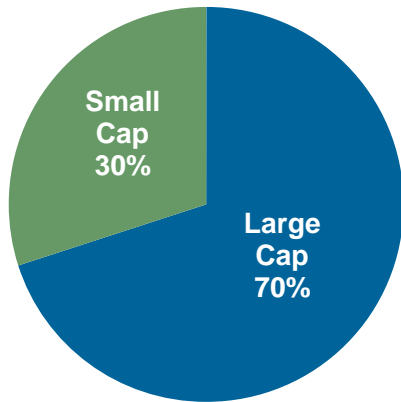
---

## **Alternative Structures**

## Alternative Domestic Equity Structures

### Projected Returns and Risk

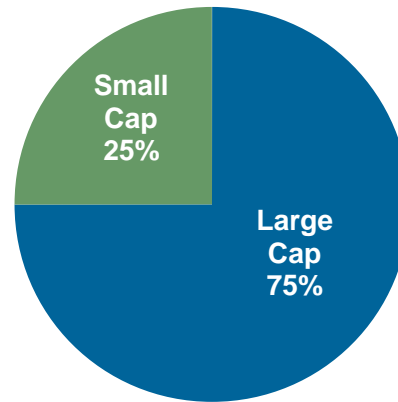
**Current: 70/30**



70% Large Cap = \$703,219,443  
30% Small Cap = \$301,379,761

Projected 10 Year Return: 6.65%  
Projected 10 Year Risk: 18.35%

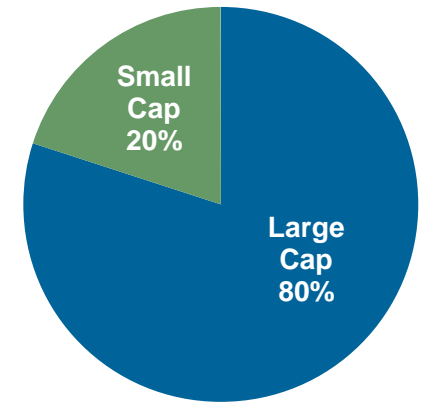
**Alternative: 75/25**



75% Large Cap = \$753,449,404  
25% Small Cap = \$251,149,801

Projected 10 Year Return: 6.63%  
Projected 10 Year Risk: 18.22%

**Alternative: 80/20**



80% Large Cap = \$803,679,364  
20% Small Cap = \$200,919,841

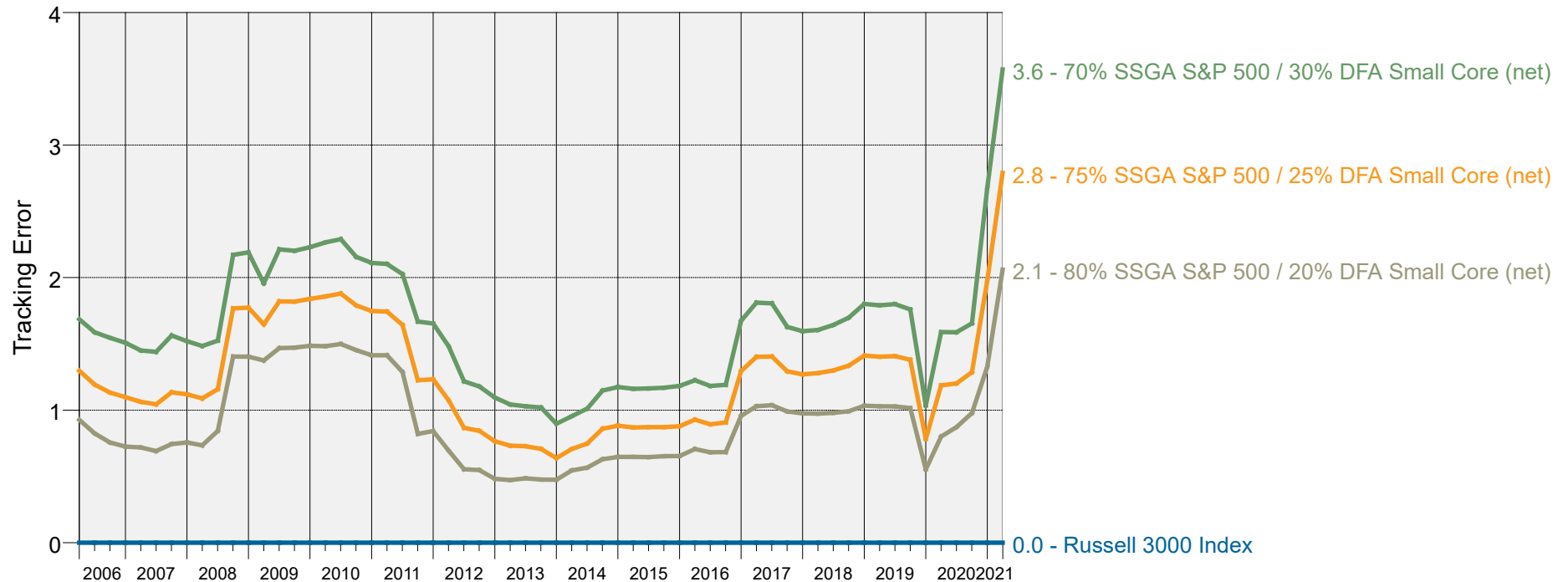
Projected 10 Year Return: 6.61%  
Projected 10 Year Risk: 18.09%

Some additional options are noted above - other alternative structures can certainly be considered.

## Alternative Structures

### Rolling Three Year Tracking Error

Rolling 3 Year Tracking Error vs. Russell:3000 Index  
for 15 Years Ended March 31, 2021



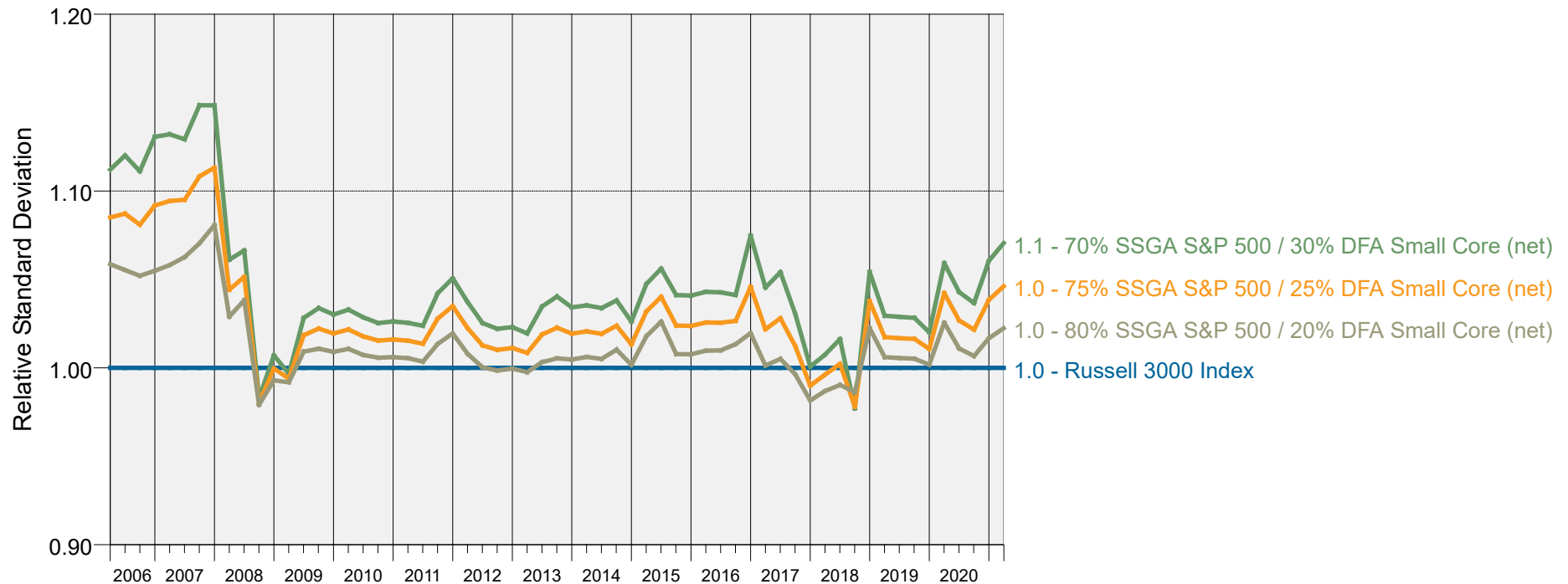
Alternative structures consist of:

- SSGA S&P 500 Index (net) – MCERA performance (from 2Q2011) linked to SSGA composite
- DFA Small Cap Core Portfolio (net) – MCERA performance (from 1Q2019) linked to DFA composite

## Alternative Structures

### Rolling Three Year Standard Deviation

Rolling 3 Year Relative Standard Deviation vs. Russell:3000 Index  
for 15 Years Ended March 31, 2021



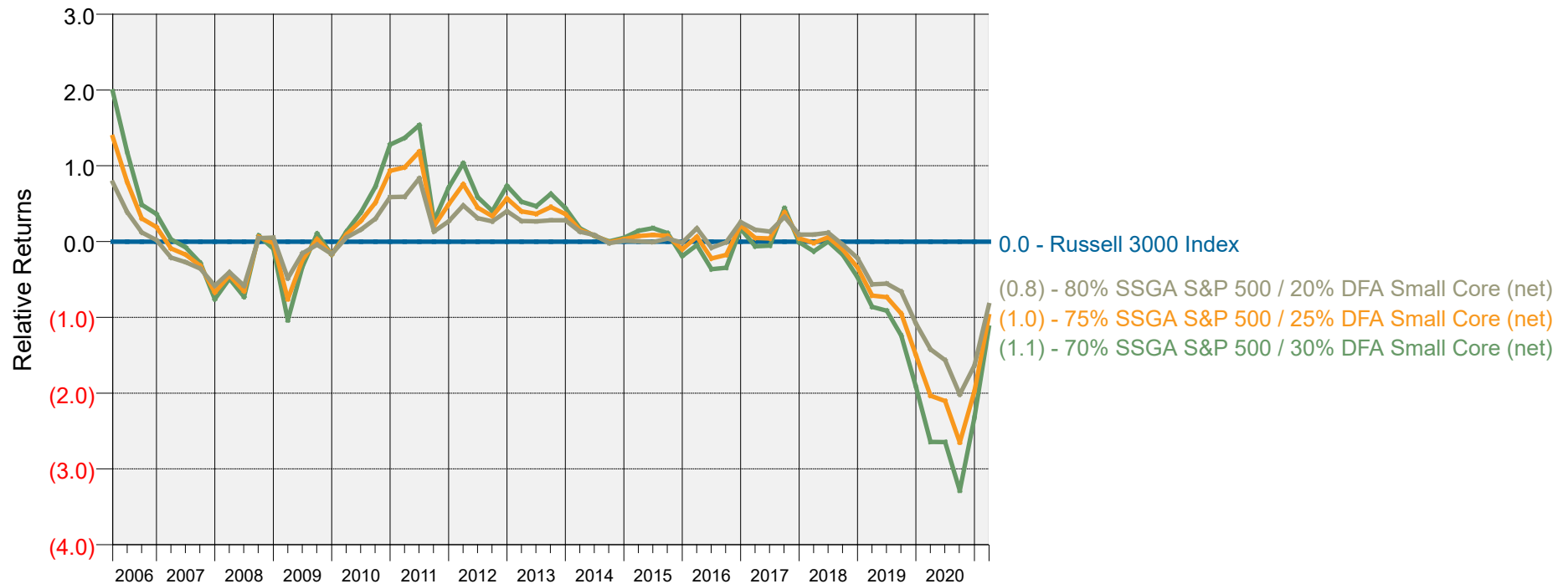
Alternative structures consist of:

- SSGA S&P 500 Index (net) – MCERA performance (from 2Q2011) linked to SSGA composite
- DFA Small Cap Core Portfolio (net) – MCERA performance (from 1Q2019) linked to DFA composite

## Alternative Structures

### Rolling Three Year Returns

Rolling 3 Year Relative Returns vs. Russell:3000 Index  
for 15 Years Ended March 31, 2021



Alternative structures consist of:

- SSGA S&P 500 Index (net) – MCERA performance (from 2Q2011) linked to SSGA composite
- DFA Small Cap Core Portfolio (net) – MCERA performance (from 1Q2019) linked to DFA composite

## Estimated Fees

Based on Market Values as of March 31, 2021

### Estimated Fees (70% Large Cap / 30% Small Cap)

Manager	Market Value	Fees (%)	Annual Fee (\$)
Large Cap Core - SSGA	\$703,219,443	0.05% on the first \$50 million 0.04% on the next \$50 million 0.02% on the balance	\$165,644
Small Cap Core - DFA	\$301,379,761	0.30% on all assets	\$904,139
<b>Total</b>	<b>\$1,004,599,204</b>	<b>0.11%</b>	<b>\$1,069,783</b>

### Estimated Fees (75% Large Cap/25% Small Cap)

Manager	Market Value	Fees (%)	Annual Fee (\$)
Large Cap - SSGA	\$753,449,404	0.05% on the first \$50 million 0.04% on the next \$50 million 0.02% on the balance	\$175,690
Small Cap Core - DFA	\$251,149,801	0.30% on all assets	\$753,449
<b>Total</b>	<b>\$1,004,599,205</b>	<b>0.09%</b>	<b>\$929,139</b>

### Estimated Fees (80% Large Cap/20% Small Cap)

Manager	Market Value	Fees (%)	Annual Fee (\$)
Large Cap - SSGA	\$803,679,364	0.05% on the first \$50 million 0.04% on the next \$50 million 0.02% on the balance	\$185,736
Small Cap Core - DFA	\$200,919,841	0.30% on all assets	\$602,760
<b>Total</b>	<b>\$1,004,599,205</b>	<b>0.08%</b>	<b>\$788,495</b>



**Investment Policy Statement  
For**

**Marin County Employees' Retirement Association**

Mcera



**FINAL**  
**October 2020**  
**DRAFT**  
**June 2021**

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**INVESTMENT POLICY STATEMENT**

**Table of Contents**

Introduction.....	1
Policies and Procedures .....	3
Investment Goal Statement .....	4
General Objectives and Guidelines .....	8
Investment Management Policy .....	13
Private Equity Policy .....	17
Duties of Responsible Parties .....	21
Policy Review .....	27

**Appendices:**

Appendix A	Strategic Asset Allocation
Appendix B	Individual Manager Guidelines
Appendix C	Individual Private Equity Sponsor Guidelines
Appendix D	Placement Agent Payment Disclosure Policy

---

## **INTRODUCTION**

The Marin County Employees' Retirement Association ("MCERA") was established to provide retirement benefits to county employees and other local public agencies. The Board of Retirement (the "Board" and/or the "Board of Retirement") is comprised of the County Director of Finance, four members appointed by the County Board of Supervisors, four members elected by the membership, plus one alternate retiree and one alternate safety member. The Director of Finance may also designate a deputy who is employed under the Director of Finance's authority, to act in his or her place and stead on the Board or any of its committees~~appoint an alternate ex officio member.~~

MCERA was organized in accordance with the provisions of California's 1937 County Employees' Retirement Law ("1937 Act"). The powers and duties of the Board of Retirement are set forth in the 1937 Act and in Article XVI, section 17, of the State Constitution. This document provides a framework for the investment management of the assets of MCERA. The Board of Retirement has established a standing Investment Committee, which is composed of all members of the Board of the Retirement ("Investment Committee" or "Committee"). As set forth in the Investment Committee's Charter, the Committee has been delegated all investment authority of MCERA as set forth therein. The purpose of the Investment Policy is to assist the Board, through the Investment Committee, in effectively supervising and monitoring the assets of MCERA (the "Plan" or the "Fund"). Specifically, it will address the following issues:

- The general goals of the investment program;
- The policies and procedures for the management of the investments;
- Specific asset allocations, rebalancing procedures and investment guidelines;
- Performance objectives; and
- Responsible parties.

The Investment Committee~~Board of Retirement~~ establishes this investment policy in accordance with applicable local, State, and Federal laws. The Board and Committee members exercise authority and control over the Plan, by setting policy which the Staff executes either internally or through the use of external prudent experts. The Board and Committee oversees and guides the Plan subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing benefits to participants and their beneficiaries, minimizing contributions thereto, and defraying reasonable expenses of administering the Plan.
- Invest and manage Fund assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the Fund. In satisfying this standard of care, the trustees shall exercise reasonable care, skill, and caution.
- Diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

## C.2

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

DRAFT

## **POLICIES AND PROCEDURES**

The policies and procedures of MCERA's investment program are designed to maximize the probability that the investment goals will be fulfilled. Investment policies will evolve as fund conditions change and as investment conditions warrant.

### *Asset Allocation Policy*

MCERA adopts and implements an asset allocation policy that is predicated on a number of factors, including:

- A projection of actuarial assets, liabilities and benefit payments and the cost of contributions;
- Historical and expected long-term capital market risk and return behavior;
- An assessment of future economic conditions, including inflation and interest rate levels; and
- The current and projected funding status of the Plan.

This policy provides for diversification of assets in an effort to maximize the investment return of the Plan consistent with market conditions. Asset allocation modeling identifies asset classes the Plan will utilize and the percentage that each class represents of the total fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy, and that periodic revisions will occur. MCERA's Staff and external consultants will monitor and assess the actual asset allocation versus policy and will evaluate any variation deemed significant.

The Board and Committee will implement the asset allocation policy (i) through the use of investment managers to invest the assets of MCERA in accordance with the investment guidelines incorporated into the investment management agreements executed with MCERA and/or (ii) through its investment in limited liability partnerships, limited liability corporations, commingled funds, group trusts or other commonly used investment vehicles, which invest allocated assets in accordance with the governing documents for the investment vehicle. When appropriate, passive management strategies may also be utilized.

## **INVESTMENT GOAL STATEMENT**

The Plan's general investment goals are broad in nature. The objective shall be to efficiently allocate and manage the assets dedicated to the payment of Plan benefits and administrative expenses. The following goals, consistent with the above described purpose, are adopted:

- The overall goal of MCERA's investments is to provide Plan participants with retirement, disability, and death and survivor benefits as provided for under the County Employees' Retirement Law of 1937. This will be accomplished through a carefully planned and executed long-term investment program.
- MCERA's assets will be managed on a total return basis. While MCERA recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.
- The total portfolio over the long term will be expected to:
  1. Meet or exceed a long-term total portfolio real (above inflation) return commensurate with the target asset allocation contained in Appendix A to this document (annualized, net of fees, over a full market cycle, normally defined as 5-7 years);
  2. Meet or exceed the assumed actuarial rate of return over long-term periods; and
  3. Meet or exceed a weighted index of the total Plan's asset allocation policy and component benchmarks over rolling five-year periods by an appropriate amount (annualized, net of fees, over a full market cycle).
- MCERA's Investment Policy has been designed to produce a total portfolio, long-term real return. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this goal. The investment activities are designed and executed in a manner that serves the best interests of the members and beneficiaries of the Association.
- All transactions undertaken will be for the sole benefit of MCERA's members and beneficiaries and for the exclusive purpose of providing benefits to them, minimizing contributions to the Plan and defraying reasonable associated administrative expenses.
- MCERA has a long-term investment horizon, and utilizes an asset allocation plan that encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's investment performance.

Investment recommendations and subsequent actions are expected to comply with "prudent expert" standards. Board [and Committee](#) members are expected to comply with "prudent investor" standards.

### **Manager Utilization and Selection**

The selection of investment managers is accomplished in accordance with all applicable local, State and Federal laws and regulations. Each investment manager and consultant functions under a formal contract which delineates responsibilities and appropriate performance expectations. A formal set of investment guidelines and investment administrative requirements for each investment manager has been established and is provided as an addendum to this document. With regard to investment in limited liability partnerships, limited liability corporations, commingled funds, group trusts or other commonly used investment vehicles, the management of the relevant investment vehicle and the investment guidelines will be as set forth in the fund's legal documentation.

### **Manager Authority**

The Plan's investment managers, unless otherwise noted in their contract, shall have designated discretion to direct and manage the investment and reinvestment of assets allocated to their accounts in accordance with this document; applicable local, State and Federal statutes and regulations; and individual management investment plans and executed contracts. Commingled investments, including but not limited to investments in mutual funds, trusts, limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles, are expected to comply with the guidelines established in the governing documents or fund prospectus.

The Board, [Committee](#), and Staff will consider the comments and recommendations of consultants in conjunction with other available information in making informed, prudent decisions.

### **Proxy Voting**

MCERA acknowledges that the ownership of equities requires proxies to be voted. MCERA commits to managing its proxy voting rights with the same care, skill, diligence and prudence as is exercised in managing its other assets. As responsible fiduciaries, the Board of Retirement will exercise its proxy voting rights in the sole interest of the Plan's members and beneficiaries in accordance with all applicable statutes and ~~as further set forth in~~ MCERA's Proxy Voting and Corporate Governance Policy or a voting policy adopted by the Board of Retirement as when the Board has chosen to hire a third party proxy voting company to vote proxies on MCERA's behalf, which is posted on MCERA's Web site ( [www.mcera.org](http://www.mcera.org) ). MCERA hopes corporate boards will adhere to these policies and adopt similarly appropriate additional policies to best protect shareholders' interests. Consistent with the Proxy Voting and Corporate Governance Policy, the following outlines MCERA's expectations with respect to voting proxies:

- Proxy voting may be performed by staff, contracted to a third-party vendor, or delegated to the investment manager ~~in accordance with MCERA's Proxy Voting and Corporate Governance Policy~~.
- Where voting has been delegated to an investment manager, proxies shall be voted ~~consistent~~ with the managers' respective policies on proxy voting in the best interest of the shareholders



and where possible in alignment with MCERA's proxy voting guidelines. The investment managers will provide a copy of their proxy voting guidelines to MCERA annually.

- For proxy proposals that are deemed by MCERA to merit review, MCERA may temporarily revoke an investment manager's proxy voting authority in writing. After MCERA has voted on the proxy, proxy voting responsibilities may be delegated (in writing) to the investment manager.
- The investment managers are required to report not less often than semi-annually on all proxy votes cast on MCERA's behalf, which will be reported to the MCERA Governance Committee.
- Where proxy voting has been delegated to a third-party provider, the Board shall determine if the third party will utilize MCERA's existing guidelines, adopt an existing policy being offered by the third party, or create customized guidelines for voting MCERA's proxies.
- Proxy voting reporting will be in accordance with the provider's agreement with MCERA, which may be modified from time to time.
- A record of said proxy votes shall be maintained in the Retirement Office.

### **Securities Lending**

The Board and/or Committee may authorize the execution of a "Securities Lending Program" which will be performed by the Plan custodian or qualified third-party securities lending agent(s). The program will be established by a written agreement authorized by the Board and/or Committee and monitored and reviewed by the Staff.

The following are the general guidelines for the securities lending program:

1. The lending program may be implemented through the use of agent lenders or principal lenders;
2. The lenders may lend financial securities including, but not limited to, U.S. and non-U.S. equities, corporate bonds, and U.S. and non-U.S. government securities;
3. If an agent program is implemented, the agent shall have full discretion over the selection of borrowers and shall continually review the creditworthiness of potential borrowers through extensive analysis of relevant information;
4. All loans shall be fully collateralized with cash, government securities or irrevocable bank letters of credit;
5. Cash collateral received from securities borrowers will be deposited upon receipt in a pre-approved short-term investment vehicle or vehicles;
6. Loans of U.S. securities are initially collateralized at 102% of the market value of the borrowed securities if the borrowed securities and the collateral are denominated in the same currency and at 105% if the borrowed securities and the collateral are denominated in different currencies. As the market value of the collateral falls below 102% (105%) of the market value of the borrowed securities, the borrower is marked to market each business day using yesterday's closing prices, subject to the lending agent's de minimis rules of change;

7. Securities on loan should be marked-to-market on a daily basis to assess adequacy of collateralization;
8. The lender shall provide periodic performance reports to MCERA;
9. The securities lending program should in no way inhibit the portfolio management activities of the other investment managers of the system;
10. Staff shall be responsible for making an annual report to the Board [and/or Committee](#) on securities lending activity; and
11. All other operational aspects of MCERA's securities lending program are hereby delegated to Staff.

### **Derivatives and Leverage**

MCERA's investment managers may be permitted under the terms of individual investment guidelines to use derivative instruments to implement market decisions and security positions and to control portfolio risk. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or instruments including, but not limited to, futures, forwards, options, swaps and options on futures. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, rebalancing portfolio exposures, securitizing Fund level and manager cash, maintaining exposure to a desired asset class while effecting asset allocation changes and adjusting portfolio duration for fixed income. Portfolio liabilities associated with investments (i.e. mortgage forward bond purchases, futures, in-the-money short puts, reverse repurchase agreements, etc.) shall be backed by cash equivalents or deliverable securities.

MCERA's investment managers are not allowed to utilize derivatives for speculative purposes. All derivatives must be backed by collateral in the form of deliverable securities equal to or greater than the value of the total derivative exposure. In no circumstances can individual managers borrow funds to purchase derivatives. No derivatives positions can be established that create portfolio characteristics outside of portfolio guidelines. Managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

### **Rebalancing**

Staff shall, on an ongoing basis in accordance with market fluctuations, rebalance the Fund's portfolio so as to remain within the range of targeted allocations and distributions among investment managers and asset allocations. MCERA has a long-term investment horizon and utilizes an asset allocation plan that encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's investment performance.

MCERA will not attempt to time rises or falls in equity or bond markets by moving away from long-term targets.

Systematic rebalancing, implemented when the asset classes move outside their target ranges or when significant cash flows occur, will be used to maintain or to move asset allocations within these appropriate ranges.

## **GENERAL INVESTMENT OBJECTIVES AND GUIDELINES**

### **Equity Portfolios**

Each equity investment manager retained by MCERA will follow a specific investment style and will be evaluated against a specific market index that represents their investment style. In addition, in the case of active managers, investment results may also be compared to returns of a peer group of managers with similar styles. Benchmarks for the various equity portfolios may include the following indices as well as those proposed by the managers reviewed by the Staff and approved by the [Investment Committee](#) or Board:

#### **Domestic Equity Portfolio – Russell 3000 Index**

*Large Cap Stocks – S&P 500 Index*

*Small Cap Stocks – Russell 2000 Index*

#### **International Equity Portfolio – MSCI ACWI ex-US IMI Index**

*International Large Cap Stocks – MSCI EAFE Index*

*International Small Cap Stocks – MSCI EAFE Small Cap Index*

*International Emerging Markets Stocks – MSCI Emerging Markets Free Index*

General equity guidelines for active managers include the following:

- American Depositary Receipts (ADRs) and foreign securities listed on a major US stock exchange or on the NASDAQ are permitted if specified in the manager's guidelines.
- Convertible securities may be held in equity portfolios and shall be considered equity holdings.
- Securities must be traded on a regulated stock exchange, or listed on the NASDAQ or a comparable foreign market operation.
- Forward or futures contracts for foreign currencies may be entered into for hedging purposes or pending the selection and purchase of suitable investments in, or the settlement of, any such securities transactions only in international equity portfolios.
- The following transactions are not permitted unless specifically authorized ~~by the Board~~ in the investment manager agreement or in the specific manager guidelines in the appendix:
  - The use of borrowed funds
  - Short sales or margin sales
  - Private placements (except 144As)
  - Futures, options, currency forwards and futures, and other derivative securities.

### **Fixed Income Portfolios**

The fixed income portfolios will be managed on a total return basis, following specific investment styles and evaluated against specific market indices that represent a specific investment style or market segment. In addition, investment results may also be compared to returns of a peer group of managers investing with a similar style. The benchmarks for the various fixed income portfolios may include the following indices:

**Fixed Income Portfolio – Blended Benchmark (50% Bloomberg Barclays U.S. Aggregate, 25% Bloomberg Barclays Intermediate Credit, 25% FTSE World Government Bond Index USD Unhedged)**

*U.S. Core Plus Fixed Income – Bloomberg Barclays U.S. Aggregate Bond Index*

*U.S. Intermediate Credit Fixed Income – Bloomberg Barclays U.S. Intermediate Credit Index*

*Global Fixed Income – FTSE World Government Bond Index (USD Unhedged)*

General fixed income guidelines include the following:

- Unless specified in the manager’s guidelines, the minimum average quality rating of the securities in any portfolio will maintain an average weighted credit quality of not more than 2 rating notches below the benchmark’s average weighted credit quality, at all times. For the avoidance of doubt, if the benchmark is rated AA-, then 2 notches below would be A.
- Ratings method: The ratings method used to test both the benchmark’s average credit rating and the portfolio’s average credit rating will be “split to the highest rating” of the three major rating agencies.
- Derivatives, including forward or futures contracts for foreign currencies, may be used to hedge the portfolio, or to effect portfolio management decisions in a timely, cost-effective manner. Borrowed funds shall not be used.
- An individual investment manager’s portfolio shall have an effective duration between 75% - 125% of the effective duration of the appropriate index, unless a broader range is permitted with the specific manager guidelines in the Appendix.
- The following transactions are prohibited unless specifically authorized by the [Investment Committee or](#) Board or by the specific manager guidelines in the Appendix:
  - Private placements (except 144As);
  - Interest Only CMOs, Principal Only CMOs, inverse floaters and any tranche that has a leveraged component embedded in the structure.

### **Real Estate Portfolios**

The Real Estate portfolios will be managed on a total return basis, through a combination of income and appreciation, following specific investment styles and evaluated against a specific market index. In addition, investment results may also be compared to returns of a peer group of managers investing with a similar style. The benchmarks for the various Real Estate portfolios may include the following [indices](#):

#### **Real Estate Portfolio – NFI-ODCE Equal Weighted Index (Net)**

*Core Real Estate – NFI-ODCE Equal Weighted Index (Net)*

- All investments in real estate shall be managed by external advisors.
- MCERA may invest in real estate through diversified institutional commingled vehicles. The vehicles can be limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles.
- The vehicle's manager(s) will have discretion with respect to the management of the fund's investment program, operating within the parameters delineated in the fund's legal documentation.

### **Real Assets Portfolio**

The real assets portfolio will be managed on a total return basis, following specific investment styles and evaluated against specific market indices that represent a specific investment style or market segment. In addition, investment results may also be compared to returns of a peer group of managers investing with a similar style. The benchmarks for the various real assets portfolios may include the following indices:

#### **Real Assets Portfolio – Blended Benchmark (25% Bloomberg Barclays US TIPS Index, 25% Bloomberg Commodities Index, 25% S&P Global Natural Resources Index, 25% Dow Jones US Select Real Estate Securities Index)**

*Treasury Inflation Protected Securities – Bloomberg Barclays US TIPS Index*

*Commodities – Bloomberg Commodities Index*

*Global Natural Resources Equity – S&P Global Natural Resources Index*

*Real Estate Investment Trusts – Dow Jones US Select Real Estate Securities Index*

- MCERA may invest in real assets through separate accounts or diversified institutional commingled vehicles.
- The vehicle's manager(s) will have discretion with respect to the management of the fund's investment program, operating within the parameters delineated in the fund's legal documentation.

- The investment objective of the real asset program is to create a portfolio of high-quality real asset investments that will enhance long-term investment performance, meet inflation objectives, and diversify the asset base for the entire MCERA investment portfolio.

### **Private Equity Portfolios**

MCERA will invest in private equity through institutional closed-end, finite-life commingled private equity fund-of-funds vehicles. The fund-of-funds vehicles will be limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles.

- Private equity investments will consist primarily of limited partnership investments in diversified private equity portfolios (e.g., venture capital, acquisition, special situation, subordinated debt, restructuring funds, and others).
- The vehicle's manager(s) will have discretion with respect to the management of the fund-of-funds investment program, operating within the parameters delineated in the investment vehicle's legal documents.
- The investment objective of the private equity allocation is to achieve consistent positive real returns and to maximize long-term total return net of fees within prudent levels of risk through capital appreciation and diversification.
- While the investment guidelines of each investment vehicle will be determined by the fund-of-funds legal documentation, the fund's manager, in managing the portfolio, should take prudent care.

### **Opportunistic Portfolio**

MCERA may invest in opportunistic investments that will vary by assignment. Performance objectives or guidelines will be defined by MCERA in its retention of managers or selection of suitable investments and will be evaluated to test progress toward attainment of longer-term goals.

- MCERA may invest in opportunistic investments through separate accounts and diversified institutional commingled vehicles which may include limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles.
- The manager(s) will have discretion with respect to the management of the separate account or fund's investment program, operating within the parameters delineated in the separate account or fund's legal documentation.
- The investment objective of the opportunistic allocation is to achieve consistent positive real returns and to maximize long-term total return net of fees within prudent levels of risk through capital appreciation and diversification.

**Short Term Investment/Cash Equivalents**

MCERA is restricted from investing short term funds and cash equivalents in investment vehicles other than the Treasurer's Pool, the State Pool and the STIF funds maintained at the custodian bank. Retirement funds shall be invested in investments with an average maturity of one year or less.

Any exemption from these general guidelines requires prior written approval from the Board [or Investment Committee](#).

**Policy Implementation Overlay**

The Board [or Investment Committee](#) may retain a “policy overlay manager” to rebalance portfolio exposures, bridge exposure gaps during transitions, ‘securitize’ ~~F~~fund level cash, and securitize residual cash positions held by each manager. The policy overlay manager may use futures or swaps, when appropriate, to gain market exposure on existing cash positions. The manager will not use futures or other derivative instruments for speculative purposes.



## **INVESTMENT MANAGEMENT POLICY**

MCERA will utilize externally managed portfolios based on specific styles and methodologies. The manager will acknowledge in writing, as more particularly set forth in Appendix B, that they are fiduciaries to MCERA with respect to the assets they manage and/or invest on MCERA's behalf, and will have discretion and authority to determine investment strategy, security selection and timing within their asset class and subject to the Policy guidelines and any other guidelines specific to their portfolio. Performance of the portfolio will be monitored and evaluated on a regular basis relative to each portfolio component's benchmark return and relative to peer groups of managers with similar investment styles where applicable.

Investment managers, as prudent experts, will be expected to know MCERA's investment policies (as outlined in this document) and any specific guidelines for their portfolios, and to comply with those policies and guidelines. It is each manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with Staff toward possible amendment to said policies through Board or Investment Committee action. ~~Additionally, and where applicable, investment managers will certify in writing each quarter their compliance with the guidelines as described in this document.~~

The Investment Committee~~Board~~ and Staff will also review each investment manager's adherence to its investment policy, and any material changes in the manager's organization (e.g., personnel changes, new business developments, etc.). The investment managers retained by MCERA will be responsible for informing the Investment Committee~~Board~~ and Staff of all such material changes on a timely basis.

Investment managers under contract with MCERA shall have discretion to establish and execute transactions with established regional and national securities broker/dealers as needed. Unless otherwise authorized by the Board or Investment Committee, these investment managers must obtain the best available prices and most favorable executions with respect to all of the portfolio transactions as market conditions permit.

Unless specifically authorized by the Board or Investment Committee, the following transactions will be prohibited: short sales; selling on margin; "prohibited transactions" as defined under the Employee Retirement Income Security Act of 1974 (ERISA); transactions that involve a broker acting as a "principal", where such broker is also the investment manager who is making the transaction, and any or all investment activities forbidden by the SEC or other applicable governing bodies.

### **Selection Criteria for Investment Managers**

Criteria will be established for each manager search undertaken by MCERA, and will be tailored to MCERA's needs in such a search. In general, eligible managers will possess attributes including, but not limited to, the following:

- The firm must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by MCERA.

- The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients.
- The firm must have an asset base sufficient to accommodate MCERA's portfolio. In general, managers should have at least \$100 million of discretionary institutional assets under management, and MCERA's portfolio should make up no more than 20% of the firm's total asset base. Exceptions shall be made on a case-by-case basis.
- The firm must demonstrate adherence to the investment style sought by MCERA, and adherence to the firm's stated investment discipline.
- The firm's fees should be competitive with industry standards for the product category.
- The firm must comply with the "Duties of the investment managers" outlined herein and conform to the CFA Institute standards for performance reporting.

### **Criteria for Investment Manager Termination and Watchlist**

MCERA reserves the unilateral right to terminate a manager at any time for any reason. The occurrence of certain events will result in specific actions being taken. This section describes these events, the course of action that will be taken and the responsible parties. It also establishes a "Watchlist" as a means of monitoring and evaluating managers who meet any of the items identified under the Criteria For Investment Manager Termination. If a manager is on the Watchlist no additional assets will be allocated to the manager until the manager has been removed from the Watchlist, provided however that if the Investment Committee determines, after review and discussion with staff and its Investment Consultant, that it is appropriate and in alignment with the other goals established under this policy to make additional funds to a manager on the Watchlist then the Committee can vote to direct the staff to take this action. The Investment Committee will determine where to invest any additional assets that would otherwise have been allocated to the manager. Each manager on the Watchlist will be monitored closely by Staff and the Consultant and may be required to make special presentations to the [Investment Committee Board](#) and Staff if requested. MCERA may place a manager on the Watchlist at any time and when it is deemed warranted due to improved conditions, a manager may be removed from the Watchlist.

*Illegal or Unethical Practice.* The manager will report this event in writing to the Retirement Administrator not later than the close of the business day following discovery of the illegal or unethical practice. The Retirement Administrator will inform the Investment Committee in writing of this practice as soon as administratively possible. If the illegal or unethical practice has a material adverse effect upon the MCERA portfolio, or any attempt was made by the manager to hide this practice, the manager will normally be terminated upon review and action by the Investment Committee. If the practice is procedural and has been properly referred to the appropriate regulatory authorities, the Retirement Administrator will recommend to the Investment Committee whether or not to terminate the manager.

*Guideline Violation.* The manager will report any guideline violation in writing to the Retirement Administrator not later than the close of the second business day following discovery along with the manager's proposed remedy. If the violation results in a loss to MCERA, the manager will compensate MCERA for this loss. If the manager refuses to correct this violation, or if other violations occur, the Retirement Administrator may recommend termination of the manager to the Investment Committee. Guideline violations that have been corrected will be reported to the Investment Committee at their next regular meeting. Violations that have not been corrected, or violations that persist, will be reported to the Investment Committee as soon as administratively possible.

*Deviation from Investment Process.* If the Retirement Administrator determines that the manager has deviated materially from its stated investment process or philosophy, the Retirement Administrator will report to the Chair of the Investment Committee as soon as possible. The Retirement Administrator may also recommend termination of the manager, as soon as administratively possible, to the Investment Committee.

*Loss of Key Personnel or Change in Ownership.* The manager will inform the Retirement Administrator in writing within 24 hours following the loss of key personnel or a change in ownership. Loss of key personnel may result in termination of the manager. A material change in the ownership of the manager may result in the termination of the manager. The Retirement Administrator will make a recommendation regarding termination to the Investment Committee as soon as administratively possible.

*Lack of Cooperation with Reasonable Requests.* The manager is required to provide information, attend meetings and comply with other reasonable requests. Failure to do so may result in a recommendation to terminate the manager.

*Underperformance.* MCERA understands the cyclical nature of investment performance and the potential for its investment managers not to meet objectives over short-term periods. While it is not the [BoardInvestment Committee](#)'s intention to terminate a manager for short-term underperformance relative to objectives, the [Investment CommitteeBoard](#) has implemented the following process as a means of monitoring and evaluating managers that have experienced performance difficulties in the short-term to assess the impact on longer-term performance.

If a manager trails its relevant benchmark by more than 100 basis points (net of fees) and ranks in the bottom quartile of its peer universe (gross of fees ranking) for the trailing three years, or if a manager trails its relevant benchmark (net of fees) or ranks below median of its peer universe (gross of fees ranking) for the trailing five years, then the manager may be placed on the Watchlist.

If the underperformance of a manager on the Watchlist persists over a reasonable period in the future (as defined by the Staff, [BoardInvestment Committee](#) and Consultant based on the unique circumstances surrounding the manager and current market conditions), the [BoardInvestment Committee](#) may and will consider termination.

*Procedures Following the Initiation of Watch Status*

The watch period will be established for a one-year total duration.

If at the end of the watch period, performance has improved to above-benchmark and/or above the manager median over a market cycle, the manager will be removed from the Watchlist.

If at the end of the watch period, the manager is underperforming the manager may be terminated or remain on the Watchlist for a period defined by the Investment Committee.

Unlike open-end funds and separate accounts for public market securities which are more easily liquidated, exiting open-end or closed-end commingled funds for private markets may have liquidity constraints. For these reasons, the Watchlist and terminating procedures used for traditional public market vehicles are not applicable for private market vehicles. Staff with the assistance of the Investment Consultant will make appropriate recommendations for exiting such positions.

DRAFT

## **PRIVATE EQUITY POLICY**

MCERA's private equity investments allocation will consist primarily of limited partnership investments in diversified private equity portfolios (e.g., venture capital, acquisition, special situation, subordinated debt, and restructuring funds and others). MCERA will invest in private equity through institutional closed-end, finite-life commingled private equity fund-of-funds vehicles. The fund-of-funds vehicles will be limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles. Investments directly in stand-alone corporate finance limited partnerships and direct investments in companies are not currently considered appropriate. The vehicle's manager(s) will have discretion with respect to the management of the fund-of-funds investment program, operating within the parameters delineated in the fund's legal documentation. The investment manager of the fund-of-funds will acknowledge in writing by side letter or otherwise that they are Plan fiduciaries and will acknowledge having read and understood the guidelines set forth in this section of the Investment Policy Statement and any other guidelines specific to their portfolio as more particularly set forth in Appendix C.

To maintain an appropriate funded status on a net asset value basis, MCERA may be required to make periodic commitments to additional fund-of-funds vehicles managed by either the same or different fund-of-funds managers. MCERA's staff will work with the investment consultant and the managers to determine appropriate commitment timing and amounts and present a recommended plan to the [Board Investment Committee](#) annually.

To ensure adequate access and diversification, MCERA may utilize multiple fund-of-funds providers. There is no specific limit on the number of vendors to be utilized. However, to avoid unnecessary administrative burdens, MCERA will limit the number of vendors employed to the extent practical. Only those firms committed to providing ongoing access to the private equity arena through fund-of-funds offerings, who have a demonstrated record of investing client funds in top tier private equity partnerships and who limit assets accepted for management to sums that can in fact be committed in top tier funds will be considered.

MCERA recognizes that many well-qualified fund-of-funds providers make direct private equity investments within the fund-of-funds vehicle [\(e.g. secondary or co-investments\)](#). Such investments are permissible provided that they constitute a comparatively small portion of the total fund-of-funds' asset base (typically less than [2035%](#)).

### **Investment Objectives**

The investment objective of the private equity allocation is to achieve consistent positive real returns and to maximize long-term total return within prudent levels of risk through capital appreciation and diversification. MCERA's holdings will be professionally managed on a cash-to-cash basis and will have broad exposure to key private corporate finance strategies (e.g., venture capital, acquisition, special situation, etc.), with allocations to the various strategies diversified in a manner consistent with institutional private equity programs generally.

## Selection Criteria for Private Equity

### Partnership Selection

As requested by MCERA, the investment consultant shall develop a proposed “Manager Candidate Profile” that will serve as the basis for evaluation of potential fund-of-funds providers consistent with MCERA’s investment policy. This document will specify the minimum selection criteria for potential vendors and also detail preferred characteristics. The consultant will then evaluate prospective candidates and submit a listing of those firms that appear to best meet the requirements and preferences. Staff and consultant will discuss these candidates and identify those that should be advanced for ~~Committee~~ Board and/or ~~Board~~ Investment Committee consideration. Ultimately, the Board/Investment Committee will determine which firms shall be retained.

The targeted private equity investments will be fund-of-funds vehicles that are commingled, closed-end, and finite-life limited liability entities.

Due to the inevitability of short-term market fluctuations that may cause variations in the investment performance, it is intended that the performance objectives outlined below will be achieved by the fund-of-funds over the life of the vehicle(s), generally 152 years. The Board of Retirement Investment Committee will evaluate the funds’ interim performance to test progress toward attainment of these longer-term goals. However, it is understood that there are likely to be short-term periods during which performance will deviate from expectations. Minimum expectations are as follows:

- ~~It is expected that the private equity program will, over rolling 5-year periods, provide net of fee returns in excess of those available in the public markets. The nominal return target for the private equity program is a 12% internal rate of return (IRR) or dollar-weighted net of all fees and expenses. The rate of return for the fund of funds will also be calculated on a time-weighted basis.~~
- For policy benchmarking purposes, over the long-term (rolling 10-year periods) the private equity portfolio is expected to generate returns in excess of the combined benchmark, consisting of 60% Russell 3000 and 40% MSCI ACWI ex-US IMI, employing a time-weighted return calculation.
- ~~The fund’s IRR performance will also be benchmarked against peer groups in the Thomson Cambridge (All Regions) All Private Equity Database. These return comparisons will be net of underlying partnership fees and expenses, but gross of the fund-of-funds’ fees and expenses. It is expected that the vehicles will attain performance rankings consistent with the top quartile levels of return evidenced in the database.~~
- The private equity portfolio and manager returns will also be measured employing a dollar-weighted, internal rate of return (IRR) calculation and benchmarked against relevant peer group information from a recognized private equity database provider.

The portfolio will also be benchmarked employing standard private equity performance ratio measures: Total Value to Paid-In Capital (TVPI) and Distributed Value to Paid-In Capital (DPI). IRR and ratio performance should be above median relative to recognized private equity industry peer database returns. Measures should be focused on returns net of all partnership fees and expenses.

Attainment of these objectives does not guarantee future investment by the [Board Investment Committee](#) in a specific manager's fund-of-funds vehicles, nor does failure to achieve these guidelines ensure a lack of future investment support for follow-on vehicles. Providers are selected at the discretion of the [Board Investment Committee](#).

In addition, the following stipulation(s) apply:

- ~~• The Fund's assets invested in the fund-of-funds vehicle should not represent more than 20% of the total market value of the fund-of-funds. It is also preferred that this holds true for any other investor in these fund-of-funds. Should MCERA utilize a single client fund-of-funds approach (i.e., a "fund-of-one" where MCERA represents 100% of the vehicle's capitalization) the targeted commitment level should not exceed 20% of the managing/controlling entity's total discretionary assets under management.~~
- The investment manager of the fund-of-funds vehicle shall be a Bank or a registered investment advisor under the Investment Advisors Act of 1940 (1940 Act).
- If the fund-of-funds vehicle provides distributions in cash or securities, the Fund will opt to receive cash.

#### Reporting Requirements

Reporting requirements will be governed by the fund-of-funds legal documentation, which at a minimum will provide for quarterly unaudited financial statement and other relevant investment holdings related exhibits, and annual audited financial statements and relevant investment holdings-related exhibits.

It is expected that the fund-of-funds investment managers will meet with the Board [or Investment Committee](#) as reasonably requested and at least annually.

#### Coordination with Total Fund Performance Reporting

MCERA relies on its custodian to generate short-term time-weighted performance statistics. This information is utilized by the Fund's investment consultant to evaluate ongoing investment performance. An integral part of the performance evaluation is a comparison of the total Fund's return in relation to a policy benchmark index comprised of market indices weighted in the same manner as the Fund's strategic asset allocation policy.

Given the private market nature of private equity investments and the long lead-time associated with such investments, a public market equity index shall be used in lieu of the ~~absolute return~~



## C.2

target index private equity database return set forth in Appendix A-B for the private equity component of the total portfolio. The index used shall be a composite of the equity component of MCERA's total policy benchmark: 60% Russell 3000 and 40% MSCI ACWI ex-US IMI.

DRAFT

## **DUTIES OF RESPONSIBLE PARTIES**

### **Duties of the MCERA Board of Retirement and Investment Committee**

The Board of Retirement has the responsibility for administration of MCERA for the benefit of plan participants. The County Employees' Retirement Law of 1937, Government Code Chapter 3, Part 3, Division 4, Title 3, Article 5, permits the Board of Retirement at its discretion to invest the assets of the Plan through the purchase, holding or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board. In the interest of efficient and prudent administration of MCERA and investment of its assets, the Board of Retirement has delegated its responsibilities with respect to the investments to the Investment Committee, which consists of all members of the Board of Retirement. Although it is not the intent of the Investment Committee Board of Retirement to become involved in the day-to-day investment decisions, the Investment Committee Board or its designee(s) will adhere to the following procedures in the management of MCERA's assets:

- The Investment Committee Board develops and approves guidelines for the execution of MCERA's investment program. Only the Board, through the Investment Committee, in its sole discretion can delegate its decision-making authority regarding the investment program. Staff is responsible for the timely implementation and administration of these decisions.
- A formal review of MCERA's investment structure, asset allocation and financial performance will be conducted annually or more frequently as the need arises. The review will include recommended adjustments to the long-term strategic asset allocation to reflect any changes in applicable regulations, long-term capital market assumptions, actuarial assumptions or MCERA's financial condition.
- The Investment Committee Board shall review MCERA's investments quarterly, or as needed, to ensure that policy guidelines continue to be met. The Investment Committee Board shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks and peer group comparisons. The source of information for these reviews shall come from Staff, outside consultants, the custodian and MCERA's investment managers.
- The Investment Committee is comprised of all Board members.
- The Investment Committee Board may retain investment consultants to provide services such as conducting performance reviews, asset allocation, manager reviews and investment research. The comments and recommendations of the consultants will be considered in conjunction with other available information to aid the Investment Committee Board in making informed, prudent decisions.
- Trustees shall direct questions from managers regarding MCERA's Investment Policy or other matters relating to the Plan to the Retirement Administrator and/or investment consultant.

- The Investment Committee~~Board~~ shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed. Reviews for separate portfolios managed by external managers will focus on:

~~1. Written certification of manager compliance to the Policy guidelines.~~

~~21.~~ Material changes in the managers' organizations, such as investment philosophy, personnel changes, acquisitions or losses of major accounts, etc. The managers will be responsible for keeping MCERA advised of any material changes in personnel, investment strategy, or other pertinent information potentially affecting performance.

~~32.~~ Investment performance relative to each manager's stated performance benchmark(s) as set forth in the manager's investment guidelines.

- The Investment Committee~~Board~~ shall expect Staff to administer MCERA's investments in a cost-effective manner subject to Committee~~Board~~ approval. These costs include, but are not limited to, management, consulting and custodial fees, transaction costs and other administrative costs chargeable to MCERA.
- The Board shall be responsible for selecting a qualified custodian with advice from Staff.
- The Investment Committee~~Board~~ shall perform due diligence on each new manager prior to funding, and on each existing manager in accordance with the Due Diligence policy found at: <https://www.mcera.org/retirementboard/governance-policies>
- To maintain and strengthen the investment management of MCERA's Plan, Staff and Board/Investment Committee members shall be expected to participate in educational conferences/seminars related to their direct responsibility for the investment activities of MCERA in accordance with the Education Policy found at:
- <https://www.mcera.org/retirementboard/governance-policies>

### **Duties of the Staff**

The Retirement Staff, as designated by the Board and/or Investment Committee, plays a significant role in the management and oversight of the Plan. Staff duties include:

- Authority to invest the Fund's cash without requiring Board or Investment Committee permission, and as set forth elsewhere in MCERA's Investment Policy.
- Monitoring investment managers for adherence to appropriate policies and guidelines.
- Evaluating and managing the relationships with the consultants to the Fund to ensure that they are providing all the necessary assistance to Staff, Investment Committee, and the Board as set forth in their service contracts.

- Conducting manager searches, as set forth in this document, with necessary assistance from consultants as directed by the Board [or Investment Committee](#).
- Restructuring portfolios following manager terminations with the assistance of consultants and managers, as needed.
- Organizing and/or participating in any special research required to manage the Plan more effectively or in response to any questions raised by Board/[Investment Committee](#) members.
- Supporting the Board [or Investment Committee](#) in the development and approval of the Investment Plan, implementing and monitoring the Plan, and reporting at least monthly on investment activity and matters of significance.
- Assisting with the negotiation of investment manager fees when needed.
- Ensuring that investment managers conform to the terms of their contracts and that their performance monitoring systems are sufficient to provide the Board [or Investment Committee](#) with timely, accurate and useful information.

### **Duties of the Public Markets Investment Managers**

The following duties apply to managers investing in public market securities: ~~The investment managers shall:~~

- Provide the Plan with a written agreement to invest within the guidelines established in the Investment Policy.
- Provide the Plan with proof of liability and fiduciary insurance coverage. Updated policy information will be provided to MCERA upon renewal and/or changes to the policy.
- Be an SEC-Registered Investment Advisor under the 1940 Act, and be recognized as providing demonstrated expertise over a number of years in the management of institutional, tax-exempt assets within a defined investment specialty.
- Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, and purchasing and selling securities.
- Execute all transactions for the benefit of the Plan with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the Plan.
- Reconcile monthly accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.

- Submit written ~~certification-acknowledgement~~ to the Retirement Administrator ~~on the adherence to of~~ these investment guidelines ~~at the end of each calendar quarter, at the time of hire or upon any contract renewal or amendment.~~
- Maintain frequent and open communication with Staff and the Board or Investment Committee on all significant matters pertaining to the Investment Policy, including, but not limited to, the following:
  - Major changes in the investment manager’s investment outlook, investment strategy and portfolio structure;
  - Significant changes in ownership, organizational structure, financial condition or senior personnel;
  - Any changes in the portfolio manager or client servicing personnel assigned to the Plan;
  - All pertinent issues which the investment manager deems to be of significant interest or material importance.
- Meet with the Board, Investment Committee or theirs designee(s) on an as-needed basis.

#### **Duties of the Private ~~Equity Markets~~ Investment Managers**

The following duties apply to managers investing in private markets: The private equity investment manager shall:

- Be a SEC-Registered Investment Advisor under the 1940 Act.
- Adhere to the investment management style concepts and principles set forth in the legal documentation of the relevant investment vehicle.
- ~~Provide reporting as specified by the legal documentation of the relevant investment vehicle.~~
- ~~Submit written certification to the Retirement Administrator of the performance of the relevant investment vehicle at the end of each calendar quarter, to the extent measurable.~~
- ~~Shall agree or cause the General Partners, Manager or other controlling party to the investment vehicle to agree to m~~Meet with the Board, Investment Committee or theirs designee(s) on an as-needed basis, ~~and at least annually.~~

#### **Duties of the Master Custodian**

The master custodian shall be responsible for the following:

- Provide complete global custody and depository services for the designated accounts.

- Manage, if directed by the Board [or Investment Committee](#), a Short Term Investment Fund (STIF) for investment of any cash not invested by managers, and ensure that all available cash is invested. If the cash reserves are managed externally, full cooperation must be provided.
- Provide in a timely and effective manner a monthly report of the investment activities implemented by the investment managers. If certain portfolios are custodied elsewhere, full cooperation must be provided.
- Collect all income and principal realizable and properly report it on the periodic statements.
- Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These reports should be provided within acceptable time frames.
- Report to MCERA situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.
- Provide assistance to the Plan to complete such activities as the annual audit, transaction verification or other issues as required by the Board [or Investment Committee](#).
- Manage a securities lending program to enhance income if directed by the Board [or Investment Committee](#). If the securities lending program is managed externally, full cooperation must be provided.
- Securities transactions shall be settled under the contractual method.
- The use of due bills or substitute securities is expressly forbidden.

### **Duties of the General Investment Consultant**

The investment consultant will act as a fiduciary for all services provided to MCERA. The Investment Consultant shall be responsible for the following:

- Make recommendations to the Board [or Investment Committee](#) regarding investment policy and strategic asset allocation.
- Assist MCERA in the selection of qualified investment managers and sponsors of limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles and assist in the oversight of existing managers and said sponsors, including monitoring changes in personnel, ownership and their investment process.
- Assist in the selection of a qualified custodian (including a securities lending agent and/or a cash manager) if necessary.

## C.2

- Prepare a quarterly performance report including performance attribution on MCERA's managers and total assets, ~~a check on guideline compliance~~ and adherence to investment style and discipline.
- Provide topical research and education on investment subjects that are relevant to MCERA.
- Assist with the negotiation of investment management, ~~private equity manager~~ and custodian assignment and fees.

DRAFT



**POLICY REVIEW**

The Investment Committee will review this Policy at least every year to ensure that it remains relevant and appropriate. The Policy may be amended at any time by majority vote.

DRAFT

**APPENDIX A****MCERA'S LONG-TERM STRATEGIC ASSET ALLOCATION TARGETS AND RANGES**

The strategic asset allocation targets have been developed as a function of the returns and risks of various asset classes and a rigorous analysis of MCERA's liabilities, taking into account the Board [and Investment Committee](#)'s risk tolerance and long-term objectives. As asset class values change over time, deviations from the asset allocation targets may occur. Rebalancing the portfolio may be necessary to return the asset class allocations to targeted weights so as to ensure that the Board's intended strategy is consistently maintained over time. Rebalancing actions are the responsibility of the Staff and shall be reported to the Board [or Investment Committee](#) on a periodic basis.

Staff is authorized and directed (in the normal course of events) to act in accordance with this policy. Where particular circumstances arise and Staff determines rebalancing is not prudent, because doing so may generate unnecessary costs or otherwise not be in the best interests of MCERA, a full report of the actions taken or not taken shall be made to the Board [or Investment Committee](#) at the earliest opportunity.

MCERA's actual asset allocation shall be reviewed at the end of each ~~month~~ [quarter](#) at a minimum and shall be based on current asset valuations. Estimated values may be used when current asset valuations are not available.

By using statistical models and employing a diversified portfolio strategy, MCERA seeks to create an efficient frontier, which is an optimal portfolio profile that accomplishes the lowest possible level of risk for a certain level of return. While asset allocation targets are an essential part of MCERA's investment policy, the inputs used to develop these benchmarks are not known with certainty. Indeed, the targets were derived using estimates of future returns and estimates of the risk of loss for each asset class. Because future results are only estimates based on historical returns and volatility for each asset class, a range of different allocations other than the target percentage may be statistically identical in risk-return terms to the targeted benchmark even though the actual allocations may be outside of the targeted percent. Thus, the efficient frontier is really a range of targeted allocations, rather than a strict target percent of asset allocations in a portfolio. In other words, the portfolio is on the efficient frontier if the allocations to each asset class are within a range around the target allocations.

## C.2

The strategic policy asset allocation and rebalancing triggers are set out in the table below:

Asset Class	Target Percent	Allowable Range
<b><i>US Equity</i></b>	<b>32.0%</b>	<b>28.0% - 36.0%</b>
Large Cap Core	22.4%	19.4% - 25.4%
Small Cap Core	9.6%	7.6% - 11.6%
<b><i>Non-US Equities</i></b>	<b>22.0%</b>	<b>19.0% - 25.0%</b>
International Large Cap Value	6.6%	5.6% - 7.6%
International Large Cap Growth	6.6%	5.6% - 7.6%
International Small Cap Core	4.4%	3.9% - 4.9%
International Emerging Markets	4.4%	3.9% - 4.9%
<b><i>Fixed Income</i></b>	<b>23.0%</b>	<b>20.0% - 26.0%</b>
US Core Plus Fixed Income	11.5%	8.5% - 14.5%
US Intermediate Credit Fixed Income	5.75%	4.75% - 6.75%
Global Fixed Income	5.75%	4.75% - 6.75%
<b><i>Real Assets</i></b>	<b>7.0%</b>	<b>4.0% - 10.0%</b>
Treasury Inflation Protected Securities	1.75%	1.5% - 2.0%
Commodities	1.75%	1.5% - 2.0%
Global Natural Resources Equity	1.75%	1.5% - 2.0%
Real Estate Investment Trusts	1.75%	1.5% - 2.0%
<b><i>Real Estate</i></b>	<b>8.0%</b>	<b>4.0% - 12.0%</b>
<b><i>Private Equity</i></b>	<b>8.0%</b>	<b>0.0% - 12.0%*</b>
<b><i>Opportunistic</i></b>	<b>0.0%</b>	<b>0.0% - 5.0%</b>

\* MCERA acknowledges that because of the nature of private equity investment, it may take several years to fund the private equity allocations and during the initial funding period, its allocation to private equity in market value terms may fall below the 8% target. During the initial funding period, as a proxy for private equity, MCERA intends to keep the assets committed to private equity partnerships invested in domestic and international equity. The result will be overweights in both of these asset classes relative to the long-term targets described above.

The following principles apply when asset allocations are outside the allowable ranges noted above:

1. Cash held by MCERA and cash awaiting investment in private equity investments or other alternative investments may be securitized with exchange-traded futures to a fund policy mix by MCERA's overlay manager. The use of derivative instruments is

## C.2

permitted as long as it does not create economic leverage in the portfolio and the instruments comply with the Derivatives section of this investment policy.

2. In order to rebalance as efficiently as possible and save transactions costs, allocations may be brought back within the allowable range by 50% of the difference between the current position and its target percentage, rather than exactly to the target percentage as long as the rebalancing brings the allocation back within the allowable range.
3. Private market portfolios, such as Real Estate, and Private Equity, and certain Opportunistic allocations, because of their illiquid nature, are very costly to rebalance. MCERA's Staff will make reasonable attempts to keep these asset classes within the allowable ranges defined above. Given their illiquidity, the risk of these asset classes moving outside of the allowable ranges for an extended period is heightened. In these cases, MCERA's Staff will document a plan to rebalance the allocations within the allowable ranges in the most timely and cost-efficient manner possible given market and other conditions. It is noteworthy that the risk of these asset classes drifting outside of the efficient frontier is mitigated by the relatively small exposure to these classes as a percentage of the entire portfolio.
4. When physical securities are traded, assets will be moved between investment managers in accordance with the following principles:
  - a) Assets will be taken from investment managers in the overweight asset class(es) with consideration given to asset class structure, investment manager target weights, and confidence in the investment managers themselves. With respect to private market allocations, equity and real estate allocations, the illiquid nature of these classes will be taken into account and trading will normally be avoided where possible.
  - b) Primary emphasis should be on significantly different asset classes (e.g. equity vs. fixed income).
  - c) Assets will be directed to investment managers in the underweight asset class(es) with consideration given to the same factors listed above.

**APPENDIX B - 1**  
**STATE STREET GLOBAL ADVISORS (SSGA)**  
**S&P 500 INDEX STRATEGY (LARGE CAP CORE)**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

Investment Approach

The objective of the S&P 500 Index strategy is to provide returns consistent with the US equity market as measured by the S&P 500 Index.

MCERA Performance Objectives

- Match the return, gross of management fees, of the S&P 500 Index over a complete market cycle.
- Minimize tracking error relative to the S&P 500 Index.

Investment Guidelines

- All investments shall be managed in a diversified and prudent manner, subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees' Retirement Association as set forth in this Appendix B-1 and the Statement of Investment Policies, Objectives and Guidelines set forth in the Investment Management Agreement between MCERA and SSGA, dated January 11, 2019, as amended from time to time (the "SSGA Agreement").
- Sector and security selection, portfolio structure and timing of purchase and sales are delegated to SSGA subject to the SSGA Agreement.
- The following transactions are prohibited: short sales, selling on margin, writing options other than covered options, and "prohibited transactions" as defined under the Employee Retirement Income Security Act (ERISA), unless in reliance on an applicable Prohibited Transaction Exemption.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.

## C.2

- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and seek to resolve any significant discrepancies with the custodian.
- State Street Global Advisors will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. A representative will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- State Street Global Advisors will keep MCERA apprised of relevant information regarding its organization and personnel. To the extent legally possible, SSGA will use its best efforts to promptly notify MCERA of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 2**  
**DIMENSIONAL FUND ADVISORS (DFA)**  
**DOMESTIC SMALL CAP EQUITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The strategy will be invested in a broadly diversified portfolio of companies that are generally in the lowest 10% of total market capitalization or companies whose market capitalizations are smaller than the 1,000<sup>th</sup> largest U.S. company, whichever results in the higher market capitalization break, in each case as reasonably determined by Manager at the time of purchase. In general, with respect to companies eligible for purchase the higher the relative market capitalization of the U.S. small cap company, the greater its representation in the Managed Assets. Manager may also adjust the representation within the Managed Assets of an eligible company, or exclude a company, after considering such factors as market capitalization, free float, momentum, trading strategies, liquidity, profitability, and other factors that Manager determines to be appropriate, given market conditions.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the Russell 2000 Index (the “Benchmark”) over a complete market cycle.
- Perform in the top half of a peer universe of small cap core equity managers over a complete market cycle.

**Investment Guidelines**

- All investments shall be managed in a diversified and prudent manner, subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees’ Retirement Association.
- Sector and security selection, portfolio structure and timing of purchase and sales are delegated to the manager subject to the investment management contract.
- The following transactions are prohibited: short sales, selling on margin, writing options other than covered options, and “prohibited transactions” as defined under the Employee Retirement Income Security Act (ERISA).
- Transactions shall be executed on the basis of seeking “best price and execution” and pursuant to Investment Manager’s best execution and trading policies for the sole benefit of the Marin County Employees’ Retirement Association.
- The use of foreign equity instruments which trade on U.S.-based exchanges or on NASDAQ, including American Depositary Receipts (ADRs), are acceptable as domestic equity investments



but shall not constitute more than 15% of the portfolio (at market). Companies headquartered in the US will be considered domestic even if they are incorporated in a foreign jurisdiction.

- Securities in the Benchmark are permitted.
- Any security purchased or received in a corporate action is permitted.
- If not otherwise permitted herein, the use of other non-U.S. equity securities is prohibited. Notwithstanding the foregoing, securities of companies listed on exchanges or markets in the United States are permitted.
- The portfolio is expected to remain fully invested in that cash holdings should not exceed 10% of the market value in the portfolio; provided that such limit may be exceeded in situations where substantial withdrawals or inflows occur.
- DFA shall not purchase stock (or securities convertible into stock) of any single issuer if the purchase would cause this portfolio to include more than 5% of the outstanding voting stock, or more than 5% in (market) value of all outstanding securities of single issuer (assuming all shares are converted).
- Other than in connection with a corporate action, DFA shall not purchase private placements unless authorized in writing by the Board [or Investment Committee](#).

Any material violation of these Investment Manager Guidelines shall be corrected promptly upon discovery and provided that a reasonable market exists.

Any material violation of these Investment Manager Guidelines shall be corrected promptly upon discovery, provided that in the event that the correction requires the buying and/or selling of securities, the Manager shall execute such purchase or sell trades of the applicable securities in an orderly fashion based upon prevailing market conditions.

### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus ~~written certification of compliance with guidelines,~~ performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and seek to resolve any significant discrepancies with the custodian.

## C.2

- DFA will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. One of the lead portfolio managers will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- DFA will keep MCERA apprised of relevant information regarding its organization and personnel. DFA will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 3**  
**MORGAN STANLEY INVESTMENT MANAGEMENT**  
**NON U.S. VALUE EQUITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Morgan Stanley uses a ~~value-driven~~, bottom-up approach to build a diversified portfolio of primarily non US companies to generate long-term outperformance with an emphasis on reducing downside participation, maximize return potential, combined with sufficient diversification to minimize investment risk. The portfolio consists of a combination of high-quality companies characterized by their high returns on operating capital employed and strong free cash flow generation, and more cyclical companies with improving or mis-priced fundamentals, the mix of which varies over time based on valuations and company prospects. ~~MSIM believes that longer-term investors can take advantage of pricing anomalies by purchasing stocks of companies that are currently underpriced and by selling them before their prices reach excessive levels. In addition, they believe that fundamental research is the key to identifying such companies with a high degree of confidence on a timely basis.~~

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the MSCI EAFE Index over a complete market cycle.
- Perform in the top half of a peer universe of Non-U.S. value equity managers over a complete market cycle.

**Investment Guidelines**

- The Morgan Stanley International Equity Trust is subject to provisions of the Employee Retirement Income Security Act, as amended (“ERISA”). The Agreement governs all aspects of investment with respect to the Trust, including an ERISA-mandated standard of care.
- MCERA is responsible for determining that its investment in the Trust is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees’ Retirement Association. The Manager shall invest within the scope of its style as stated in the Agreement.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA’s Investment Consultant.
- Quarterly – Same as monthly plus ~~written certification of compliance with guidelines,~~ performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs (to be provided annually). These will be sent to MCERA’s Retirement Administrator and MCERA’s Investment Consultant.
- Morgan Stanley will meet with the MCERA Board and/or Investment Committee as often as deemed necessary by MCERA. A representative of Morgan Stanley will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- Morgan Stanley will keep MCERA apprised of relevant information regarding its organization and personnel. Morgan Stanley will notify MCERA ~~within 24 hours promptly~~ of any change in the lead personnel assigned to manage the account.

**APPENDIX B - 4**  
**ARTISAN PARTNERS**  
**NON U.S. GROWTH EQUITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Artisan uses a fundamental bottom-up investment process to construct a diversified portfolio of international growth companies regardless of market capitalization, concentrating on industries or themes that the investment team believes present long-term growth opportunities and companies that are well positioned to capitalize on that growth. The portfolio has a primary emphasis on developed markets but also invests in emerging markets and is constructed without regard to index weightings.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the MSCI EAFE Index over a complete market cycle.
- Perform in the top half of a peer universe of Non-U.S. growth equity managers over a complete market cycle.

**Reporting Requirements**

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA’s Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA’s Retirement Administrator and MCERA’s Investment Consultant.
- Artisan will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. A representative will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the fund and its performance.
- Artisan will keep MCERA apprised of relevant information regarding its organization and personnel. Artisan will notify MCERA promptly of any change in the lead personnel assigned to manage the account.

**APPENDIX B - 5**

**TIMESQUARE CAPITAL MANAGEMENT COLLECTIVE INVESTMENT TRUST  
TIMESQUARE INTERNATIONAL SMALL CAP FUND  
STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

TimesSquare Capital Management believes fundamental equity growth research with a particular emphasis on the assessment of management quality, an in-depth understanding of superior business models, and valuation discrepancies enables them to create a diversified international small cap fund that will generate quality risk-adjusted returns.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the MSCI EAFE Small Cap Index over a complete market cycle.
- Perform in the top half of a peer universe of International Small Cap equity managers over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the TimesSquare International Small Cap Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. TimesSquare shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- A representative of TimesSquare will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. A representative will be available to

## C.2

meet with MCERA annually, or more often if deemed necessary by MCERA, to review the fund and its performance.

- TimesSquare will keep MCERA apprised of relevant information regarding its organization and personnel. The fund or its representative will notify MCERA promptly of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 6**  
**PARAMETRIC**  
**EMERGING MARKETS EQUITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Parametric Portfolio Advisors subadvises the Eaton Vance Trust Company/Parametric Emerging Markets Equity Fund (collective investment trust) for Eaton Vance. Parametric believes that a disciplined, long-term, structured approach can efficiently participate in the systematic growth of emerging markets on a consistent and repeatable basis with lower return risk. The structured approach is based upon quantitative research at the strategic level and observation of emerging market behavior. The factors dictating the investment approach include liquidity, volatility, correlation, reversion to the mean and the importance of country size in expected returns.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of MSCI Emerging Markets Free Index over a complete market cycle.
- Perform in the top half of a peer universe of emerging markets equity managers over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investments in Parametric's Emerging Markets Equity collective investment trust is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. Parametric shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.



## C.2

- A representative of Parametric will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. A representative will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the fund and its performance.
- Parametric will keep MCERA apprised of relevant information regarding its organization and personnel. Parametric will notify MCERA promptly of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 7**  
**WELLINGTON MANAGEMENT COMPANY**  
**CORE PLUS FIXED INCOME**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Wellington will invest in a diversified portfolio of investment grade and below investment grade fixed income securities. Wellington will add value primarily from sector and issue selection decisions. Interest rate anticipation and duration management will play a limited role in the portfolio.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the Bloomberg Barclays U.S. Aggregate Index over a complete market cycle.
- Perform in the top half of a peer universe of core plus fixed income managers over a complete market cycle.

**Investment Guidelines**

- All investments are subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees' Retirement Association, with applicable State and Federal statutes, and shall be managed in a diversified and prudent manner. The manager shall invest within the scope of their stated style.
- Sector and security selection, portfolio structure and timing of purchase and sales are delegated to the manager subject to the investment management contract.
- The following transactions are prohibited: short sales where securities are borrowed solely for the purpose of shorting, selling on margin, and "prohibited transactions" as defined under the Employee Retirement Income Security Act (ERISA).
- Transactions shall be executed on the basis of "best price and execution" for the sole benefit of the Marin County Employees' Retirement Association's beneficiaries.
- The duration on the portfolio shall range between 75% - 125% of the duration on the Bloomberg Barclays U.S. Aggregate Index.
- MCERA expects its domestic fixed income investment managers to maintain diversified portfolios by sector and by issuer. No more than 5% of the portfolio shall be invested with a single investment grade issuer other than obligations of the US Government and its agencies. No more than 2% of the portfolio shall be invested with a single below investment grade issuer.

## C.2

- Futures, options, swaps, forwards and other derivative securities are permitted investments. Any use of these instruments by Wellington will be in a non-leveraged manner, defined as follows:
  - The use of financial leverage is prohibited. The Account will not be considered leveraged as a result of authorized derivative positions provided the Account maintains cash and securities at least equal to the value of the obligations created by its net derivative positions in order to cover the obligations created by such positions.
- Wellington may invest up to 20% of the portfolio in securities rated below investment grade by all three of the major credit rating agencies. In the case of split ratings in which the three agencies have different ratings, the highest rating will be used in determining the credit rating of the security. If an issue is unrated, then an equivalent credit rating, as deemed by Wellington Management, may be used.
- Wellington may invest up to 20% of the portfolio in non-dollar denominated securities and currencies. The Portfolio may take currency positions unrelated to underlying portfolio holdings.
  - Non-dollar securities may be held on a currency hedged or un-hedged basis. The portfolio may invest in currency exchange transactions on a spot or forward basis. Both long and short currency exposures are permissible.
  - With respect to the 20% non-dollar investment limitation listed above, the Investment Manager may take effective foreign currency exposure up to 20% of the total portfolio (e.g. the entire non-dollar portfolio may be unhedged). Foreign currency exposure will be based on the absolute value of all positions (long and short) versus the dollar, except in the case of same country and currency exposures where these can be netted. Both long and short foreign currency positions may be held without owning securities denominated in such currencies.
- Wellington may invest up to 20% of the portfolio in private placements, including those issued pursuant to Rule 144A and/or Reg S and other restricted securities, the liquidity of which Wellington Management deems consistent with the Portfolio's investment objective.
- Wellington may invest up to 5% of the portfolio in U.S. and non-U.S. preferred and perpetual securities.
- Wellington will maintain an average weighted credit quality of not more than 2 rating notches below the benchmark's average weighted credit quality, at all times. For the avoidance of doubt, if the benchmark is rated AA-, then 2 notches below would be A.
  - Ratings method: The ratings method used to test both the benchmark's average credit rating and the portfolio's average credit rating will be "split to the highest rating" of the three major rating agencies.
- Investment in mortgage interest only (IO), principal only (PO), inverse floaters or other CMO derivatives that have highly uncertain or volatile duration or price movements are limited to 5% of the market value of the portfolio.

- Bank loans are permitted investments.
- All percentage limits refer to “at time of purchase.”

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the ~~F~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

#### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA’s Investment Consultant.
- Quarterly – Same as monthly plus ~~written certification of compliance with guidelines,~~ performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA’s Retirement Administrator and MCERA’s Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and resolve any significant discrepancies with the custodian.
- Wellington will meet with the MCERA Board and/or Investment Committee as often as deemed necessary by MCERA. One of the lead portfolio managers will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- Wellington will keep MCERA apprised of relevant information regarding its organization and personnel. Wellington will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

**APPENDIX B - 8**  
**WESTERN ASSET MANAGEMENT**  
**INTERMEDIATE CREDIT FIXED INCOME**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

Investment Approach

Western will invest primarily in a portfolio of cash-based U.S. dollar (USD) denominated credit issues with an intermediate overall duration.

MCERA Performance Objectives

- Exceed the return, net of management fees, of the Bloomberg Barclays U.S. Intermediate Credit Index over a complete market cycle.
- Perform in the top half of a peer universe of intermediate style fixed income managers over a complete market cycle.

Investment Guidelines

- All investments are subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees' Retirement Association, with applicable State and Federal statutes; accordingly, as of the date of this amendment these guidelines conform to all applicable rules and regulations and the Client will notify Western if any change thereof materially impact these guidelines. Moreover, the portfolio shall be managed in a diversified and prudent manner. The manager shall invest within the scope of their stated style.
- Sector and security selection, portfolio structure and timing of purchase and sales are delegated to the manager subject to the investment management contract.
- The following transactions are prohibited: short sales where securities are borrowed solely for the purpose of shorting, selling on margin, and "prohibited transactions" as defined under the Employee Retirement Income Security Act (ERISA).
- Transactions shall be executed on the basis of "best price and execution" for the sole benefit of the Marin County Employees' Retirement Association's beneficiaries.
- The average weighted duration of portfolio security holdings including derivatives positions is expected to range within  $\pm 20\%$  of the benchmark.
- MCERA expects its domestic intermediate credit fixed income investment managers to maintain diversified portfolios by issuer. Obligations of issuers are subject to a 5% per issuer limit excluding investments in commingled vehicles and US Treasuries and US Agencies. Any of the following fixed income securities, denominated in USD or non-USD, and their futures

## C.2

or options derivatives, individually or in commingled vehicles, subject to credit, diversification and marketability, may be held outright and under resale agreement (REPO):

- Western may invest up to 100% in corporate securities.
- Western may invest up to 10% of the portfolio in debentures issued or guaranteed by the U.S. Federal Government, U.S. Federal agencies or U.S. government-sponsored corporations and agencies;
- Western may invest up to 10% in contingent convertibles (“CoCos”) and preferred stocks.
- Western may invest up to 5% of the portfolio in U.S. and non-U.S. convertible securities (excluding CoCos which have their own bucket), bank loans, commercial paper, certificates of deposit and bankers’ acceptances issued by industrial, utility, finance, commercial banking or bank holding company organizations;
- Western may invest up to 10% of the portfolio in securities of emerging market issuers, international agencies, supranational entities, and foreign governments (or their subdivisions or agencies);
- Western may invest up to 5% of the portfolio in taxable and tax-exempt obligations issued or guaranteed by U.S. local, city and state governments, instrumentalities and agencies.
- Western may invest up to 10% of the portfolio in non-USD denominated securities. Up to 5% of the portfolio may be invested in non-USD exposure via unhedged non-US denominated securities and foreign currency transactions. The portfolio may invest in non-USD securities on a currency hedged or unhedged basis. Moreover, the portfolio may invest in currency exchange transactions on a spot or forward basis. Both long and short currency exposures are permissible. Western will net within currencies and the resulting value will contribute to the max percentage permitted.
- Swaps are permitted investments up to a maximum of 5%. Any use of these instruments by Western will be in a non-leveraged manner.
- At least 70% of the portfolio will be rated “investment grade.” Security ratings will be determined as follows. If a security is rated by Moody’s, S&P, and Fitch, then the middle rating of the three agencies will apply. In the event that the security is rated by two of the agencies, and the third is non-rated, then the lower rating of the two agencies will apply. If only one agency assigns a rating, then that rating will apply.

Standard & Poor's  
Moody's  
Fitch

BBB-, or A-2, or  
Baa3, or Prime-2, or  
BBB-, or F-2

## C.2

- Securities not covered by these standards will normally be, in the judgment of Western, at least equal in credit quality to the criteria implied in those standards. No more than 5% of the portfolio shall be invested in other unrated securities.
- In the event downgraded securities cause a breach of the Investment Guidelines, Western may continue to hold the positions but will not make any further purchases to increase the position while the breach remains.
- Western may invest up to 20% of the portfolio in Securities defined under Rule 144A and Commercial Paper defined under Section 4(2) of the Securities Act of 1933;
- For securities with legal final maturities of 270 days or less, Western may use the underlying credit's short-term ratings as proxy for establishing the minimum credit requirement.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus ~~written certification of compliance with guidelines,~~ performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and resolve any significant discrepancies with the custodian.
- Western will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. One of the lead portfolio managers will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- Western will keep MCERA apprised of relevant information regarding its organization and personnel. Western will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

**APPENDIX B - 9**  
**COLCHESTER GLOBAL INVESTORS**  
**GLOBAL FIXED INCOME**  
**STATEMENT OF OBJECTIVES, GUIDELINES, AND PROCEDURES**

**Investment Approach**

Colchester is a value-oriented global fixed income manager. Colchester will invest primarily in high quality sovereign bond markets that offer attractive yields and sound finances.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the FTSE World Government Bond Index (USD Unhedged) over a complete market cycle.
- Perform in the top half of a peer universe of global fixed income managers over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in Colchester's Global Bond Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. Colchester shall invest within the scope of its style as stated in the governing documents for the Global Bond Fund.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus ~~written certification of compliance with guidelines,~~ performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs (to be provided annually). These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Colchester will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. A representative of Colchester will be available to meet with MCERA



annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

- Colchester will keep MCERA apprised of relevant information regarding its organization and personnel. Colchester will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 10**  
**BLACKROCK**  
**US TREASURY INFLATION PROTECTED SECURITIES FUND**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The objectives of the US Treasury Inflation Protected Securities Fund are to provide returns consistent with the US TIPS market as measured by the Bloomberg Barclays US TIPS Index.

**MCERA Performance Objectives**

- Match the return as closely as practicable, gross of management fees, of the Bloomberg Barclays US TIPS Index over a complete market cycle.
- Minimize tracking error relative to the Bloomberg Barclays US TIPS Index.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the US Treasury Inflation Protected Securities Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. BlackRock shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- BlackRock will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. A representative of BlackRock will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

## C.2

- BlackRock will keep MCERA apprised of relevant information regarding its organization and personnel. BlackRock will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 11**  
**INVESCO**  
**BALANCED-RISK COMMODITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The Invesco Balanced-Risk Commodity strategy uses an active approach to commodity investing due to some of the unique return sources available in the commodity markets. The investment strategy focuses on four key drivers of commodity returns: term structure weighting, equal risk contribution, optimal roll, and tactical allocation.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the Bloomberg Commodities Index over a complete market cycle.
- Perform in the top half of a peer universe of commodity managers over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in Invesco's Balanced-Risk Commodity Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. Invesco shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Invesco will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. A representative of Invesco will be available to meet with MCERA

## C.2

annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

- Invesco will keep MCERA apprised of relevant information regarding its organization and personnel. Invesco will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 12**  
**KBI GLOBAL INVESTORS**  
**GLOBAL RESOURCE SOLUTIONS**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

KBI Global Investors' (KBIGI) Global Resource Solutions strategy invests in companies providing solutions to the greatest global resource challenges. There are compelling investment opportunities in companies providing solutions to resource scarcity across water, food and energy.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the S&P Global Natural Resources Index over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the KBIGI Global Resource Solutions Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. KBIGI shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- KBIGI will meet with the MCERA Board [and/or Investment Committee](#) as often as deemed necessary by MCERA. A representative of KBIGI will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

## C.2

- KBIGI will keep MCERA apprised of relevant information regarding its organization and personnel. KBIGI will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 13**  
**BLACKROCK**  
**REIT INDEX FUND**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

Investment Approach

The objectives of the REIT Index Fund are to provide returns consistent with the US REIT market as measured by the Dow Jones US Select Real Estate Securities Index.

MCERA Performance Objectives

- Match the return as closely as practicable, gross of management fees, of the Dow Jones US Select Real Estate Securities Index over a complete market cycle.
- Minimize tracking error relative to the Dow Jones US Select Real Estate Securities Index.

Investment Guidelines

- MCERA is responsible for determining that its investment in the REIT Index Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. BlackRock shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- BlackRock will meet with the MCERA Board and/or Investment Committee as often as deemed necessary by MCERA. A representative of BlackRock will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.



## C.2

- BlackRock will keep MCERA apprised of relevant information regarding its organization and personnel. BlackRock will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 14**  
**UBS**  
**CORE REAL ESTATE**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

UBS Trumbull Property Fund is an open-ended core real estate commingled fund. UBS strives to invest predominantly in income producing properties diversified by both geographical region and by property type.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the NCREIF Open-Ended Core Diversified Equity (ODCE) Index over a complete market cycle.
- Perform in the top half of a peer universe of Open-Ended Core Real Estate managers over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the UBS Trumbull Property Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. UBS shall invest within the scope of its style as stated in the governing documents for the UBS Trumbull Property Fund.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- ~~Monthly—Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.~~
- Quarterly – ~~Same as monthly plus p~~Performance of the portfolio and benchmark for the quarter, ~~year-to-date~~, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- UBS will meet with the MCERA Board and/or Investment Committee as often as deemed necessary by MCERA. Members of the investment team will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

## C.2

- UBS will keep MCERA apprised of relevant information regarding its organization and personnel. UBS will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B - 15**  
**AEW CAPITAL MANAGEMENT**  
**CORE REAL ESTATE**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

AEW Core Property Trust is an open-ended core real estate commingled fund. AEW strives to invest predominantly in income producing properties diversified by both geographical region and by property type.

**MCERA Performance Objectives**

- Exceed the return, net of management fees, of the NCREIF Open-Ended Core Diversified Equity (ODCE) Index over a complete market cycle.
- Perform in the top half of a peer universe of Open-Ended Core Real Estate managers over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the AEW Core Property Trust is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. AEW shall invest within the scope of its style as stated in the governing documents for the AEW Core Property Trust.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the ~~f~~Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- ~~Monthly—Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.~~
- Quarterly – ~~Same as monthly plus p~~Performance of the portfolio and benchmark for the quarter, ~~year-to-date~~, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- AEW will meet with the MCERA Board and/or Investment Committee as often as deemed necessary by MCERA. Members of the investment team will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

## C.2

- AEW will keep MCERA apprised of relevant information regarding its organization and personnel. AEW will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

DRAFT

**APPENDIX B-16**  
**CARVAL INVESTORS**  
**CREDIT VALUE FUND V LP**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

Investment Approach

CarVal Investors Credit Value Fund V LP is a closed-end fund that will make investments in distressed and credit-intensive assets within loan portfolios, corporate securities, structured credit, hard assets, and special opportunities.

MCERA Performance Objectives

- Exceed the return, net of management fees, of the S&P/LSTA Leveraged Loan Index + 250 basis points over a complete market cycle.

Investment Guidelines

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.

Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- A representative of CarVal will generally be available to meet or have discussions with MCERA, the Board of Retirement and/or Investment Committee, or their designee(s) as reasonably necessary to review the portfolio and its performance.

Any and all legal obligations related to MCERA's investment in the Partnership would be governed by the Partnership's legal documentation, notwithstanding anything in this Investment Policy Statement and any related appendices to the contrary.

**APPENDIX B-17**  
**FORTRESS INVESTMENT GROUP**  
**FORTRESS CREDIT OPPORTUNITIES FUNDS V EXPANSION**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

Investment Approach

Fortress Credit Opportunities Funds V Expansion is a closed-end fund that will make investments in a range of distressed and undervalued credit investments.

MCERA Performance Objectives

- Exceed the return, net of management fees, of the S&P/LSTA Leveraged Loan Index + 250 basis points over a complete market cycle.

Investment Guidelines

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.

Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- A representative of Fortress will generally be available to meet or have discussions with MCERA, the Board of Retirement and/or Investment Committee, or their designee(s) as reasonably necessary to review the portfolio and its performance.

Any and all legal obligations related to MCERA's investment in the Partnership would be governed by the Partnership's legal documentation, notwithstanding anything in this Investment Policy Statement and any related appendices to the contrary.

**APPENDIX B-18**  
**VÄRDE MANAGEMENT, L.P**  
**THE VÄRDE DISLOCATION FUND**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

Investment Approach

The Värde Dislocation Fund is a closed-end fund that will make investments in a broad universe of mispriced, stressed, and distressed credit opportunities.

MCERA Performance Objectives

- Exceed the return, net of management fees, of the S&P/LSTA Leveraged Loan Index + 250 basis points over a complete market cycle.

Investment Guidelines

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.

Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- A representative of Värde will generally be available to meet or have discussions with MCERA, the Board of Retirement and/or Investment Committee, or their designee(s) as reasonably necessary to review the portfolio and its performance.

Any and all legal obligations related to MCERA's investment in the Partnership would be governed by the Partnership's legal documentation, notwithstanding anything in this Investment Policy Statement and any related appendices to the contrary.



**APPENDIX B - 1619**  
**PARAMETRIC PORTFOLIO ASSOCIATES**  
**POLICY IMPLEMENTATION OVERLAY SERVICE**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Parametric Portfolio Associates will use futures contracts to “securitize” cash investments in the portfolio, bridge exposure gaps during transitions, and to rebalance portfolio exposures.

**MCERA Performance Objectives**

- Produce returns approximately equal to the Fund’s guideline-based overlay portfolio benchmark.

**Investment Guidelines**

- All investments are subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees’ Retirement Association, with applicable State and Federal statutes, and shall be managed in a diversified and prudent manner. The manager shall invest within the scope of their stated style.
- Security selection and timing of purchase and sales are delegated to the manager subject to the investment management contract.
- The following transactions are prohibited: writing options other than covered options, and “prohibited transactions” as defined under the Employee Retirement Income Security Act (ERISA).
- Transactions shall be executed on the basis of “best price and execution” for the sole benefit of the Marin County Employees’ Retirement Association’s beneficiaries.
- Futures contracts, including short positions, are permitted in order to “securitize” existing cash positions, bridge exposure gaps during transitions, and to rebalance portfolio exposures. Futures are not to be used for speculative purposes.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio ~~and benchmark for the month~~ will be sent to the MCERA Retirement Administrator and MCERA’s Investment Consultant.
- Quarterly – Same as monthly plus ~~written certification of compliance with guidelines, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years~~ and since inception, and review of transactions costs. These will be sent to MCERA’s Retirement Administrator and MCERA’s Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and resolve any significant discrepancies with the custodian.
- Parametric Portfolio Associates will meet with the MCERA Board and/or the Investment Committee as often as deemed necessary by MCERA. One of the lead portfolio managers will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- Parametric Portfolio Associates will keep MCERA apprised of relevant information regarding its organization and personnel. Parametric Portfolio Associates will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

**APPENDIX C-1**  
**PATHWAY CAPITAL MANAGEMENT**  
**PATHWAY PRIVATE EQUITY FUND 2008 (PPEF 2008)**  
**PATHWAY PRIVATE EQUITY FUND INVESTORS 7 (PPEF I-7)**  
**PATHWAY PRIVATE EQUITY FUND INVESTORS 8 (PPEF I-8)**  
**PATHWAY PRIVATE EQUITY FUND INVESTORS 9 (PPEF I-9)**  
**PATHWAY PRIVATE EQUITY FUND INVESTORS 10 (PPEF I-10)**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

Investment Approach

The Partnership's investment strategy is to create a diversified portfolio of private equity funds that pursue a variety of investment strategies, including but not limited to, buyouts, venture capital, and special situations.

MCERA Performance Objectives

- Produce returns approximately equal to or in excess of the Thomson-Refinitiv/Cambridge (All Regions) All Private Equity Index as provided and set forth in the legal documentation of the Partnership.

Investment and other Guidelines

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.
- The investment manager shall at all times be a SEC-Registered Investment Advisor under the Investment Advisors Action of 1940, as amended.
- ~~The General Partner acknowledges and agrees that the General Partner's investment in the Partnership will not exceed 20% of the Partnership's aggregate Capital Commitments of all of the Partners.~~

Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- ~~Quarterly — The investment manager shall submit written certification to the Retirement Administrator of the performance of the Partnership to the extent measurable, at the end of each calendar quarter, plus written certification of compliance with guidelines set forth herein. Performance of the portfolio, expressed in terms of the internal rate of return, once measurable for the relevant period, shall be described on a year-to-date, one year, three years, five years and since inception basis. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.~~

- ~~• The Partnership shall be prohibited from making direct investments in securities of portfolio companies which in the aggregate are in excess of 20% of the Partnership's aggregate Capital Commitments.~~
- The investment manager shall meet or shall cause the General Partner of the Partnership to meet with the Board and/or the Investment Committee or their~~its~~ designee(s) annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

DRAFT

**APPENDIX C-2**  
**ABBOTT CAPITAL MANAGEMENT**  
**ABBOTT PRIVATE EQUITY FUND VI, LP (ACE VI)**  
**ABBOTT PRIVATE EQUITY FUND VII, LP (ACE VII)**  
**ABBOTT ANNUAL PROGRAM 2016, LP (AP 2016)**  
**ABBOTT ANNUAL PROGRAM 2017, LP (AP 2017)**  
**ABBOTT ANNUAL PROGRAM 2021, LP (AP 2021)**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The Partnership's investment strategy is to create a diversified portfolio of private equity funds that pursue a variety of investment strategies, including but not limited to growth equity buyouts, venture capital, and special situations.

**MCERA Performance Objectives**

- Produce returns approximately equal to or in excess of the Thomson-Refinitiv/Cambridge (All Regions) All Private Equity Index as provided and set forth in the legal documentation of the Partnership.

**Investment and other Guidelines**

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.
- The investment manager shall at all times be a SEC-Registered Investment Advisor under the Investment Advisors Action of 1940, as amended.
- ~~The General Partner acknowledges and agrees that the General Partner's investment in the Partnership will not exceed 20% of the Partnership's aggregate Capital Commitments of all of the Partners.~~

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery.

**Reporting Requirements**

- Reporting requirements will be governed by the Partnership' legal documentation.
- ~~Quarterly — The investment manager shall submit written certification to the Retirement Administrator of the performance of the Partnership to the extent measurable, at the end of each calendar quarter, plus written certification of compliance with guidelines set forth herein. Performance of the portfolio, expressed in terms of the internal rate of return, once measurable for the relevant period, shall be described on a year to date, one year, three years, five years~~

~~and since inception basis and will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.~~

- The investment manager shall meet or shall cause the General Partner of the Partnership to meet with the Board, and/or the Investment Committee, or theirs designee(s) annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- ~~The Partnership shall be prohibited from making direct investments in securities of portfolio companies which are in the aggregate in excess of 20% of the Partnership's aggregate Capital Commitments.~~

DRAFT

**APPENDIX D**

**RESOLUTION 2010/11-03**

**~~PLACEMENT AGENT PAYMENT DISCLOSURE RESOLUTION AND POLICY~~**

**~~Adopted: December 9, 2009~~**

**~~Amended: February 9, 2011~~**

**~~Amended: November 2, 2011~~**

**~~Reviewed: May 6, 2015~~**

**~~Reviewed: May 9, 2018~~**

~~WHEREAS, California Government Code section 7513.85, chaptered on October 11, 2009 to be effective immediately (“Section 7513.85”), requires all California public retirement systems to develop and implement, on or before June 30, 2010, a policy requiring the disclosure of payments to placement agents made in connection with system investments in or through external managers (“Placement Agent Payment Disclosure Policy” or “Policy”).~~

~~WHEREAS, placement agent as described in this Policy includes all those identified in California Government Code section 7513.8, as amended.~~

~~WHEREAS, the Board of Retirement (“Board”) of the Marin County Employees’ Retirement Association (“MCERA”) has determined, upon the recommendation of the MCERA Governance Committee, that adoption of a Placement Agent Payment Disclosure Policy is consistent with the Board’s fiduciary responsibilities.~~

~~WHEREAS, Section 7513.85 requires the Placement Agent Payment Disclosure Policy to include, but not be limited to, six of the requirements enumerated in the Policy, and new California Government Code section 7513.9 requires additional disclosures that also are enumerated in this Policy.~~

~~WHEREAS, the MCERA Governance Committee has recommended, and the Board has determined, that the Placement Agent Payment Disclosure Policy must be agreed to in writing, and a report shall be filed annually, by all of MCERA’s current and future external investment managers.~~

~~WHEREAS, in compliance with Section 7513.85, any external investment manager or Placement Agent that violates this Policy shall not solicit new investments from MCERA for five years after the violation is committed, unless the Board decides, in open session by majority vote, to waive the five year prohibition upon a showing of good cause.~~

~~WHEREAS, the Board reserves the right to impose an additional penalty of a fine on an external investment manager who violates this Policy, and does not establish good cause therefore to the reasonable satisfaction of the Board; provided, however, that said fine may not exceed the fees due from MCERA to the manager from the date of the violation to the date of the fee’s imposition.~~

~~NOW, THEREFORE, BE IT RESOLVED, THAT:~~

~~Prior to MCERA investing with any external investment manager, and contemporaneous with required annual filings of Statements of Economic Interests (Form 700) with respect to all MCERA existing external investment managers, MCERA's Investment Committee shall be provided with a written representation from the investment manager, in a form acceptable to MCERA's legal counsel, stating that (1) the external investment manager agrees with the disclosure and penalty provisions set forth in this Policy and (2) it has not used a Placement Agent in connection with MCERA's investment, or if the manager has used a Placement Agent, it will disclose the following:~~

- ~~1. The name of the Placement Agent(s) and the relationship between the external investment manager and Placement Agent(s).~~
- ~~2. A resume for each officer, partner, or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience.~~
- ~~3. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent.~~
- ~~4. A representation that the compensation provided is the sole obligation of the external investment manager and not of MCERA or the limited partnership.~~
- ~~5. A description of the services performed, and to be performed, by the Placement Agent.~~
- ~~6. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.~~
- ~~7. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.~~
- ~~8. All campaign contributions made by the Placement Agent to any elected member of the Board, and to any member of the Marin County Board of Supervisors, during the prior 24-month period, which disclosure shall be amended if any campaign contributions are made during the time the Placement Agent is receiving compensation in connection with a system investment.~~
- ~~9. All gifts, as defined in Government Code section 82028, given by the Placement Agent to any member of the Board, or to the Board's investment consultant, during the time the Placement Agent is receiving compensation in connection with a system investment.~~
- ~~10. All current or former MCERA Board members, employees, or consultants or~~



~~a member of the immediate family of any such person who are either employed or receiving compensation from the Placement Agent.~~

~~11. The names of any current or former MCERA Board members, employees, or consultants who suggested the retention of the Placement Agent.~~

Policy Review

~~The Board shall review this Placement Agent Payment Disclosure Policy at least every three years to assure its efficacy and relevance. This Policy may be amended from time to time by majority vote of the Board.~~

Retirement Administrator's Certificate

~~I, Jeff Wickman, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify the review of this Policy.~~

~~Dated: May \_\_\_, 2018~~

\_\_\_\_\_  
Retirement Administrator

**RESOLUTION 2010/11-03**  
**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**  
**PLACEMENT AGENT PAYMENT DISCLOSURE RESOLUTION AND POLICY**

**Adopted: December 9, 2009**

**Amended: February 9, 2011**

**Amended: November 2, 2011**

**Reviewed: May 6, 2015**

**Reviewed: May 9, 2018**

**Amended: May 5, 2021**

WHEREAS, California Government Code section 7513.85, chaptered on October 11, 2009 to be effective immediately ("Section 7513.85"), requires all California public retirement systems to develop and implement, on or before June 30, 2010, a policy requiring the disclosure of payments to placement agents made in connection with system investments in or through external managers ("Placement Agent Payment Disclosure Policy" or "Policy").

WHEREAS, placement agent as described in this Policy includes all those identified in California Government Code section 7513.8, as amended.

WHEREAS, the Board of Retirement ("Board") of the Marin County Employees' Retirement Association ("MCERA") has determined, upon the recommendation of the MCERA Governance Committee, that adoption of a Placement Agent Payment Disclosure Policy is consistent with the Board's fiduciary responsibilities.

WHEREAS, Section 7513.85 requires the Placement Agent Payment Disclosure Policy to include, but not be limited to, six of the requirements enumerated in the Policy, and new California Government Code section 7513.9 requires additional disclosures that also are enumerated in this Policy.

WHEREAS, the MCERA Governance Committee has recommended, and the Board has determined, that the Placement Agent Payment Disclosure Policy or similar acknowledgement must be agreed to in writing, and a report shall be filed annually, by all of MCERA's current and future external investment managers.

WHEREAS, in compliance with Section 7513.85, any external investment manager or Placement Agent that violates this Policy shall not solicit new investments from MCERA for five years after the violation is committed, unless the Board decides, in open session by majority vote, to waive the five year prohibition upon a showing of good cause.

WHEREAS, the Board reserves the right to impose an additional penalty of a fine on a external investment manager who violates this Policy, and does not establish good cause therefore to the reasonable satisfaction of the Board; provided, however, that said fine may not exceed the fees due from MCERA to the manager from the date of the violation to the date of the fee's imposition.

NOW, THEREFORE, BE IT RESOLVED, THAT:

Prior to MCERA investing with any external investment manager, and contemporaneous with required annual filings of Statements of Economic Interests (Form 700) or similar disclosures with respect to all MCERA existing external investment managers, MCERA shall be provided with a written representation from the investment manager, in a form acceptable to MCERA's legal counsel, stating that (1) the external investment manager agrees with the disclosure and penalty provisions set forth in this Policy and (2) it has not used a Placement Agent in connection with MCERA's investment, or if the manager has used a Placement Agent, it will disclose the following:

1. The name of the Placement Agent(s) and the relationship between the external investment manager and Placement Agent(s).
2. A resume for each officer, partner, or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience.
3. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent.
4. A representation that the compensation provided is the sole obligation of the external investment manager and not of MCERA or the limited partnership.
5. A description of the services performed, and to be performed, by the Placement Agent.
6. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a county other than the United States, and the details of that registration or explanation as to why no registration is required.
7. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
8. All campaign contributions made by the Placement Agent to any elected member of the Board, and to any member of the Marin County Board of Supervisors, during the prior 24-month period, which disclosure shall be amended if any campaign contributions are made during the time the Placement Agent is receiving compensation in connection with a system investment.
9. All gifts, as defined in Government Code section 82028, given by the Placement Agent to any member of the Board, or to the Board's investment consultant, during the time the Placement Agent is receiving compensation in connection with a system investment.
10. All current or former MCERA Board members, employees, or consultants or

11. A member of the immediate family of any such person who are either employed or receiving compensation from the Placement Agent.
12. The names of any current or former MCERA Board members, employees, or consultants who suggested the retention of the Placement Agent.

Policy Review

The Board shall review this Placement Agent Payment Disclosure Policy at least every three years to assure its efficacy and relevance. This Policy may be amended from time to time by majority vote of the Board.

Retirement Administrator's Certificate

I, Jeff Wickman, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify the amendment of this Policy.

Dated: May 5, 2021

A handwritten signature in blue ink, appearing to read "Jeff Wickman", is written over a horizontal red line.

Retirement Administrator

Callan

Mcera



June 16, 2021

**First Quarter 2021  
Summary Investment  
Presentation**

---

**Jim Callahan, CFA**  
President

**Anne Heaphy**  
Senior Vice President

Callan

---

## **Economic and Capital Markets Review**

## Continued Surge in Global Equity Markets in 1Q21

Small cap leads in both U.S. and global ex-U.S. markets

### Global equity continued to surge in 1Q

- Year-over-year returns from the bottom of the pandemic market crash are eye-popping:
  - S&P 500: +56%
  - MSCI World ex-USA: +46%
  - Emerging Markets: +58%
  - U.S. Small Cap: +95% (!)
- The initial recovery was concentrated in a few stocks (FAANG) and U.S. mega cap.
- Market rotation to small cap and value with the flip from a “COVID trade” to a “GDP growth trade” in November, with the announcement of vaccines.
- As COVID-19 infections surged in the new year, re-openings were reversed in many states and localities, but only temporarily.
- Economic recovery now looking very strong in 2021, into 2022. Fed projects GDP growth of 6.5% in 2021.
- Distribution challenges have kept widespread inoculation from being achieved until mid-year in the U.S.; it could be much later in countries around the globe.

### Returns for Periods ended 3/31/21

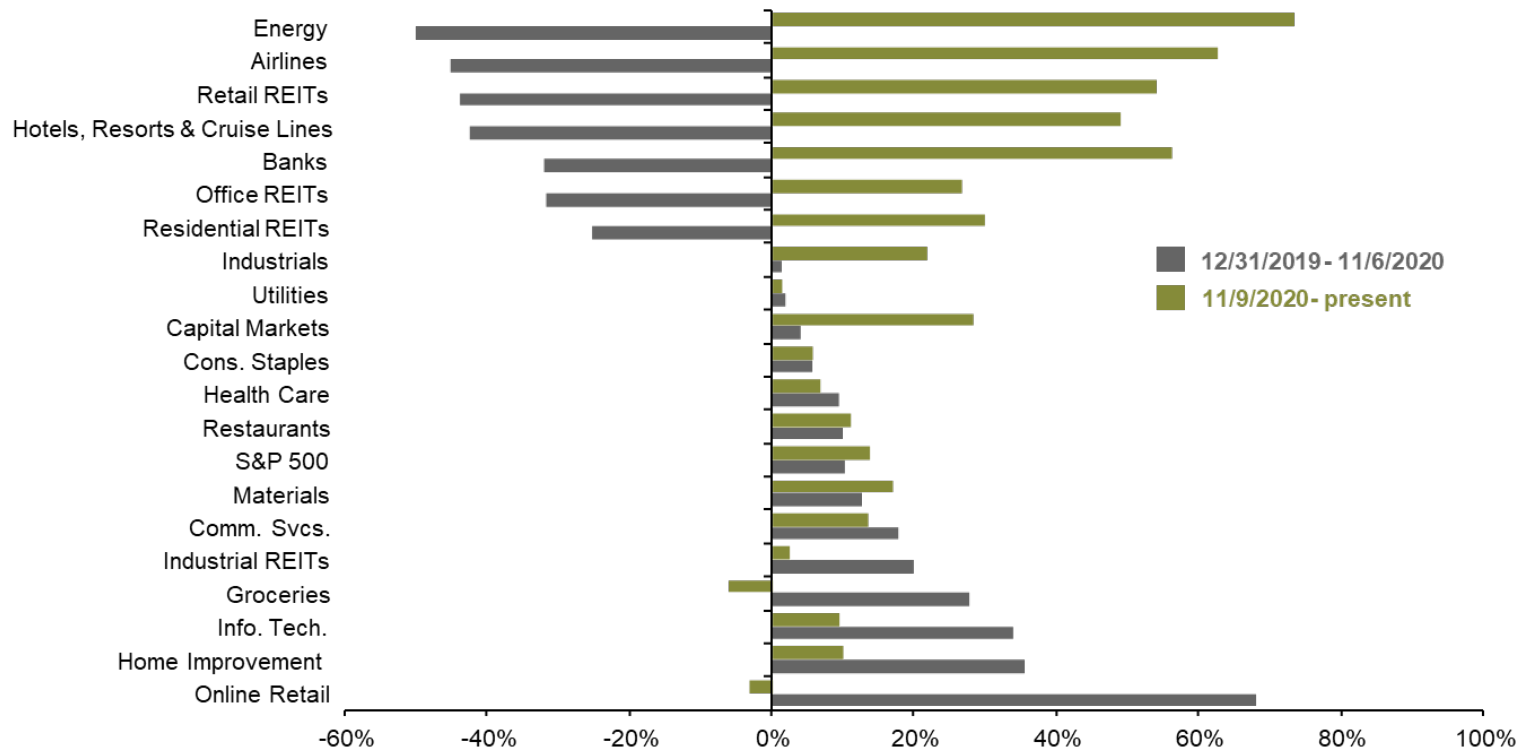
	1 Quarter	1 Year	5 Years	10 Years	25 Years
<b>U.S. Equity</b>					
Russell 3000	6.35	62.53	16.64	13.79	9.71
S&P 500	6.17	56.35	16.29	13.91	9.59
Russell 2000	12.70	94.85	16.35	11.68	9.36
<b>Global ex-U.S. Equity</b>					
MSCI World ex USA	4.04	45.86	8.92	5.21	5.21
MSCI Emerging Markets	2.29	58.39	12.07	3.65	--
MSCI ACWI ex USA Small Cap	5.53	69.82	10.40	6.32	6.51
<b>Fixed Income</b>					
Bloomberg Barclays Aggregate	-3.37	0.71	3.10	3.44	5.09
90-day T-Bill	0.03	0.12	1.19	0.63	2.22
Bloomberg Barclays Long Gov/Credit	-10.41	-2.05	5.47	6.98	7.22
Bloomberg Barclays Global Agg ex-US	-5.29	7.15	2.13	1.26	3.80
<b>Real Estate</b>					
NCREIF Property	1.15	2.04	5.69	8.76	9.04
FTSE Nareit Equity	8.87	37.78	5.33	8.56	9.92
<b>Alternatives</b>					
CS Hedge Fund	2.85	20.19	5.12	3.88	7.20
Cambridge Private Equity*	10.38	17.87	13.87	13.82	15.05
Bloomberg Commodity	6.92	35.04	2.31	-6.28	0.97
Gold Spot Price	-9.47	7.45	6.78	1.77	6.01
<b>Inflation - CPI-U</b>	1.69	2.62	2.15	1.71	2.15

\*Cambridge PE data through 09/30/20

Sources: Bloomberg, Bloomberg Barclays, Callan, Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

## U.S. Stock Market Sector Leadership Through the Pandemic

COVID trade flipped to a 'GDP growth trade' with the announcement of vaccines in November



Best-performing sectors employ far fewer workers than many of the underperforming sectors (health care, capital markets, banks, hospitality, transportation, energy).

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Nov. 6, 2020, chosen as the last business day before vaccine candidate is revealed to have more than 90% efficacy against the COVID-19 virus in global trials.

Guide to the Markets – U.S. Data are as of March 31, 2021.



## U.S. Equity Performance: 1Q21

### New market peaks in year of the pandemic

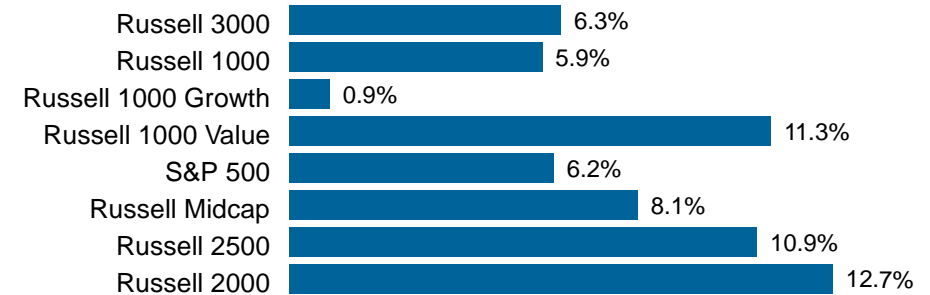
#### Markets continue setting all-time highs

- The S&P 500 Index hit record highs in 1Q21, gaining 6.2%.
- Since the prior peak (February 2020) the S&P is up over 19.6%, with only Energy (-4.7%) and Utilities (-4.9%) declining from peak-to-peak.
- Since March 2020 market low, S&P up over 80.7%, with all sectors posting gains over 40%; Energy +116.2%
- 1Q21 top sectors were Energy and Financials, while Industrials and Consumer Staples underperformed.
- “Re-opening” sectors (airlines, retail REITs, hospitality) outperformed while “work from home” sectors (online retail, home improvement) lagged.

#### Value and small cap trends continue through 1Q21

- Value outperformed growth across the market cap spectrum.
- Small caps outperformed large in 1Q.
- Small value was the top-performing asset class for the quarter (+21.2%) and from the March 2020 low (+127.7%).

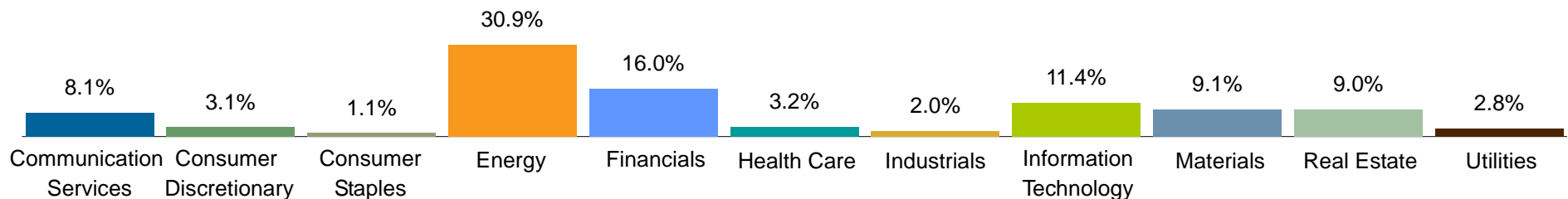
#### U.S. Equity: Quarterly Returns



#### U.S. Equity: One-Year Returns



#### Industry Sector Quarterly Performance (S&P 500)



Sources: FTSE Russell, S&P Dow Jones Indices

## Global ex-U.S. Equity Performance: 1Q21

Nearly 100 million people fully vaccinated worldwide

- Markets responded positively to the global rollout of the COVID-19 vaccine.
- Most risk assets continued to outperform as global businesses reopen.
- Small cap outperformed large over the quarter on continued economic optimism.
- Emerging markets trailed developed markets; COVID-19 outbreaks and vaccination challenges hindered EM results.

Market continues to favor cyclical

- Sustained market recovery and rising interest rates buoyed cyclical stocks; Energy, Financials, and Industrials drove the market.
- Factor performance showed a preference for beta and volatility, similar to 4Q20.

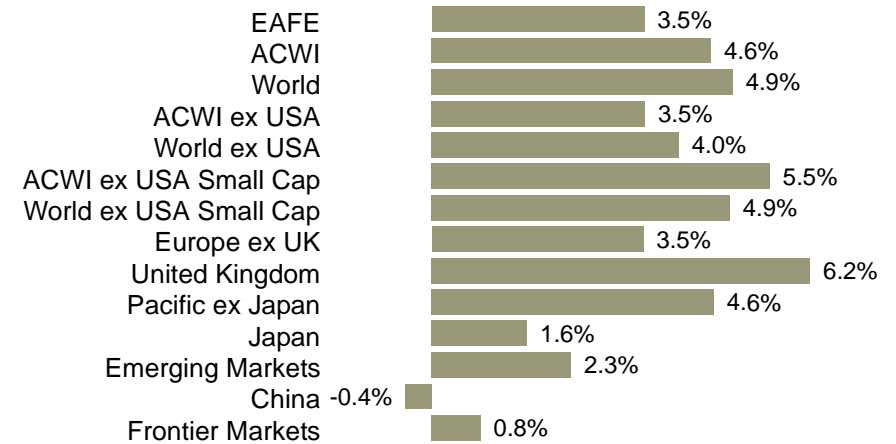
U.S. dollar vs. other currencies

- The U.S. stimulus package announcement, combined with yields rising on economic confidence, fueled the U.S. dollar.

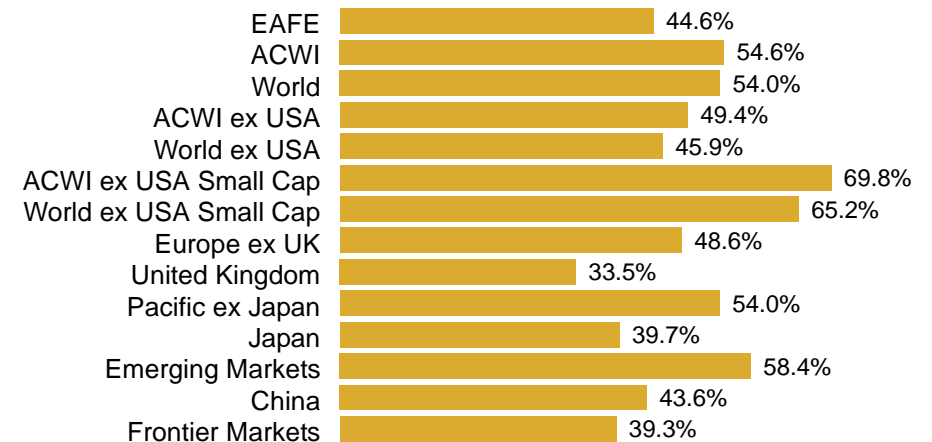
Growth vs. value

- Value outpaced growth for the second consecutive quarter.

### Global Equity: Quarterly Returns



### Global Equity: One-Year Returns



Source: MSCI

## U.S. Fixed Income Performance: 1Q21

### The U.S. Treasury yield curve steepens

- The 10-year U.S. Treasury yield closed 1Q21 at 1.74%, up 81 bps from 4Q20.
- The short-end of the curve remained anchored, with no rate hikes expected until at least 2023, steepening the yield curve.
- TIPS outperformed nominal U.S. Treasuries as 10-year breakeven spreads widened from 1.99% to 2.37%.

### Bloomberg Barclays Aggregate falls

- The Bloomberg Barclays US Aggregate Bond Index dropped 3.4%, with spread sectors outperforming treasuries.
- Demand for corporate credit remains strong, and spreads did not change meaningfully over the quarter.

### High yield bonds gain as rally extended

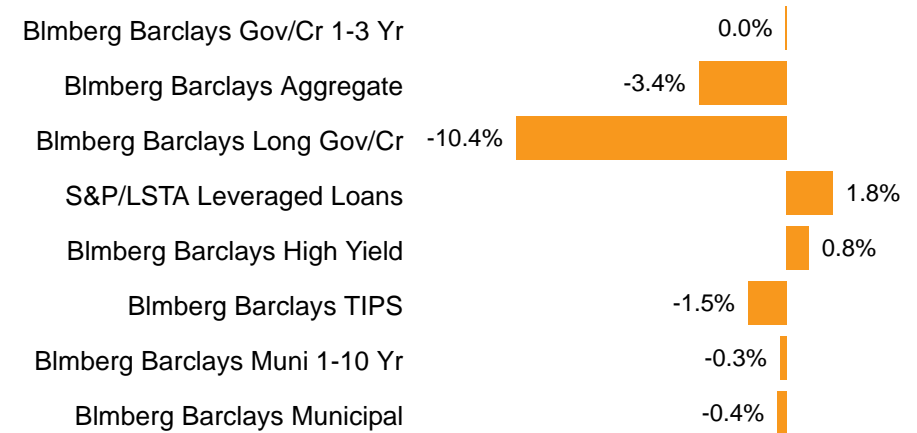
- High yield (HY) bonds outperformed investment grade (IG) in 1Q, gaining 0.8% amid a wave of new issuance.
- Leveraged loans rose 1.8% during the quarter, driven by favorable supply/demand dynamics, floating rate coupons, and relatively short durations.

### Munis boosted by stimulus

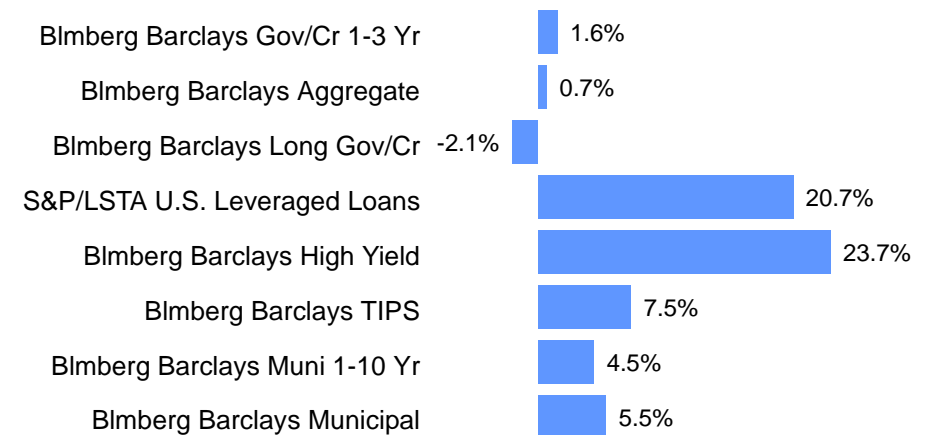
- Municipals outperformed treasuries for the quarter, as municipal yields rose less than treasury yields.
- The municipal market was supported by the American Rescue Act.

Source: Bloomberg Barclays

### U.S. Fixed Income: Quarterly Returns



### U.S. Fixed Income: One-Year Returns



## Global Fixed Income Performance: 1Q21

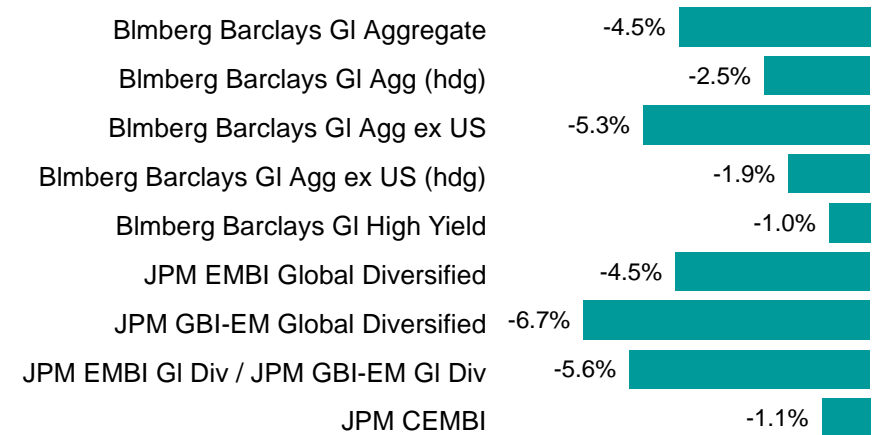
### Global fixed income posts negative returns

- Global fixed income fell as developed market rates rose and the U.S. dollar strengthened.
- The U.S. dollar gained nearly 4% versus a basket of currencies, 6.6% versus the yen, and nearly 4% versus the euro.

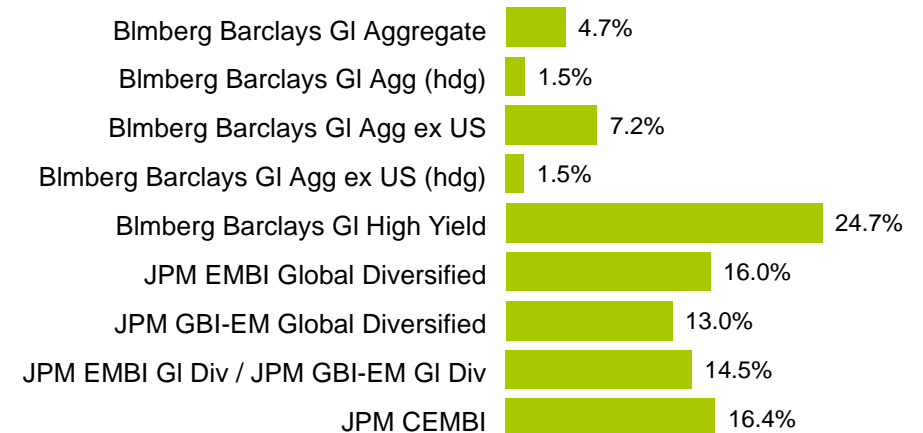
### Emerging market debt sells off

- Emerging market debt indices fell in 1Q21, with EM corporates faring better than hard and local currency sovereigns amid improving corporate fundamentals.
- U.S. dollar-denominated index (EMBI Global Diversified) fell 4.5% as rising U.S. rates spilled into emerging markets; returns were largely negative across the 70+ constituents.
- Local currency index (GBI-EM Global Diversified) fared worse than hard currency, as real yields rose higher than in the U.S.

### Global Fixed Income: Quarterly Returns



### Global Fixed Income: One-Year Returns



Sources: Bloomberg Barclays, JPMorgan Chase

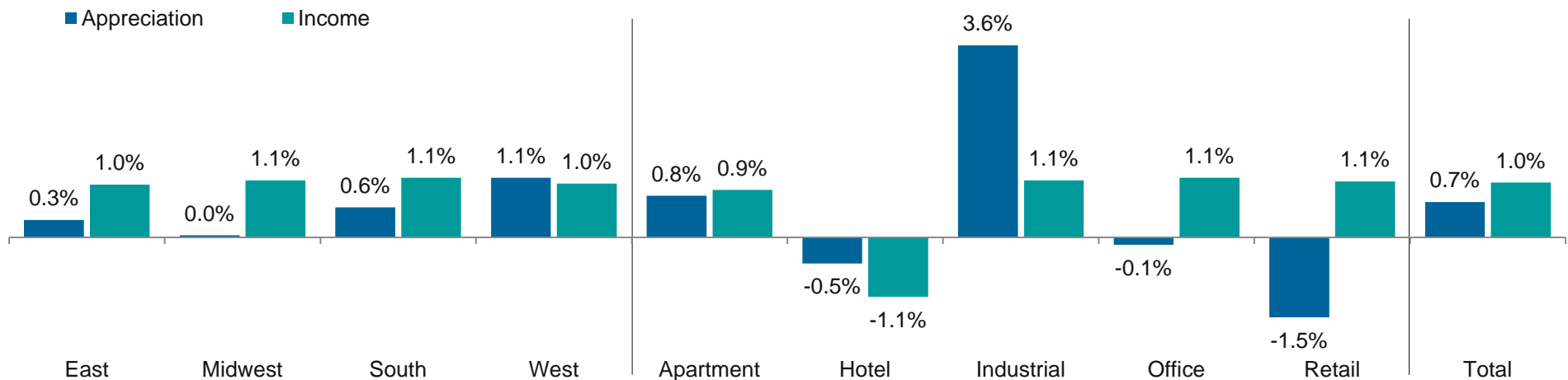
## U.S. Private Real Estate Market Trends

### Results

- Hotel and Retail are the most challenged sectors while Office faces uncertainty; Industrial remains the best performer.
- Income remains positive except in Hotel sector.
- Appraisers have more certainty on pandemic's impact on valuations.
- Return dispersion by manager within the ODCE Index due to composition of underlying portfolios

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
NCREIF ODCE	1.9%	1.5%	4.0%	5.3%	8.7%
Income	0.8%	3.0%	3.2%	3.3%	3.7%
Appreciation	1.1%	-1.5%	0.8%	1.9%	4.8%
NCREIF Property Index	1.7%	2.6%	4.9%	5.9%	9.0%
Income	1.0%	4.1%	4.4%	4.5%	5.0%
Appreciation	0.7%	-1.5%	0.5%	1.3%	3.7%

### NCREIF Property Index Returns by Region and Property Type



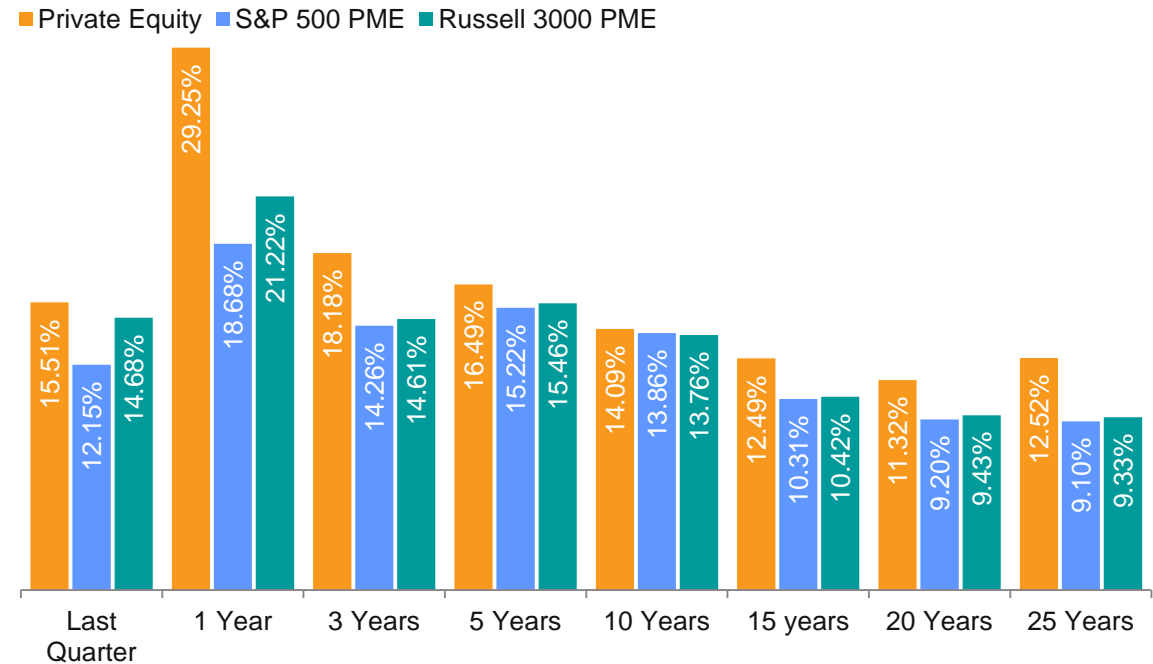
Source: NCREIF

## Private Equity Performance

### Gains YTD, outpacing public equity

- Private equity 4Q20 gains ahead of those of public equity
- Private equity performance positive for 2020, notably outperforming public equity
- Private equity ahead of public equity across all longer-term time horizons, although only marginally over the last 10 years

#### Net IRRs as of 12/31/20



Source: Refinitiv/Cambridge

## Recent Trends in Private Equity

### PIPE transactions driven by SPACs

- Driven by the rise of SPACs, PIPE investments increased by 73% in 2020 and continued even stronger in 2021.
- Some of this increase was also prompted by the market dislocation in 2020, with companies like Cheesecake Factory seeking additional capital.

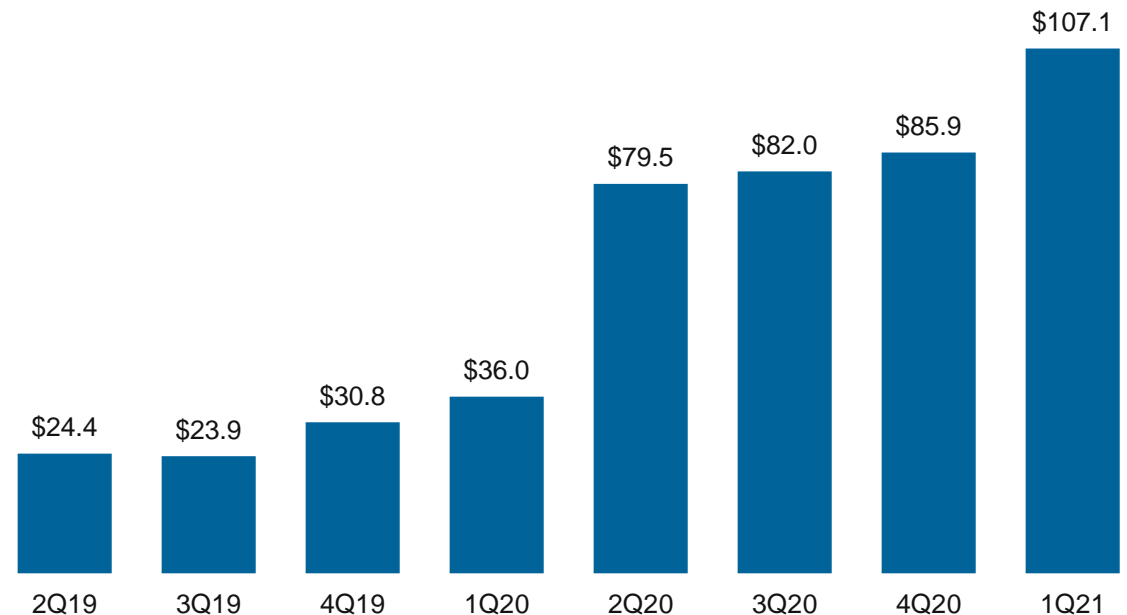
### SPAC activity remains strong

- With over 250 SPACs raised in 2020, SPAC activity remained strong through the end of 2020 and into 2021.
- In addition to buyout funds, venture capital now exploring SPAC exits; some VC firms even launching their own SPACs.

### Increasing private equity allocations

- New and growing private equity allocations mean more capital flowing into the asset class. As a result, access to funds is expected to become more constrained and competition for deals is expected to increase.

PIPE Volume by Quarter (\$billions)



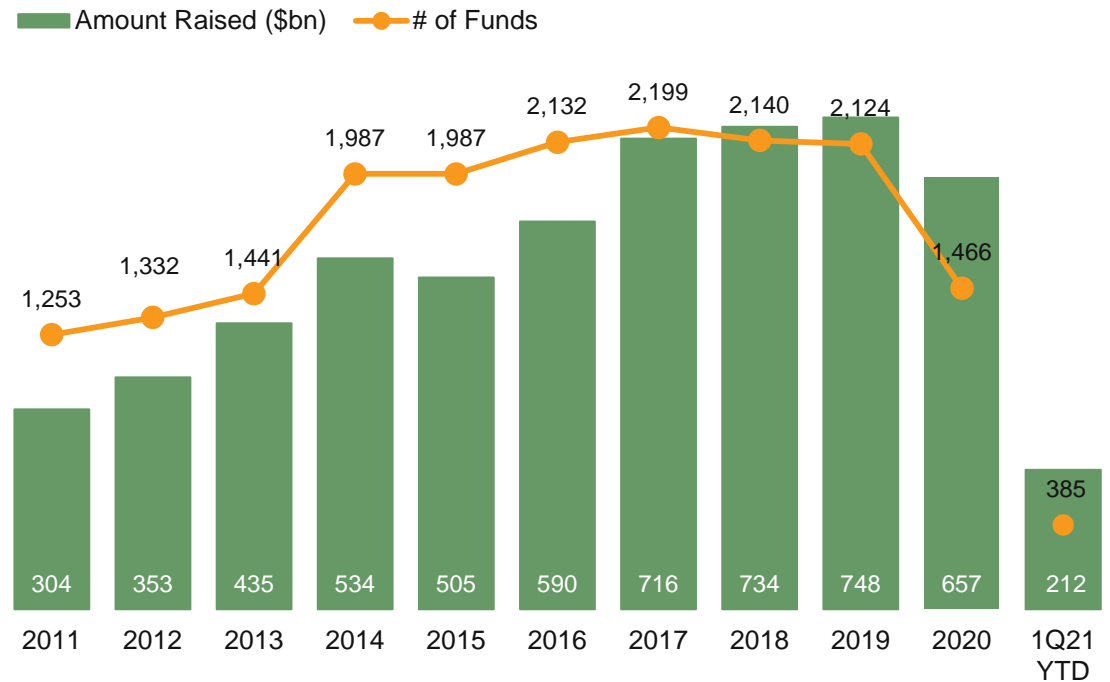
Source: PitchBook

# Private Equity Global Fundraising

## Slowdown during pandemic

- Fundraising for 2020 at 84% of 2019 levels
- Many fundraises pushed out to 2021 due to worries over investor appetite and inability of funds to deploy capital during the onset of the pandemic
- Fundraising off to a strong start in 1Q21, and may reach a new high in 2021 if it continues on the same trajectory

### Annual Fundraising



Source: PitchBook, includes private equity and private debt



## Callan Periodic Table of Investment Returns

Annual Returns									Monthly Returns			
2012	2013	2014	2015	2016	2017	2018	2019	2020	Jan 2021	Feb 2021	Mar 2021	YTD 2021
Real Estate	Small Cap Equity	Real Estate	Large Cap Equity	Small Cap Equity	Emerging Market Equity	U.S. Fixed Income	Large Cap Equity	Small Cap Equity	Small Cap Equity	Small Cap Equity	Large Cap Equity	Small Cap Equity
27.73%	38.82%	15.02%	1.38%	21.31%	37.28%	0.01%	31.49%	19.96%	5.03%	6.23%	4.38%	12.70%
Emerging Market Equity	Large Cap Equity	Large Cap Equity	U.S. Fixed Income	High Yield	Dev ex-U.S. Equity	High Yield	Small Cap Equity	Large Cap Equity	Emerging Market Equity	Real Estate	Real Estate	Large Cap Equity
18.23%	32.39%	13.69%	0.55%	17.13%	24.21%	-2.08%	25.52%	18.40%	3.07%	3.70%	2.85%	6.17%
Dev ex-U.S. Equity	Dev ex-U.S. Equity	U.S. Fixed Income	Real Estate	Large Cap Equity	Large Cap Equity	Global ex-U.S. Fixed Income	Dev ex-U.S. Equity	Emerging Market Equity	High Yield	Large Cap Equity	Dev ex-U.S. Equity	Real Estate
16.41%	21.02%	5.97%	-0.79%	11.96%	21.83%	-2.15%	22.49%	18.31%	0.33%	2.76%	2.55%	5.80%
Small Cap Equity	High Yield	Small Cap Equity	Dev ex-U.S. Equity	Emerging Market Equity	Small Cap Equity	Large Cap Equity	Real Estate	Global ex-U.S. Fixed Income	U.S. Fixed Income	Dev ex-U.S. Equity	Small Cap Equity	Dev ex-U.S. Equity
16.35%	7.44%	4.89%	-3.04%	11.19%	14.65%	-4.38%	21.91%	10.11%	-0.72%	2.55%	1.00%	4.04%
Large Cap Equity	Real Estate	High Yield	Small Cap Equity	Real Estate	Global ex-U.S. Fixed Income	Real Estate	Emerging Market Equity	Dev ex-U.S. Equity	Real Estate	Emerging Market Equity	High Yield	Emerging Market Equity
16.00%	3.67%	2.45%	-4.41%	4.06%	10.51%	-5.63%	18.44%	7.59%	-0.81%	0.76%	0.15%	2.29%
High Yield	U.S. Fixed Income	Emerging Market Equity	High Yield	Dev ex-U.S. Equity	Real Estate	Small Cap Equity	High Yield	U.S. Fixed Income	Large Cap Equity	High Yield	U.S. Fixed Income	High Yield
15.81%	-2.02%	-2.19%	-4.47%	2.75%	10.36%	-11.01%	14.32%	7.51%	-1.01%	0.37%	-1.25%	0.85%
U.S. Fixed Income	Emerging Market Equity	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	U.S. Fixed Income	High Yield	Dev ex-U.S. Equity	U.S. Fixed Income	High Yield	Global ex-U.S. Fixed Income	U.S. Fixed Income	Emerging Market Equity	U.S. Fixed Income
4.21%	-2.60%	-3.08%	-6.02%	2.65%	7.50%	-14.09%	8.72%	7.11%	-1.03%	-1.44%	-1.51%	-3.37%
Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Dev ex-U.S. Equity	Emerging Market Equity	Global ex-U.S. Fixed Income	U.S. Fixed Income	Emerging Market Equity	Global ex-U.S. Fixed Income	Real Estate	Dev ex-U.S. Equity	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income
4.09%	-3.08%	-4.32%	-14.92%	1.49%	3.54%	-14.57%	5.09%	-9.04%	-1.07%	-1.94%	-2.42%	-5.29%

Sources: ● Bloomberg Barclays Aggregate ● Bloomberg Barclays Corp High Yield ● Bloomberg Barclays Global Aggregate ex US  
 ● FTSE EPRA Nareit Developed ● MSCI World ex USA ● MSCI Emerging Markets ● Russell 2000 ● S&P 500

Callan

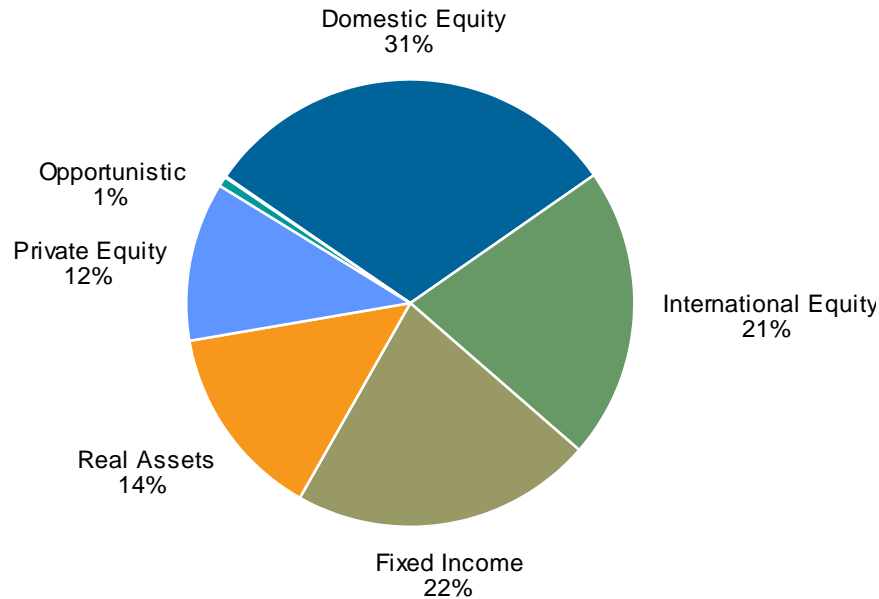
---

## MCERA Total Fund Review

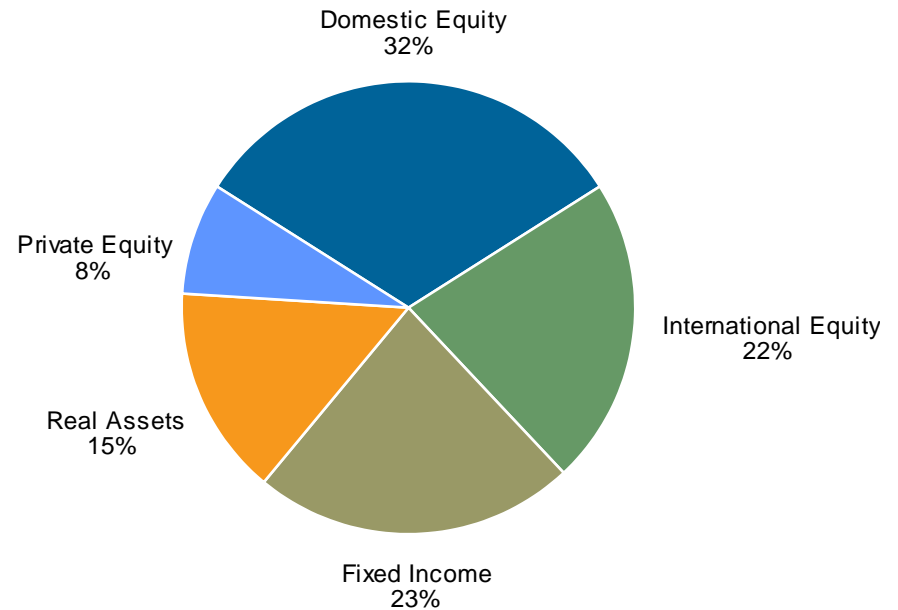
# Total Fund Asset Allocation

As of March 31, 2021

**Actual Asset Allocation**



**Target Asset Allocation**

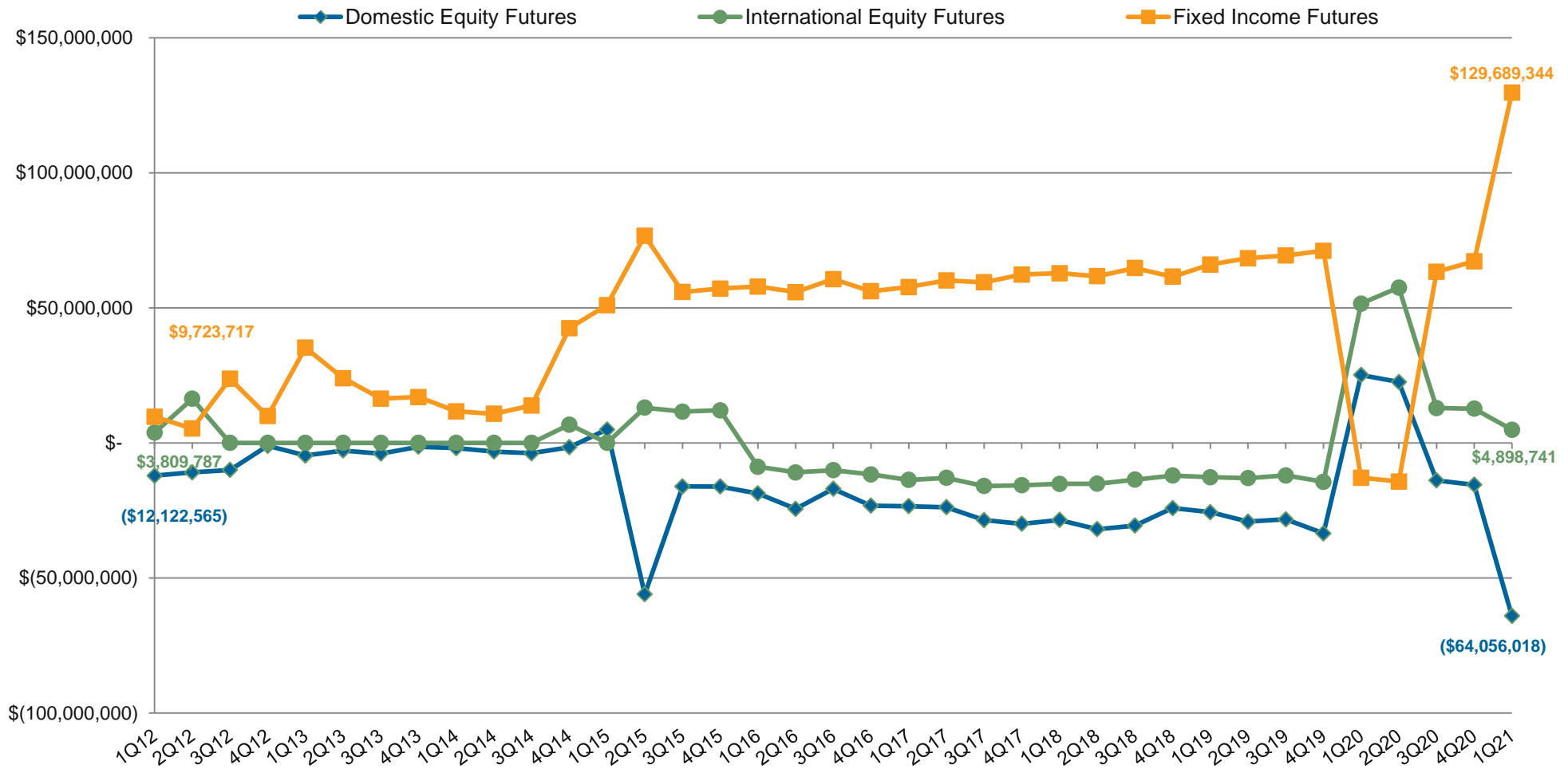


Asset Class	\$000s Actual	Weight Actual	Min Target	Target	Max Target	Percent Difference	\$000s Difference
Domestic Equity	963,519	30.7%	28.0%	32.0%	36.0%	(1.3%)	(41,080)
International Equity	663,122	21.1%	19.0%	22.0%	25.0%	(0.9%)	(27,540)
Fixed Income	685,882	21.8%	20.0%	23.0%	26.0%	(1.2%)	(36,173)
Real Assets	443,745	14.1%	12.0%	15.0%	18.0%	(0.9%)	(27,161)
Private Equity	361,105	11.5%	0.0%	8.0%	12.0%	3.5%	109,956
Opportunistic	21,999	0.7%	0.0%	0.0%	5.0%	0.7%	21,999
Total	3,139,373	100.0%		100.0%			

## Total Fund Asset Distribution

	March 31, 2021			December 31, 2020		
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$963,519,198</b>	<b>30.69%</b>	<b>\$(55,615,800)</b>	<b>\$96,461,319</b>	<b>\$922,673,679</b>	<b>30.21%</b>
SSGA S&P 500 Index Fund	696,229,012	22.18%	(2,486,451)	40,658,398	658,057,065	21.55%
DFA Small Cap Core	331,346,204	10.55%	(1,158,104)	52,386,873	280,117,435	9.17%
Parametric Domestic Equity Futures	-64,056,018	(2.04%)	(51,971,245)	3,416,048	-15,500,821	(0.51%)
<b>International Equity</b>	<b>\$663,121,587</b>	<b>21.12%</b>	<b>\$(8,802,219)</b>	<b>\$5,789,292</b>	<b>\$666,134,514</b>	<b>21.81%</b>
Morgan Stanley Value	201,376,467	6.41%	0	2,088,998	199,287,469	6.53%
Artisan Partners Growth	203,036,047	6.47%	(10,000,000)	1,176,284	211,859,763	6.94%
TimesSquare Intl Small Cap	129,425,601	4.12%	(271,787)	(107,794)	129,805,181	4.25%
Parametric Emerging Markets	124,384,731	3.96%	10,000,000	1,904,801	112,479,930	3.68%
Parametric International Equity Futures	4,898,741	0.16%	(8,530,432)	727,003	12,702,170	0.42%
<b>Fixed Income</b>	<b>\$685,882,251</b>	<b>21.85%</b>	<b>\$64,389,000</b>	<b>\$(24,609,034)</b>	<b>\$646,102,285</b>	<b>21.16%</b>
Wellington Core Plus	262,587,030	8.36%	(1,772,294)	(8,267,597)	272,626,921	8.93%
Western Intermediate Credit	148,491,950	4.73%	(1,084,958)	(2,263,332)	151,840,240	4.97%
Colchester Global	145,113,927	4.62%	(153,672)	(9,121,523)	154,389,122	5.06%
Parametric Fixed Income Futures	129,689,344	4.13%	67,399,924	(4,956,582)	67,246,002	2.20%
<b>Real Estate</b>	<b>\$237,342,859</b>	<b>7.56%</b>	<b>\$(4,202,569)</b>	<b>\$3,654,657</b>	<b>\$237,890,771</b>	<b>7.79%</b>
Woodmont	18,199,993	0.58%	0	0	18,199,993	0.60%
UBS Trumbull Property Fund	113,019,855	3.60%	(3,123,824)	1,417,431	114,726,248	3.76%
AEW Core Property Trust	106,123,011	3.38%	(1,078,745)	2,248,446	104,953,310	3.44%
AEW Partners V, LP **	-	-	0	(11,220)	11,220	0.00%
<b>Public Real Assets</b>	<b>\$206,402,337</b>	<b>6.57%</b>	<b>\$(90,037)</b>	<b>\$12,919,525</b>	<b>\$193,572,850</b>	<b>6.34%</b>
INVESCO Commodities Fund	52,703,405	1.68%	(90,037)	3,596,590	49,196,852	1.61%
BlackRock TIPS Index Fund	46,171,557	1.47%	4,000,000	(692,524)	42,864,081	1.40%
KBI Global Resources Fund	53,145,395	1.69%	(14,000,000)	5,305,027	61,840,368	2.03%
Blackrock REIT Index Fund	54,381,980	1.73%	10,000,000	4,710,432	39,671,548	1.30%
<b>Private Equity*</b>	<b>\$361,105,398</b>	<b>11.50%</b>	<b>\$(14,812,367)</b>	<b>\$(0)</b>	<b>\$375,917,765</b>	<b>12.31%</b>
Abbott ACE VI*	54,206,980	1.73%	(4,000,000)	0	58,206,980	1.91%
Abbott ACE VII*	50,062,674	1.59%	(2,625,000)	0	52,687,674	1.73%
Abbott 2016*	52,155,620	1.66%	0	0	52,155,620	1.71%
Abbott 2017*	11,854,978	0.38%	0	0	11,854,978	0.39%
Abbott 2021*	870,618	0.03%	870,618	0	-	-
Pathway PPEF 2008*	70,663,600	2.25%	(8,154,133)	(0)	78,817,733	2.58%
Pathway PE I-7*	44,045,171	1.40%	(3,678,824)	0	47,723,995	1.56%
Pathway PE I-8*	62,285,941	1.98%	(1,362,027)	(0)	63,647,968	2.08%
Pathway PE I-9*	11,184,532	0.36%	728,751	0	10,455,781	0.34%
Pathway PE X*	3,775,283	0.12%	3,408,247	0	367,036	0.01%
<b>Opportunistic**</b>	<b>\$21,998,886</b>	<b>0.70%</b>	<b>\$9,992,166</b>	<b>\$537,908</b>	<b>\$11,468,811</b>	<b>0.38%</b>
CarVal Credit Value V**	3,350,000	0.11%	0	0	3,350,000	0.11%
Fortress Credit Opps Fund V**	1,622,900	0.05%	0	0	1,622,900	0.05%
Varde Dislocation Fund**	17,025,986	0.54%	9,992,166	537,908	6,495,911	0.21%
<b>Total Fund</b>	<b>\$3,139,372,515</b>	<b>100.0%</b>	<b>\$(9,141,826)</b>	<b>\$94,753,666</b>	<b>\$3,053,760,675</b>	<b>100.0%</b>

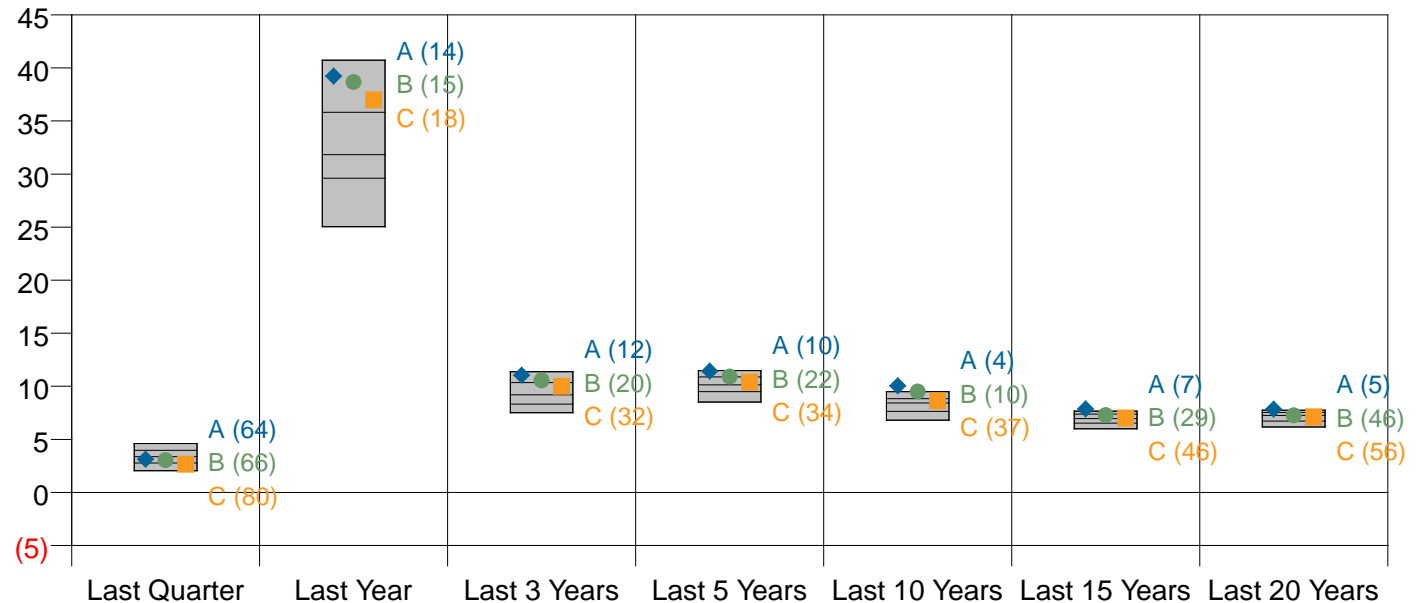
## Parametric Overlay Positions – Changes Over Time



## Total Fund Performance - Annualized

Returns for Periods Ended March 31, 2021

Group: Callan Public Fund Sponsor - Large (>1B)



10th Percentile	4.61	40.75	11.39	11.50	9.50	7.66	7.75
25th Percentile	3.98	35.82	10.37	10.89	8.84	7.39	7.54
Median	3.38	31.85	9.21	10.15	8.44	6.97	7.27
75th Percentile	2.78	29.62	8.34	9.51	7.64	6.54	6.73
90th Percentile	2.06	25.06	7.53	8.52	6.83	6.01	6.18

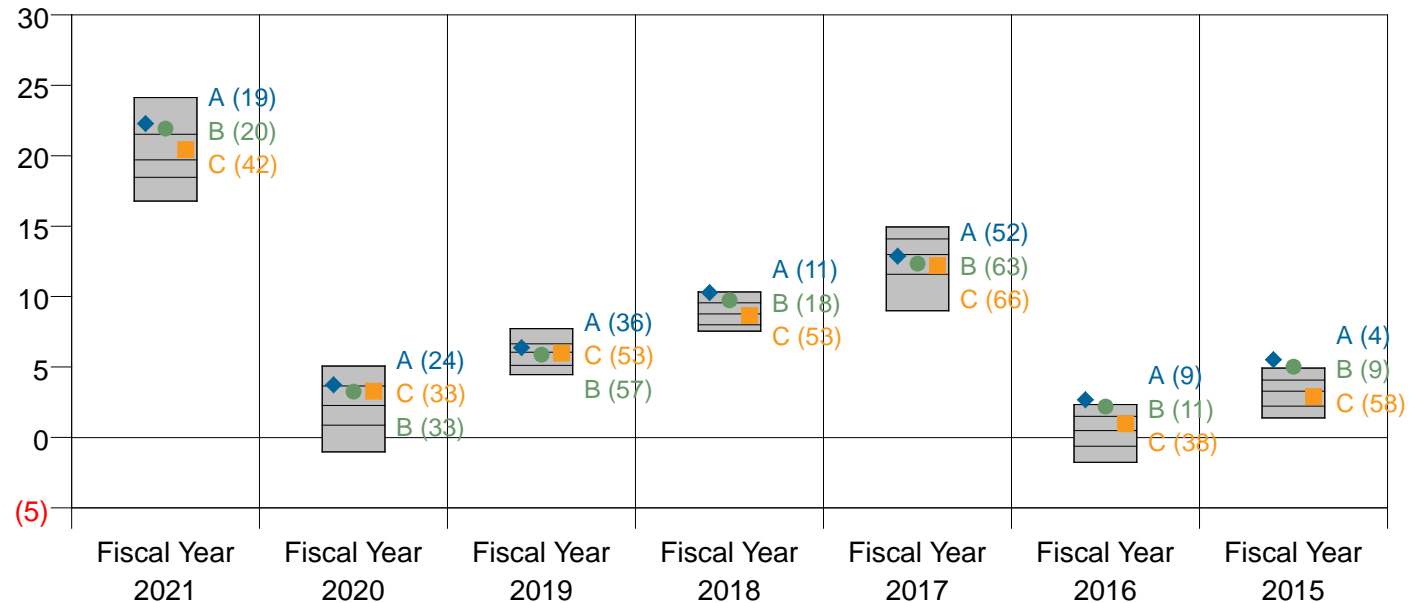
MCERA Total Fund - Gross	◆ A	3.14	39.24	11.08	11.46	10.06	7.87	7.87
MCERA Total Fund - Net	● B	3.06	38.70	10.58	10.94	9.52	7.32	7.30
MCERA Total Fund Target	■ C	2.67	37.02	10.02	10.41	8.65	7.03	7.14

Current Quarter Target = 32.0% Russell 3000 Index, 22.0% MSCI ACWI ex US IMI Index, 11.5% Bloomberg Aggregate Index, 5.8% Bloomberg Intermediate Credit Index, 5.8% FTSE World Government Bond Index, 8.0% NCREIF NFI-ODCE Equal Weight Net, 1.8% Bloomberg Commodity Price Index, 1.8% S&P Global Natural Resources Index, 1.8% S&P DJ US Select REIT Index, 1.8% Bloomberg US TIPS Index, 4.8% Russell 3000 Index (Lagged) and 3.2% MSCI ACWI ex US IMI Index (Lagged).

## Total Fund Performance – Fiscal Year

### Fiscal Year Returns

Group: Callan Public Fund Sponsor - Large (>1B)



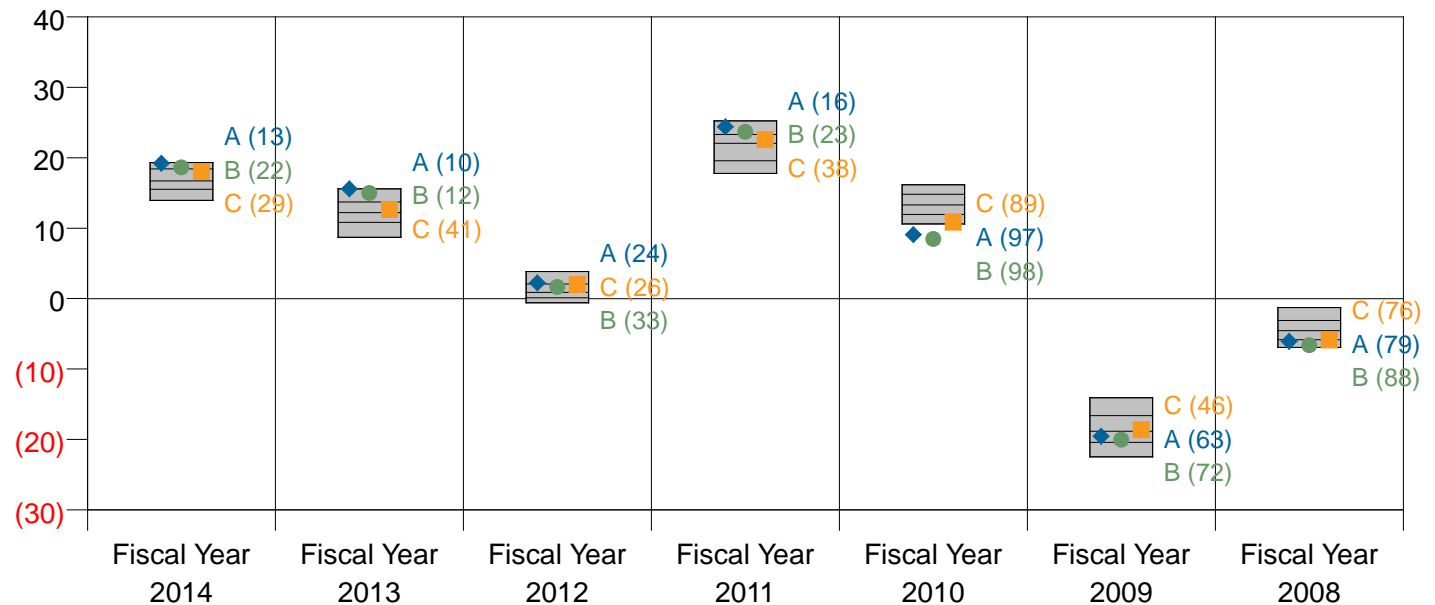
10th Percentile	24.13	5.08	7.73	10.33	14.95	2.34	4.93
25th Percentile	21.53	3.66	6.65	9.57	14.10	1.50	4.08
Median	19.72	2.28	6.07	8.78	12.99	0.50	3.29
75th Percentile	18.48	0.88	5.13	8.01	11.58	(0.62)	2.23
90th Percentile	16.79	(1.02)	4.47	7.55	8.99	(1.75)	1.39

MCERA Total Fund - Gross	◆ A	22.29	3.74	6.39	10.29	12.88	2.68	5.52
MCERA Total Fund - Net	● B	21.94	3.26	5.88	9.74	12.34	2.19	5.02
MCERA Total Fund Target	■ C	20.43	3.29	5.99	8.67	12.20	0.98	2.91

## Total Fund Performance – Fiscal Year

### Fiscal Year Returns

Group: Callan Public Fund Sponsor - Large (>1B)



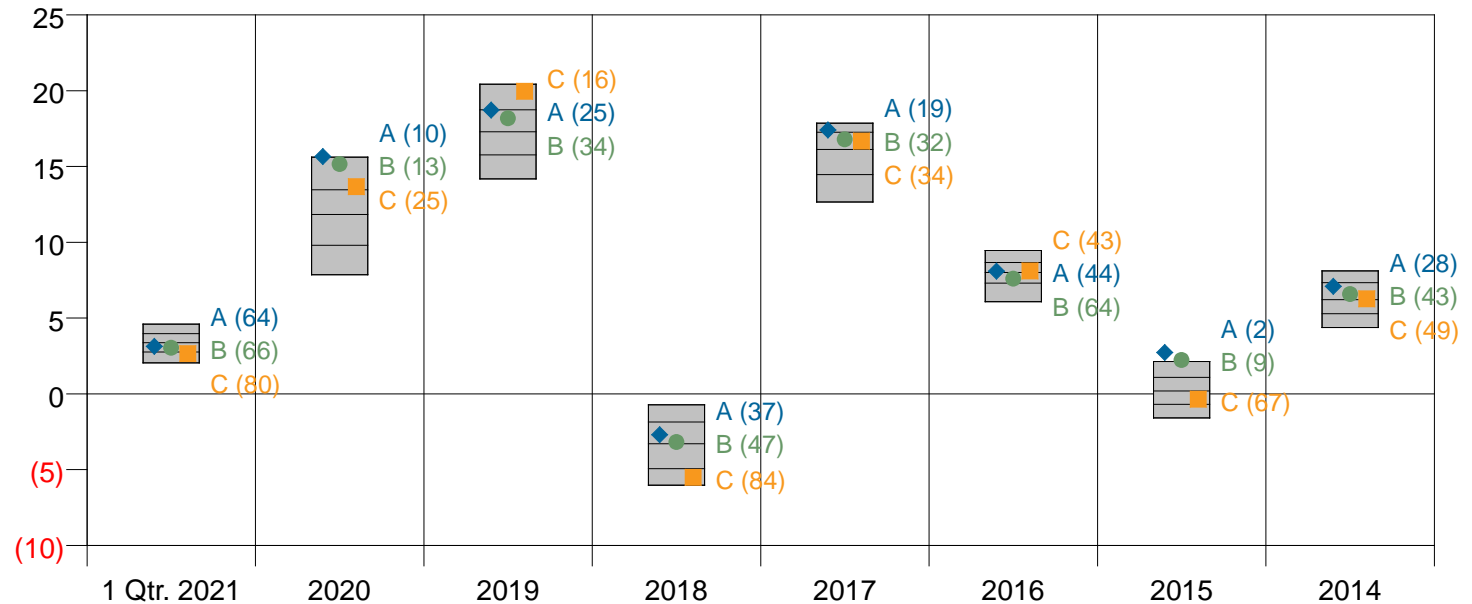
10th Percentile		19.33	15.59	3.87	25.26	16.18	(14.06)	(1.25)
25th Percentile		18.43	13.72	2.09	23.33	14.82	(16.60)	(3.09)
Median		16.73	12.22	0.90	22.07	13.33	(18.82)	(4.54)
75th Percentile		15.53	10.84	0.11	19.59	11.95	(20.39)	(5.83)
90th Percentile		13.96	8.71	(0.57)	17.78	10.62	(22.46)	(6.90)
MCERA Total Fund - Gross	◆ A	19.22	15.60	2.26	24.42	9.11	(19.54)	(6.05)
MCERA Total Fund - Net	● B	18.65	15.01	1.67	23.71	8.49	(20.02)	(6.60)
MCERA Total Fund Target	■ C	18.09	12.68	2.02	22.58	10.87	(18.58)	(5.85)



## Total Fund Performance – Calendar Years

Returns for Periods Ended March 31, 2021

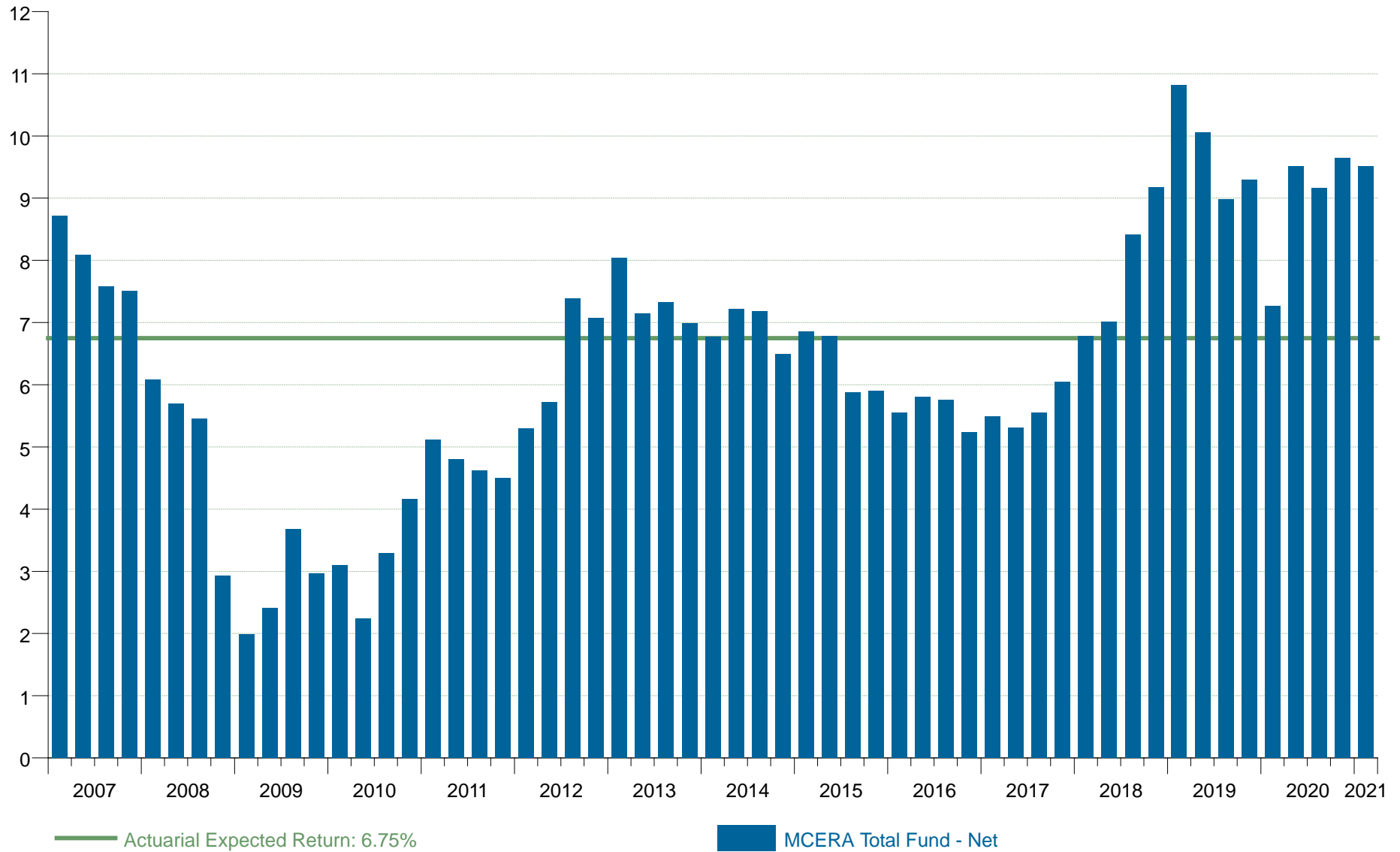
Group: Callan Public Fund Sponsor - Large (>1B)



10th Percentile	4.61	15.62	20.43	(0.71)	17.86	9.47	2.15	8.11
25th Percentile	3.98	13.48	18.75	(1.84)	17.27	8.67	1.10	7.34
Median	3.38	11.85	17.30	(3.28)	16.13	8.02	0.20	6.22
75th Percentile	2.78	9.81	15.77	(4.93)	14.47	7.31	(0.67)	5.29
90th Percentile	2.06	7.87	14.18	(6.02)	12.66	6.08	(1.58)	4.38

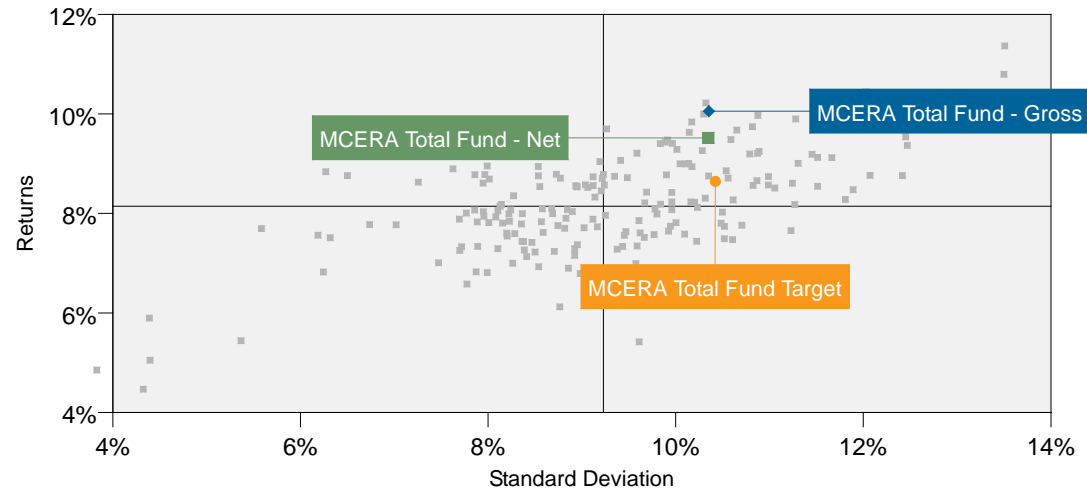
Total Fund - Gross	◆ A	3.14	15.67	18.73	(2.68)	17.41	8.10	2.73	7.10
MCERA Total Fund - Net	● B	3.06	15.17	18.19	(3.16)	16.81	7.61	2.24	6.59
Total Fund Target	■ C	2.67	13.68	19.97	(5.49)	16.68	8.13	(0.34)	6.28

## Annualized 10 Year Total Fund Net Returns (Quarterly Roll)

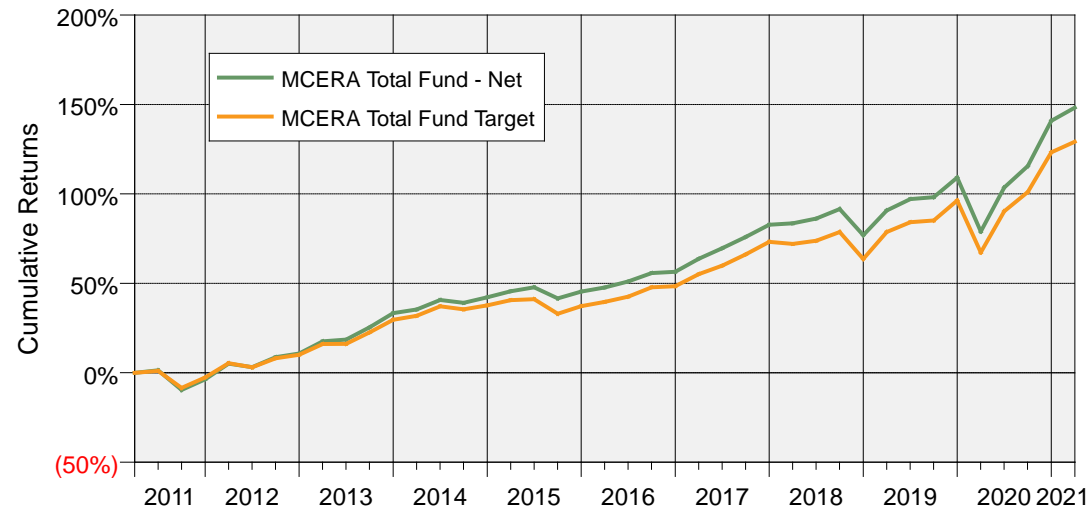


## Total Fund – Cumulative Returns Relative to Target

Ten Year Annualized Risk vs. Return  
As of March 31, 2021



Total Fund Cumulative Returns vs. Target  
10 Years Ended March 31, 2021



# Watchlist

## Investment Manager Monitoring Summary Report Active Managers as of March 31, 2021

Investment Manager	Organization/ Team	3 Year Performance vs Benchmark	3 Year Performance vs Peers	5 Year Performance vs Benchmark	5 Year Performance vs Peers	Qualify for Watchlist?	Date Added
<b>DFA Small Cap Core Equity</b> <i>Russell 2000 Index</i>		N/A	N/A	N/A	N/A		
<b>Morgan Stanley International Value Equity</b> <i>MSCI EAFE Index</i>						Yes - Org/Team	4Q17
<b>Artisan International Growth Equity</b> <i>MSCI EAFE Index</i>						Yes	4Q17
<b>TimesSquare International Small Cap Equity</b> <i>MSCI EAFE Small Cap Index</i>		N/A	N/A	N/A	N/A		
<b>Parametric Emerging Markets Equity</b> <i>MSCI Emerging Markets Index</i>						Yes	1Q15
<b>Wellington Core Plus Fixed Income</b> <i>Bloomberg Barclays Aggregate Index</i>						No	
<b>Western Asset Intermediate Credit Fixed Income</b> <i>Bloomberg Barclays Intermediate Credit Index</i>						No	
<b>Colchester Global Fixed Income</b> <i>FTSE World Government Bond Index</i>						Yes	
<b>Invesco Balanced Risk Commodity Fund</b> <i>Bloomberg Commodity Index</i>				N/A	N/A	No	
<b>KBI Global Natural Resources Fund</b> <i>S&amp;P Global Natural Resource Index</i>			N/A	N/A	N/A	No	
<b>UBS Trumbull Property Fund*</b> <i>NFI-ODCE Index</i>		N/A	N/A	N/A	N/A	Under Review	4Q19

\*UBS Trumbull Property Fund placed on watch for organizational concerns. Quantitative criteria for private market portfolios under review by Governance Committee.

### Quantitative Criteria

If a manager trails its relevant benchmark by more than 100 basis points (net of fees) and ranks in the bottom quartile of its peer universe (gross of fees ranking) for the trailing three years, or if a manager trails its relevant benchmark (net of fees) or ranks below median of its peer universe (gross of fees ranking) for the trailing five years, then the manager may be placed on the Watchlist.

### Color Code

	meets watch list criteria, no concerns, no actions recommended
	concerns exist, no actions recommended
	violates watch list criteria, concerns exist, action to be determined

## Watchlist

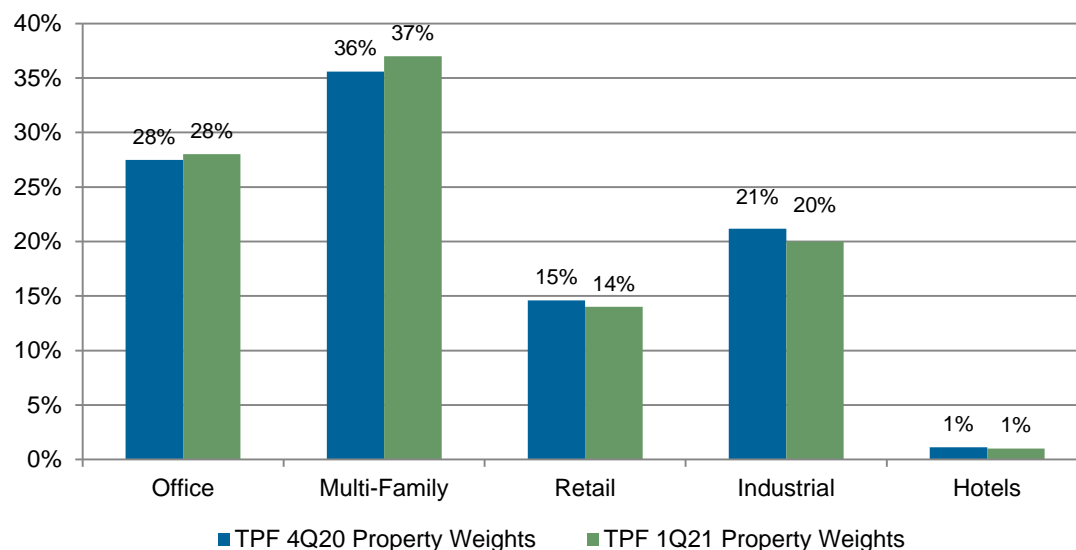
Investment Manager	3 Year Net Return Trails Benchmark by more than 100 bps (relative return shown in bps)	<u>AND</u>	3 Year Gross Return Ranks 75th - 100th%	<u>OR</u>	5 Year Net Return Trails Benchmark (relative return shown in bps)	<u>OR</u>	5 Year Gross Return Ranks 50th - 100th%	Qualify for Watchlist (Quantitative)
<b>DFA Small Cap Core Equity</b> <i>Russell 2000 Index</i>	N/A		N/A		N/A		N/A	No
<b>Morgan Stanley International Value Equity</b> <i>MSCI EAFE Index</i>	19		1st		-46		20th	Yes
<b>Artisan International Growth Equity</b> <i>MSCI EAFE Index</i>	190		81st		33		86th	Yes
<b>TimesSquare International Small Cap Equity</b> <i>MSCI EAFE Small Cap Index</i>	N/A		N/A		N/A		N/A	No
<b>Parametric Emerging Markets Equity</b> <i>MSCI Emerging Markets Index</i>	-602		91st		-546		92nd	Yes
<b>Wellington Core Plus Fixed Income</b> <i>Bloomberg Barclays Aggregate Index</i>	112		27th		136		41st	No
<b>Western Asset Intermediate Credit Fixed Income</b> <i>Bloomberg Barclays Intermediate Credit Index</i>	108		1st		106		1st	No
<b>Colchester Global Fixed Income</b> <i>FTSE World Government Bond Index</i>	42		75th		67		56th	Yes
<b>Invesco Balanced Risk Commodity Fund</b> <i>Bloomberg Commodity Index</i>	282		25th		N/A		N/A	No
<b>KBI Global Natural Resources Fund</b> <i>S&amp;P Global Natural Resource Index</i>	1139		N/A		N/A		N/A	No
<b>UBS Trumbull Property Fund</b> <i>NCREIF NFI-ODCE Index</i>	Quantitative criteria for private markets portfolios under review by Governance Committee. On watch due to organizational changes.							Under Review

## UBS Trumbull Property Fund Snapshot

As of March 31, 2021

As of 1Q 2021	
Gross Asset Value	\$18.0 B
Net Asset Value	\$14.4 B
Leverage	18.7%
Number of Investments	178
Number of Investors	446
Redemption Queue	\$7.9 billion
1Q21 Redemption Queue Payout	\$250 million
Contribution Queue	\$0 million

Property Type Weights (Change from Prior Quarter)



- The Fund has a current redemption pool of \$7.9 billion. The Fund made a 1Q 2021 redemption payment of \$250 million, following \$480 million of redemption payments in 2020. The Fund anticipates a higher level of liquidity for redemption payments in 2021 as sales activity increases, and is targeting total 2021 redemption payments of \$1.0 billion.
  - MCERA submitted a partial redemption request for \$20 million in January 2020 and received \$301,570.38 on 9/30/20.
  - Redemption requests must be submitted at least 60 days prior to the end of the quarter and may be withdrawn no later than 14 days prior to the end of the quarter.
- In September 2019, the fund announced investors would have a choice between two fee incentives: loyalty incentive (discounted fees of 15% over 3 years or 25% over 4 years) and top-up incentive (\$0 base fee on additional dollars deposited).
  - The amount of client assets in the Loyalty Fee Program is \$4.7 billion.
  - MCERA elected for the 4 year/25% discount loyalty incentive on approximately \$100 million NAV.

## NFI-ODCE Funds - Net of Fee Returns

As of March 31, 2021

Fund	Last Quarter	Last Year	Last 3 Years	Last 5 Years
<b>AEW</b>	<b>1.93%</b>	<b>3.64%</b>	<b>4.41%</b>	<b>5.49%</b>
AFL-CIO	0.98%	-0.24%	2.74%	3.87%
ARA	1.61%	0.90%	4.33%	5.12%
ASB	2.18%	2.19%	3.91%	4.15%
Bailard	2.16%	2.38%	7.93%	9.68%
Barings	1.67%	0.31%	4.21%	5.43%
BGO	1.99%	1.48%	4.32%	5.22%
Blackrock	2.81%	3.50%	5.26%	6.86%
CBRE	2.43%	4.56%	6.75%	8.08%
CIM Group	2.84%	-2.64%	5.25%	8.36%
Clarion	2.02%	2.28%	5.38%	6.33%
DWS	1.94%	2.12%	4.83%	5.89%
Everwest	2.20%	1.88%	4.15%	5.61%
GSAM	1.88%	1.90%	4.41%	6.10%
Heitman	2.49%	3.52%	2.49%	4.48%
Intercontinental	2.32%	3.31%	6.04%	7.68%
Invesco	1.32%	-2.43%	3.58%	5.51%
JP Morgan	1.60%	0.70%	3.43%	4.80%
LaSalle	2.91%	3.27%	4.69%	5.84%
MetLife	2.54%	2.23%	5.35%	6.53%
MSIM	1.90%	2.56%	5.05%	6.63%
NYLIM	2.42%	4.18%	5.80%	6.64%
PGIM	1.92%	2.17%	4.85%	5.86%
Principal	2.43%	2.70%	5.09%	6.47%
Stockbridge	2.31%	3.63%	5.72%	6.76%
TA Realty	2.32%	6.34%	7.69%	--
<b>UBS</b>	<b>1.09%</b>	<b>-3.95%</b>	<b>-0.79%</b>	<b>1.76%</b>

### Rent Collections

#### **AEW 1Q:**

Multifamily: 97%

Industrial: 98%

Office: 97%

Retail: 96%

#### **UBS 1Q:**

Multifamily: 95%

Industrial 95%

Office: 97%

Retail: 89%

## NFI-ODCE Funds - Gross of Fee All Sector Returns

As of March 31, 2021

Fund	Retail 1Q 2021	Apartment 1Q 2021	Industrial 1Q 2021	Office 1Q 2021
<b>AEW</b>	<b>-0.39%</b>	<b>1.14%</b>	<b>4.91%</b>	<b>0.73%</b>
AFL-CIO	-0.25%	0.58%	4.99%	1.00%
ARA	0.87%	1.14%	3.45%	1.14%
ASB	-0.44%	1.48%	6.62%	1.07%
Bailard	2.37%	2.14%	3.54%	1.35%
Barings	1.58%	2.06%	3.54%	0.36%
BGO	-0.29%	0.56%	5.41%	0.87%
Blackrock	1.06%	0.64%	7.34%	1.37%
CBRE	1.42%	1.30%	3.79%	0.89%
CIM Group	1.06%	-0.67%	4.22%	2.74%
Clarion	-0.15%	1.61%	3.62%	0.88%
DWS	-0.10%	1.04%	6.18%	-0.34%
Everwest	1.09%	1.57%	6.23%	0.80%
GSAM	0.79%	1.78%	3.91%	1.30%
Heitman	0.78%	2.01%	4.93%	1.23%
Intercontinental	0.05%	2.22%	6.01%	1.75%
Invesco	0.50%	0.80%	3.26%	0.59%
JP Morgan	0.69%	1.18%	4.69%	1.21%
LaSalle	0.99%	2.30%	5.35%	1.41%
MetLife	0.47%	2.96%	4.76%	0.23%
MSIM	0.05%	1.64%	3.41%	0.91%
NYLIM	2.00%	1.90%	4.18%	0.50%
PGIM	0.83%	0.98%	5.29%	0.58%
Principal	0.45%	3.12%	6.03%	-0.07%
Stockbridge	-3.25%	2.08%	3.82%	0.15%
TA Realty	2.20%	1.89%	3.73%	-0.95%
<b>UBS</b>	<b>-3.31%</b>	<b>1.81%</b>	<b>5.25%</b>	<b>0.19%</b>



## NFI-ODCE Funds - Gross of Fee Retail Returns (trailing 4 quarters)

As of March 31, 2021

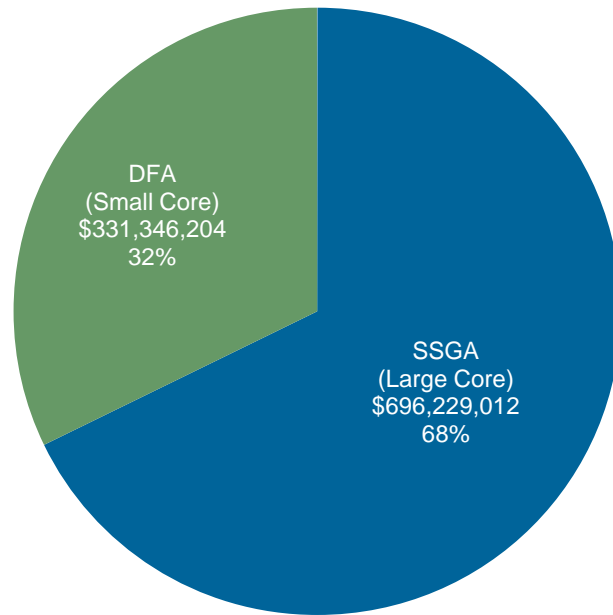
Fund	Fund Allocation Weight	Retail 1Q 2021	Retail 4Q 2020	Retail 3Q 2020	Retail 2Q 2020
<b>AEW</b>	<b>16.55%</b>	<b>-0.39%</b>	<b>-3.22%</b>	<b>-1.07%</b>	<b>-0.06%</b>
AFL-CIO	15.15%	-0.25%	-1.92%	-0.48%	-4.26%
ARA	16.91%	0.87%	0.16%	-1.19%	-2.60%
ASB	13.79%	-0.44%	-0.89%	-1.74%	-1.77%
Bailard	9.42%	2.37%	-	-	-
Barings	15.33%	1.58%	-0.09%	-0.87%	-0.76%
BGO	9.79%	-0.29%	1.42%	1.05%	-1.57%
Blackrock	15.54%	1.06%	0.70%	0.49%	-0.64%
CBRE	13.91%	1.42%	0.36%	0.59%	-6.22%
CIM Group	11.49%	1.06%	2.06%		
Clarion	10.69%	-0.15%	-0.22%	-1.72%	-6.01%
DWS	14.94%	-0.10%	-1.71%	-1.13%	-3.72%
Everwest	18.32%	1.09%	-0.04%	-0.26%	-5.13%
GSAM	10.77%	0.79%	1.23%	0.90%	-4.03%
Heitman	16.80%	0.78%	0.88%	-0.08%	-8.29%
Intercontinental	2.20%	0.05%	0.05%	0.13%	-3.48%
Invesco	13.40%	0.50%	0.42%	-0.70%	-6.40%
JP Morgan	23.79%	0.69%	-0.21%	-0.76%	-10.42%
LaSalle	13.79%	0.99%	-0.23%	-2.42%	-3.38%
MetLife	11.55%	0.47%	1.02%	-0.86%	-5.63%
MSIM	11.20%	0.05%	-3.96%	0.18%	-9.23%
NYLIM	3.27%	2.00%	-1.04%	1.17%	-1.20%
PGIM	12.33%	0.83%	-0.40%	-1.76%	-3.34%
Principal	13.65%	0.45%	0.67%	-0.82%	-2.33%
Stockbridge	15.13%	-3.25%	0.80%	0.66%	-4.87%
TA Realty	6.67%	2.20%	1.52%	0.69%	-3.85%
<b>UBS</b>	<b>14.00%</b>	<b>-3.31%</b>	<b>-7.78%</b>	<b>-3.30%</b>	<b>-5.34%</b>

Callan

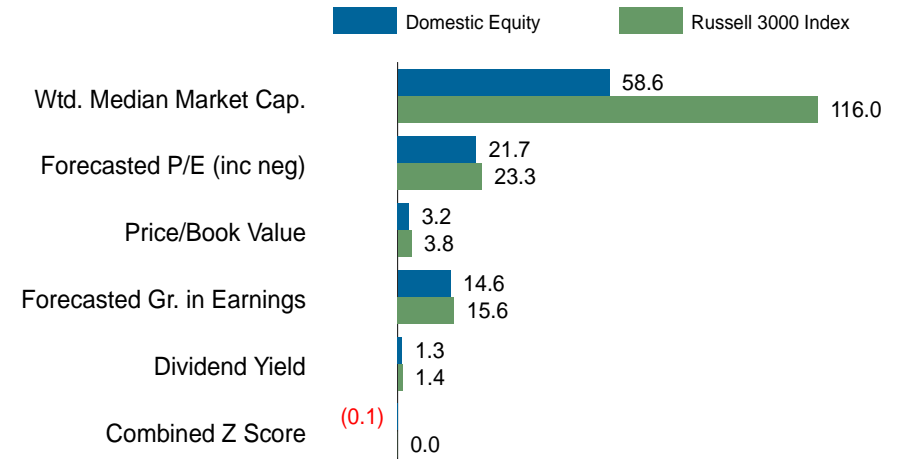
---

## **MCERA Asset Class Review**

# Domestic Equity Composite



## Portfolio Characteristics as of March 31, 2021



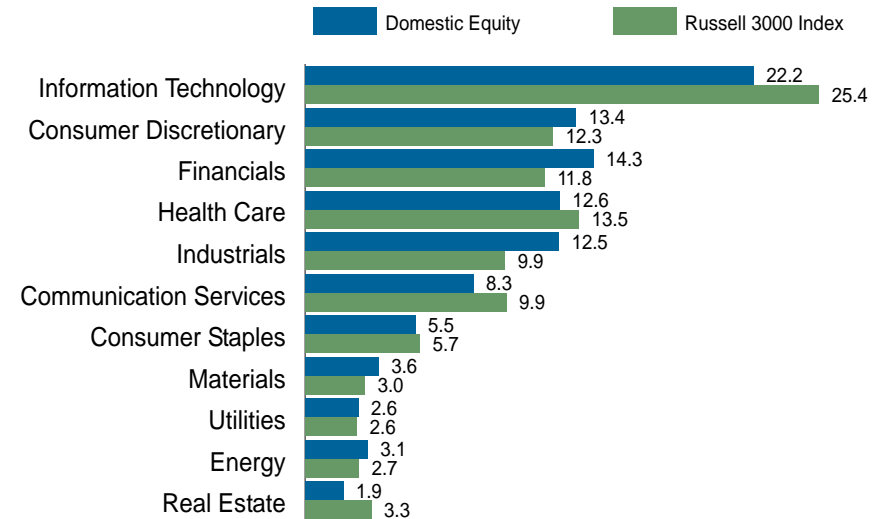
## Style Exposure Matrix

### Holdings as of March 31, 2021

-- Domestic Equity  
-- Russell 3000 Index

Large	15.1% (88)	17.6% (100)	30.8% (84)	63.5% (272)
	17.8% (89)	21.0% (103)	38.9% (111)	77.7% (303)
Mid	4.0% (123)	3.6% (119)	4.1% (111)	11.7% (353)
	4.6% (158)	4.8% (204)	6.2% (244)	15.6% (606)
Small	5.1% (211)	8.4% (349)	8.3% (319)	21.9% (879)
	1.4% (275)	2.4% (509)	2.2% (428)	6.0% (1212)
Micro	1.5% (353)	1.0% (221)	0.4% (79)	3.0% (653)
	0.3% (391)	0.3% (390)	0.1% (129)	0.6% (910)
Total	25.6% (775)	30.7% (789)	43.7% (593)	100.0% (2157)
	24.1% (913)	28.4% (1206)	47.5% (912)	100.0% (3031)
	Value	Core	Growth	Total

## Sector Allocation as of March 31, 2021



## Domestic Equity Composite

### Returns and Rankings for Periods Ended March 31, 2021

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>Domestic Equity - Net</b>	<b>11.06</b>	<b>70.61</b>	<b>16.75</b>	<b>16.83</b>	<b>13.21</b>
Domestic Equity Target	6.35	62.53	17.12	16.64	13.79
<b>Large Cap Equity - Net</b>	<b>6.18</b>	<b>56.83</b>	<b>16.83</b>	<b>16.33</b>	<b>13.62</b>
<b>SSGA - Net</b>	<b>6.19</b>	<b>56.35</b>	<b>16.74</b>	<b>16.28</b>	<b>13.90</b>
S&P 500 Index	6.17	56.35	16.78	16.29	13.91
Ranking vs. Large Cap Equity	52	71	53	53	53
<b>Small Cap Equity - Net</b>	<b>22.75</b>	<b>105.30</b>	<b>14.87</b>	<b>17.02</b>	<b>11.25</b>
<b>DFA Small Core - Net</b>	<b>18.64</b>	<b>97.04</b>	--	--	--
Russell 2000 Index	12.70	94.85	14.76	16.35	11.68
Ranking vs. Small Cap Equity	12	26	--	--	--

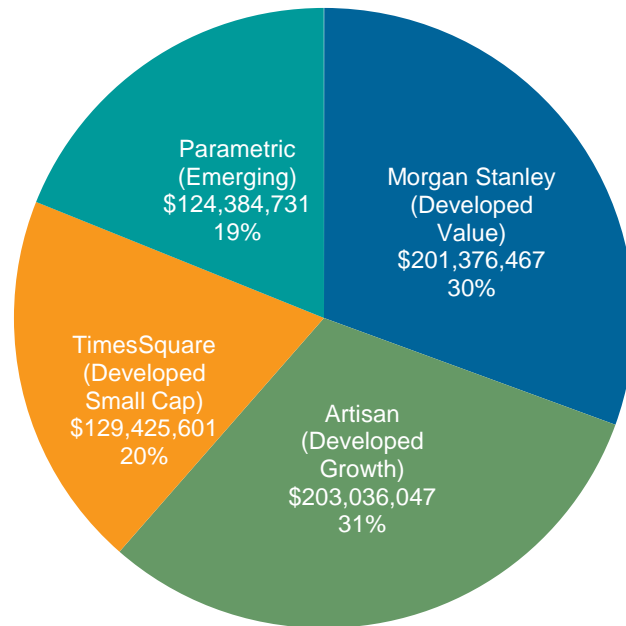
### Returns and Rankings for Calendar Years

	1 Qtr. 2021	2020	2019	2018	2017	2016
<b>Domestic Equity - Net</b>	<b>11.06</b>	<b>17.85</b>	<b>28.76</b>	<b>(5.34)</b>	<b>20.61</b>	<b>13.26</b>
Domestic Equity Target	6.35	20.89	31.02	(5.24)	21.13	12.74
<b>Large Cap Equity - Net</b>	<b>6.18</b>	<b>18.65</b>	<b>31.63</b>	<b>(4.59)</b>	<b>21.86</b>	<b>12.01</b>
<b>SSGA - Net</b>	<b>6.19</b>	<b>18.33</b>	<b>31.43</b>	<b>(4.39)</b>	<b>21.82</b>	<b>12.00</b>
S&P 500 Index	6.17	18.40	31.49	(4.38)	21.83	11.96
Ranking vs. Large Cap Equity	52	53	43	46	51	35
<b>Small Cap Equity - Net</b>	<b>22.75</b>	<b>14.26</b>	<b>21.86</b>	<b>(8.79)</b>	<b>17.50</b>	<b>15.99</b>
<b>DFA Small Core - Net</b>	<b>18.64</b>	<b>11.74</b>	<b>21.80</b>	--	--	--
Russell 2000 Index	12.70	19.96	25.52	(11.01)	14.65	21.31
Ranking vs. Small Cap Equity	12	54	69	--	--	--

- The domestic equity composite outperformed the index in the first quarter. DFA outperformed the Russell 2000 benchmark for the quarter and year. The majority of relative outperformance came from the fund's holdings in health care as well as the exclusion of stocks with the lowest profitability and highest relative price.

The Domestic Equity Target is comprised of 51.1% S&P/BARRA Value, 22.2% S&P 500, 15.6% Russell 2000 and 11.1% S&P/BARRA Growth through 12/31/1999, 80% S&P 500 and 20% Russell 2000 from 12/31/1999 to 06/30/2010, and 100% Russell 3000 from 06/30/2010 to present.

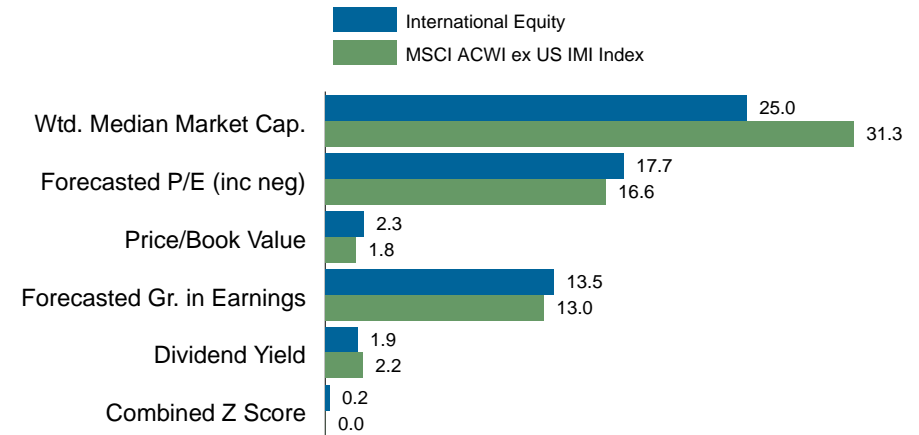
# International Equity Composite



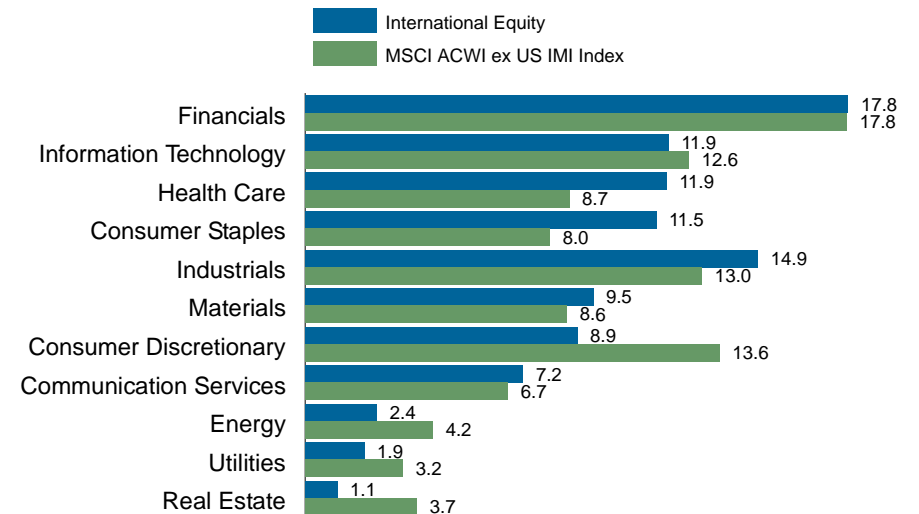
**Region & Style Exposure Matrix**  
Holdings as of March 31, 2021

	<div> <div>-- International Equity</div> <div>-- MSCI ACWI ex US IMI Index</div> </div>			
	Value	Core	Growth	Total
Europe	9.6% (22) 11.7%	19.6% (44) 13.1%	24.3% (55) 16.1%	53.5% (121) 40.9%
N. America	0.8% (3) 1.2%	0.6% (2) 1.3%	3.4% (6) 1.4%	4.8% (11) 3.9%
Pacific	1.1% (6) 8.4%	2.3% (9) 6.6%	11.6% (29) 10.0%	15.1% (44) 25.1%
Emerging	5.8% (649) 7.5%	9.1% (522) 9.3%	11.7% (255) 13.4%	26.6% (1426) 30.1%
Total	17.3% (680) 28.8%	31.7% (577) 26.4%	51.0% (345) 40.9%	100.0% (1602) 100.0%

**Portfolio Characteristics as of March 31, 2021**



**Sector Allocation as of March 31, 2021**



## International Equity Composite

### Returns and Rankings for Periods Ended March 31, 2021

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>International Equity - Net</b>	<b>0.83</b>	<b>45.30</b>	<b>5.95</b>	<b>8.85</b>	<b>6.55</b>
International Equity Target	3.77	51.94	6.51	9.84	5.11
<b>Morgan Stanley - Net</b>	<b>0.91</b>	<b>41.42</b>	<b>6.21</b>	<b>8.39</b>	<b>6.00</b>
MSCI EAFE Index	3.48	44.57	6.02	8.85	5.52
Ranking vs. Non-US Developed Value Equity	100	80	1	20	18
<b>Artisan - Net</b>	<b>0.43</b>	<b>38.14</b>	<b>7.92</b>	<b>9.18</b>	<b>7.31</b>
MSCI EAFE Index	3.48	44.57	6.02	8.85	5.52
Ranking vs. Non-US Developed Growth Equity	73	94	81	86	50
<b>TimesSquare - Net</b>	<b>(0.08)</b>	59.02	--	--	--
MSCI EAFE Small Cap	4.50	61.98	6.32	10.50	8.01
TimesSquare - Gross (unlinked)	86	68	--	--	--
<b>Parametric EM - Net</b>	<b>1.88</b>	<b>51.84</b>	<b>0.46</b>	<b>6.61</b>	<b>1.81</b>
MSCI Emerging Markets Index	2.29	58.39	6.48	12.07	3.65
Ranking vs. Emerging Markets Equity	65	83	91	92	94

### Returns and Rankings for Periods Ended March 31, 2021

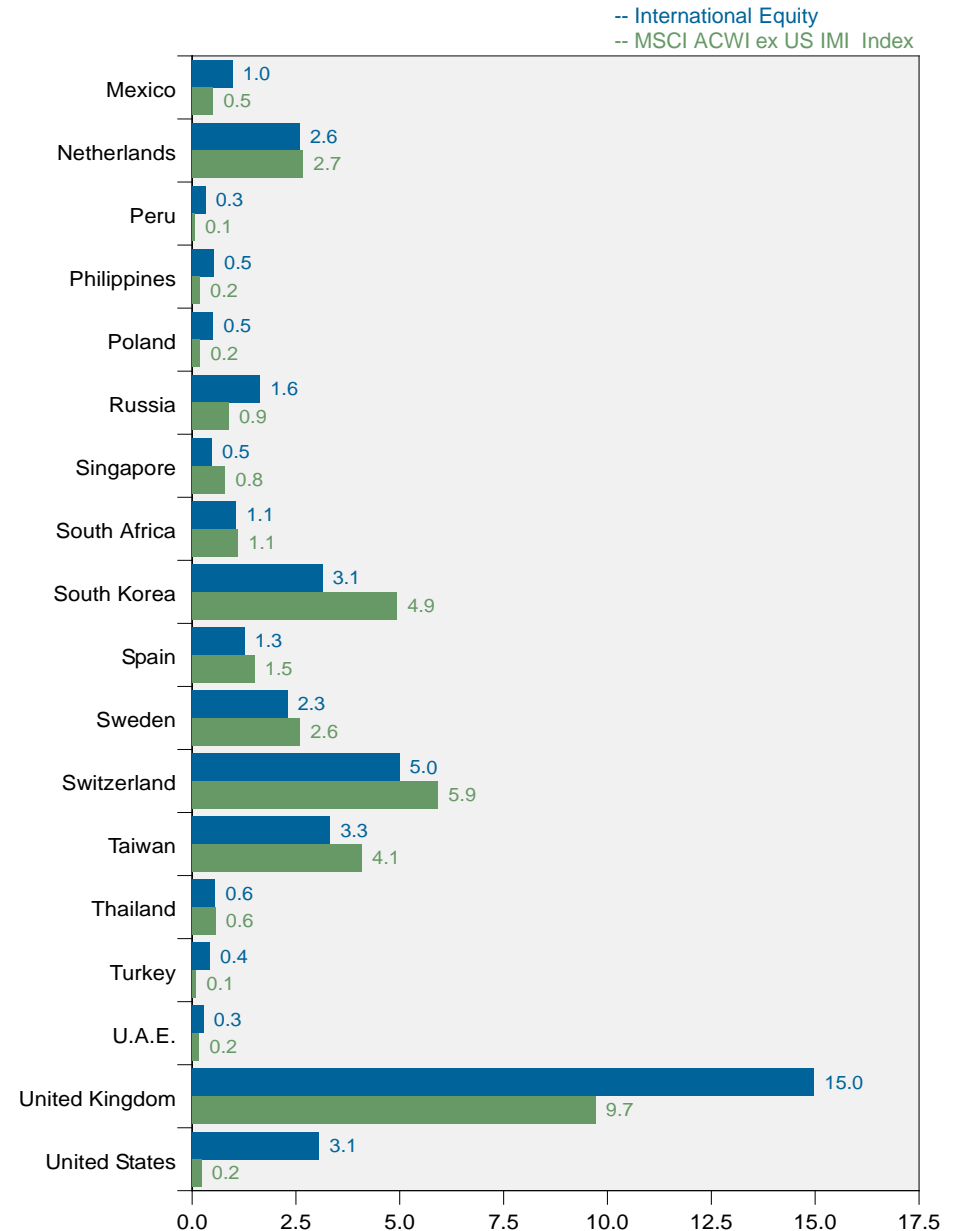
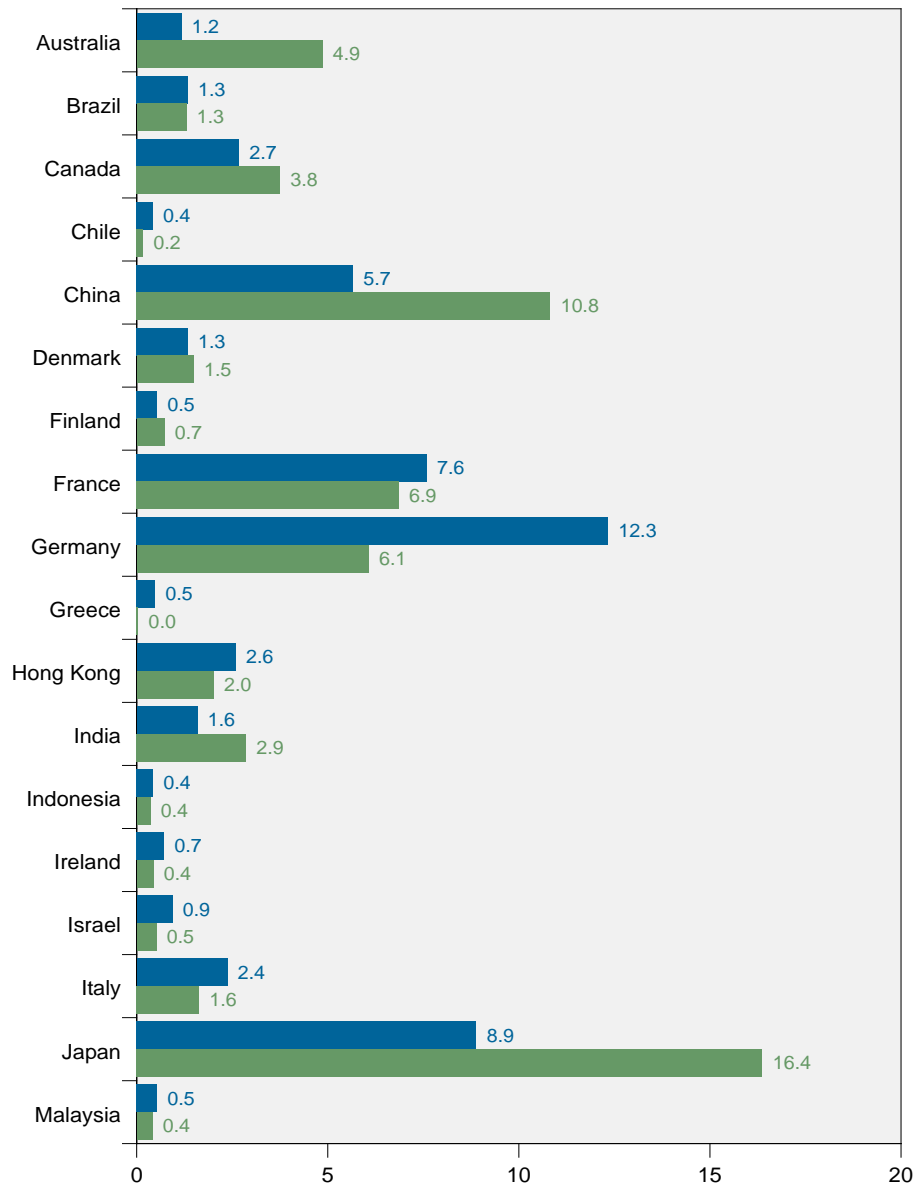
	1 Qtr. 2021	2020	2019	2018	2017
<b>International Equity - Net</b>	<b>0.83</b>	<b>10.79</b>	<b>23.52</b>	<b>(13.51)</b>	<b>28.92</b>
International Equity Target	3.77	11.12	21.63	(14.76)	27.81
<b>Morgan Stanley - Net</b>	<b>0.91</b>	<b>11.99</b>	<b>20.92</b>	<b>(13.46)</b>	<b>25.42</b>
MSCI EAFE Index	3.48	7.82	22.01	(13.79)	25.03
Ranking vs. Non-US Developed Value Equity	100	1	34	14	41
<b>Artisan - Net</b>	<b>0.43</b>	<b>8.08</b>	<b>29.61</b>	<b>(10.56)</b>	<b>31.24</b>
MSCI EAFE Index	3.48	7.82	22.01	(13.79)	25.03
Ranking vs. Non-US Developed Growth Equity	73	96	26	13	25
<b>TimesSquare - Net</b>	<b>(0.08)</b>	13.87	--	--	--
MSCI EAFE Small Cap	4.50	12.34	24.96	(17.89)	33.01
TimesSquare - Gross (unlinked)	86	40	--	--	--
<b>Parametric EM - Net</b>	<b>1.88</b>	<b>4.02</b>	<b>12.61</b>	<b>(13.57)</b>	<b>27.62</b>
MSCI Emerging Markets Index	2.29	18.31	18.44	(14.57)	37.28
Ranking vs. Emerging Markets Equity	65	87	83	25	83

- The International Equity composite underperformed on a relative basis for the quarter and year. Absolute returns were strong for the year at +45.3%.
  - Morgan Stanley: stock selection within consumer discretionary and energy was a significant detractor along with the fund's overweight to consumer staples.
  - Artisan: stock selection in financials and health care plus an underweight to energy weighed on relative returns.
  - TimesSquare: stock selection in IT, communication services and health care were headwinds to performance.
  - Parametric: an underweight to Taiwan was the main detractor as technology exports picked up for the country.

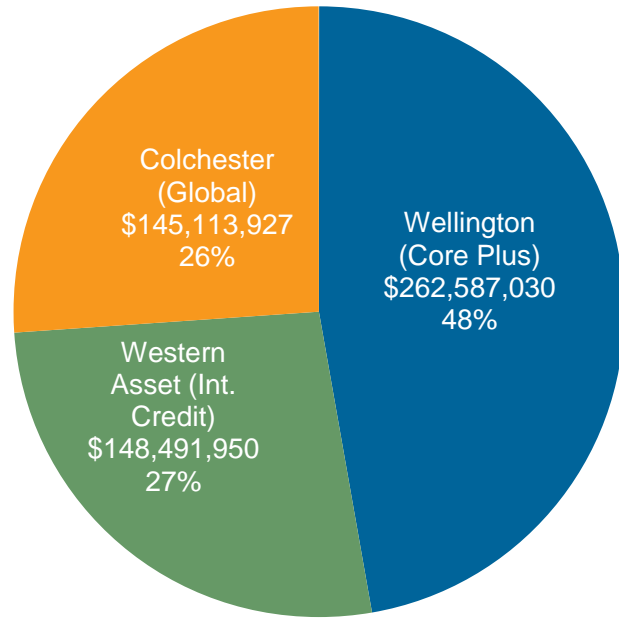
The International Equity Target is comprised of 100% MSCI EAFE Index through 06/30/2010, and 100% MSCI ACWI ex-US IMI Index thereafter.

# International Equity Composite

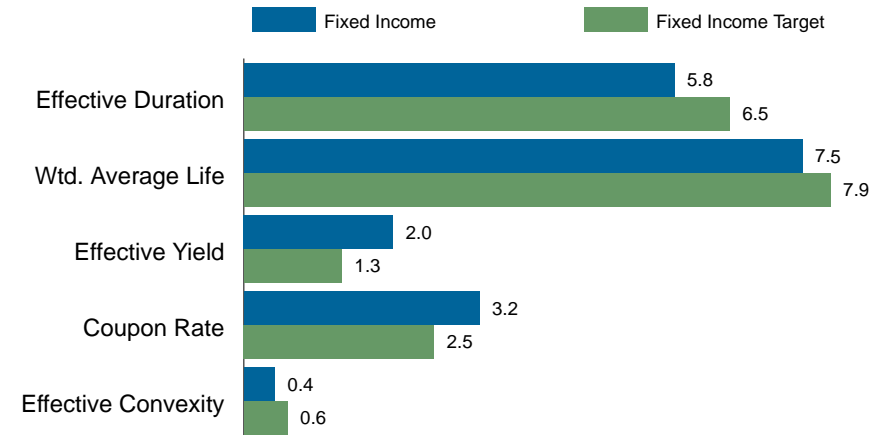
Country Allocations as of March 31, 2021



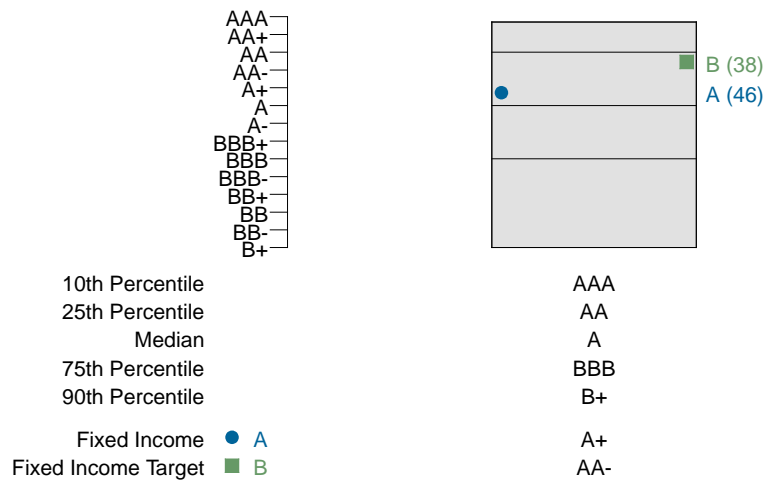
# Fixed Income Composite



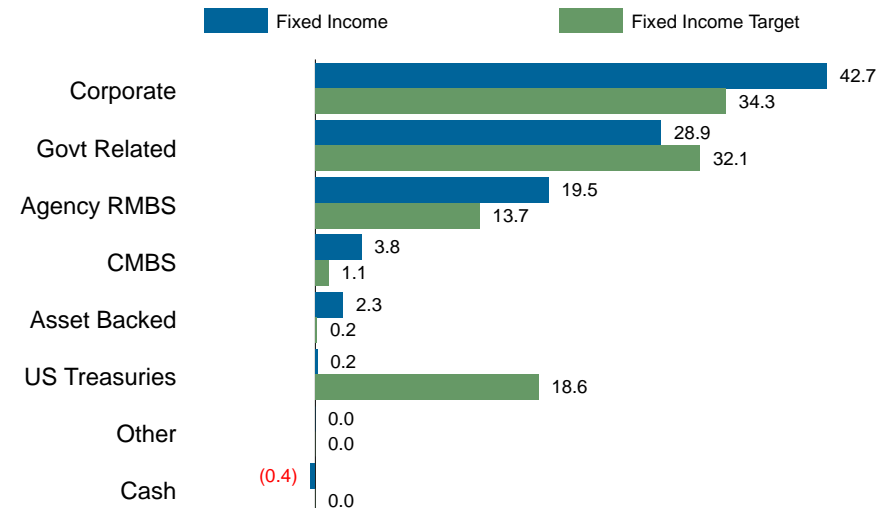
## Portfolio Characteristics as of March 31, 2021



## Quality Rating as of March 31, 2021 Total Domestic Fixed Income Database



## Sector Allocation as of March 31, 2021





## Fixed Income Composite

### Returns and Rankings for Periods Ended March 31, 2021

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>Fixed Income - Net</b>	<b>(3.61)</b>	<b>7.87</b>	<b>5.28</b>	<b>4.10</b>	<b>4.14</b>
Fixed Income Target	(3.62)	2.65	4.17	3.05	3.19
<b>Wellington - Net</b>	<b>(3.10)</b>	<b>5.50</b>	<b>5.77</b>	<b>4.46</b>	<b>4.50</b>
Bloomberg Aggregate Index	(3.37)	0.71	4.65	3.10	3.44
Ranking vs. Core Plus Fixed Income	72	65	27	41	33
<b>Western Asset - Net</b>	<b>(1.57)</b>	<b>12.61</b>	<b>6.29</b>	<b>4.81</b>	<b>4.55</b>
Bloomberg Intermediate Credit Index	(2.07)	7.39	5.21	3.75	3.86
Ranking vs. Intermediate Fixed Income	20	1	1	1	1
<b>Colchester - Net</b>	<b>(6.01)</b>	<b>8.61</b>	<b>2.51</b>	<b>2.82</b>	<b>--</b>
FTSE World Government Bond Index	(5.68)	1.82	2.09	2.15	1.66
Ranking vs. Global Fixed Income (Uhedged)	92	44	75	56	--

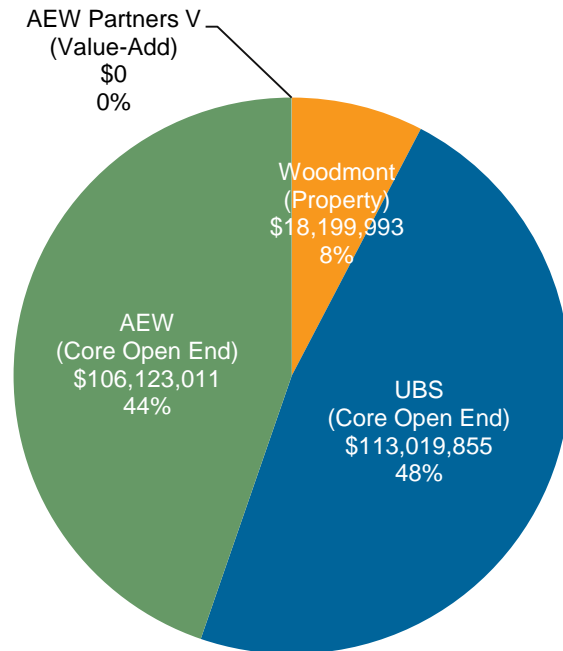
### Returns and Rankings for Calendar Years

	1 Qtr. 2021	2020	2019	2018	2017	2016
<b>Fixed Income - Net</b>	<b>(3.61)</b>	<b>11.47</b>	<b>8.65</b>	<b>(0.35)</b>	<b>5.14</b>	<b>4.26</b>
Fixed Income Target	(3.62)	8.10	8.21	(0.17)	4.55	2.70
<b>Wellington - Net</b>	<b>(3.10)</b>	<b>9.91</b>	<b>9.94</b>	<b>(0.37)</b>	<b>4.90</b>	<b>4.72</b>
Bloomberg Aggregate Index	(3.37)	7.51	8.72	0.01	3.54	2.65
Ranking vs. Core Plus Fixed Income	72	26	44	42	41	43
<b>Western Asset - Net</b>	<b>(1.57)</b>	<b>9.96</b>	<b>9.78</b>	<b>(0.37)</b>	<b>4.12</b>	<b>4.89</b>
Bloomberg Intermediate Credit Index	(2.07)	7.08	9.52	0.01	3.67	3.68
Ranking vs. Intermediate Fixed Income	20	2	1	99	2	1
<b>Colchester - Net</b>	<b>(6.01)</b>	<b>11.12</b>	<b>7.56</b>	<b>(0.90)</b>	<b>8.20</b>	<b>3.87</b>
FTSE World Government Bond Index	(5.68)	10.11	5.90	(0.84)	7.49	1.60
Ranking vs. Global Fixed Income (Uhedged)	92	26	58	18	35	15

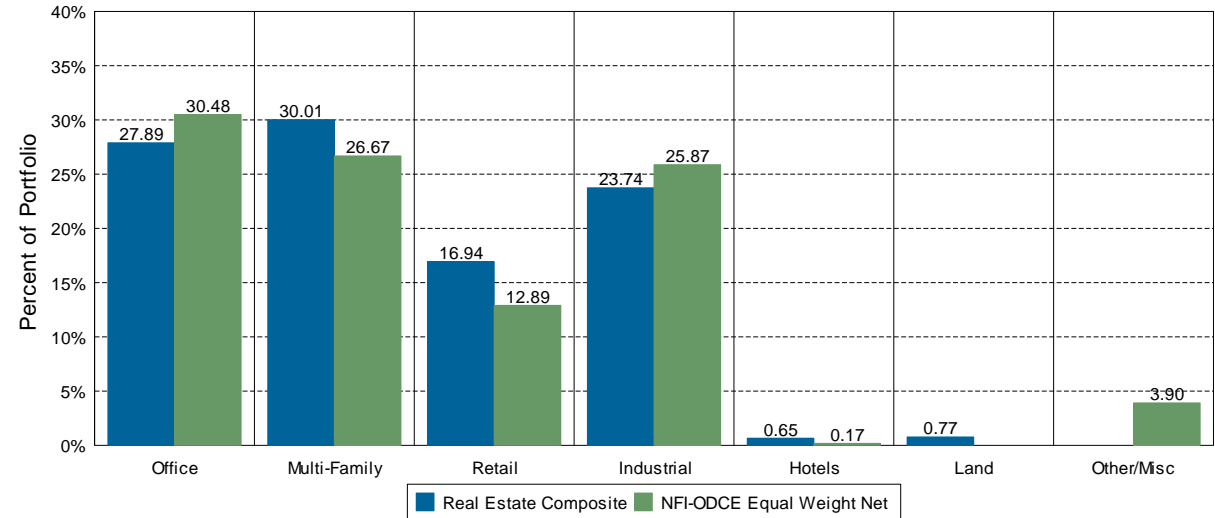
- The Fixed Income composite performed in line with its target in the first quarter.
  - Wellington: allocations to high yield, non-agency RMBS, and an allocation to TIPS were tailwinds to relative performance.
  - Western Asset: issue selection within energy and an overweight to lower quality issues benefited relative returns.
  - Colchester: currency exposure was the main detractor for the period, namely overweights in the Swedish Krona and the Japanese Yen.

Fixed Income Target is comprised of 100% Bloomberg Aggregate Index until 03/31/2014 and 50% Bloomberg Aggregate Index, 25% Bloomberg Intermediate Credit Index, and 25% FTSE World Government Bond Index thereafter.

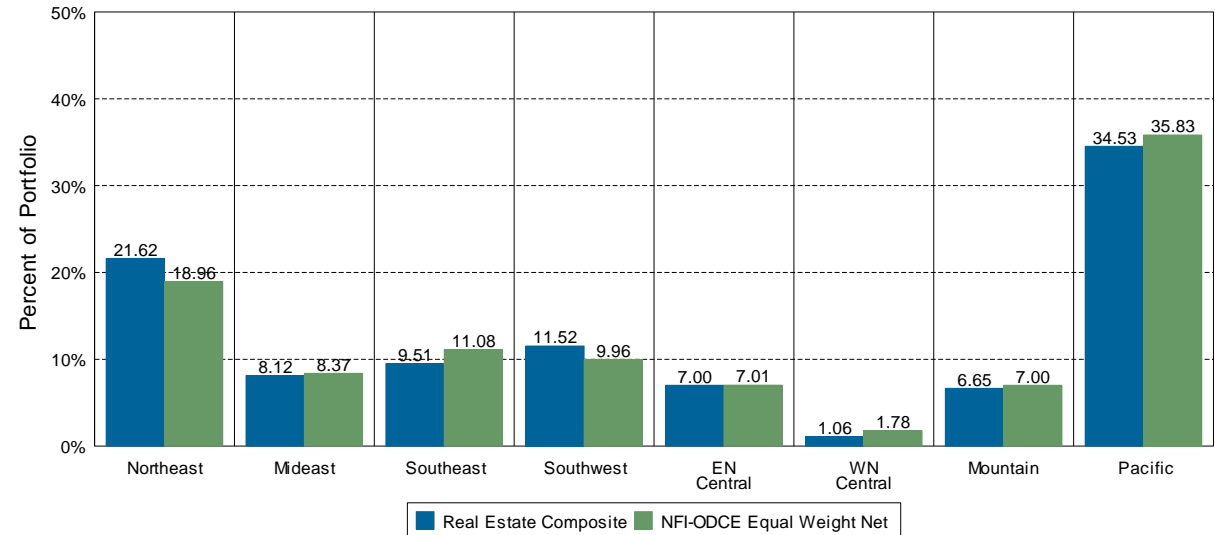
# Real Estate Composite



Diversification by Property Type as of March 31, 2021



Diversification by Geographic Region as of March 31, 2021



## Real Estate Composite

### Returns and Rankings for Periods Ended March 31, 2021

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>Real Estate - Net</b>	<b>1.37</b>	<b>(1.02)</b>	<b>1.44</b>	<b>3.31</b>	<b>9.72</b>
Real Estate Target	2.07	2.12	4.41	5.64	8.85
<b>AEW Core Property Trust - Net</b>	<b>1.92</b>	<b>3.57</b>	<b>4.34</b>	<b>5.42</b>	<b>--</b>
NFI-ODCE Equal Wt Net Index	2.07	2.12	4.41	5.64	8.88
Ranking vs. Core Open End Funds	27	12	54	62	--
<b>UBS Trumbull Property Fund - Net</b>	<b>1.09</b>	<b>(3.87)</b>	<b>(0.78)</b>	<b>1.74</b>	<b>--</b>
NFI-ODCE Equal Wt Net Index	2.07	2.12	4.41	5.64	8.88
Ranking vs. Core Open End Funds	89	97	99	100	--

### Returns and Rankings for Calendar Years

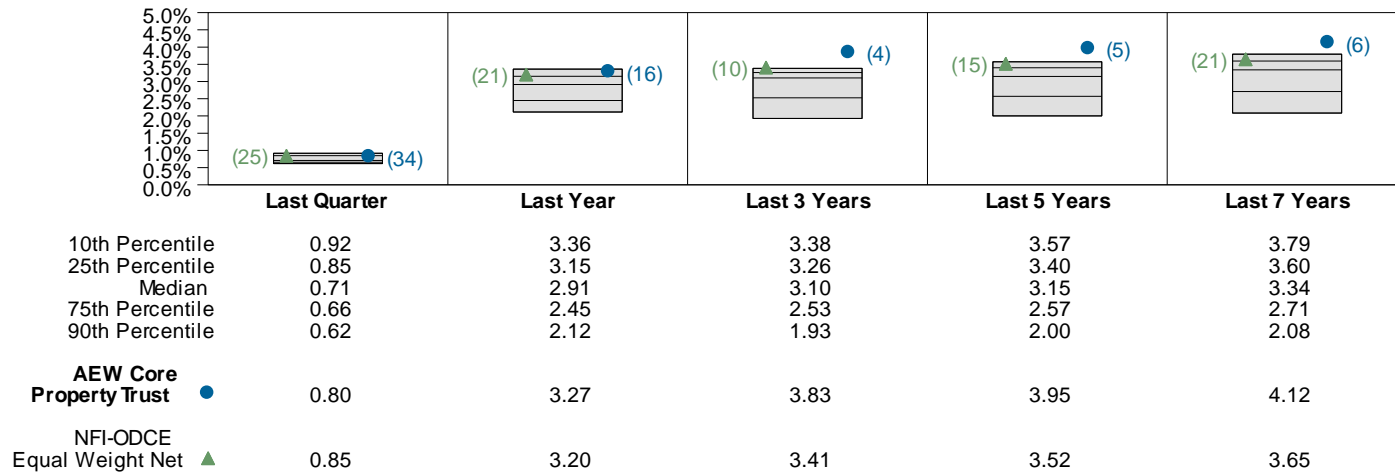
	1 Qtr. 2021	2020	2019	2018	2017	2016
<b>Real Estate - Net</b>	<b>1.37</b>	<b>(2.29)</b>	<b>0.64</b>	<b>6.46</b>	<b>5.66</b>	<b>7.14</b>
Real Estate Target	2.07	0.75	5.18	7.30	6.92	8.36
<b>AEW Core Property Trust - Net</b>	<b>1.92</b>	<b>0.57</b>	<b>5.29</b>	<b>6.77</b>	<b>6.99</b>	<b>7.51</b>
NFI-ODCE Equal Wt Net Index	2.07	0.75	5.18	7.30	6.92	8.36
Ranking vs. Core Open End Funds	27	62	71	76	43	67
<b>UBS Trumbull Property Fund - Net</b>	<b>1.09</b>	<b>(4.68)</b>	<b>(2.88)</b>	<b>6.12</b>	<b>5.32</b>	<b>6.16</b>
NFI-ODCE Equal Wt Net Index	2.07	0.75	5.18	7.30	6.92	8.36
Ranking vs. Core Open End Funds	89	94	97	80	88	90

- The AEW Core Property Trust's current leverage is 26.4% (NFI-ODCE leverage: 23.1%) and has an occupancy rate of 94%.
  - The industrial sector continues to lead performance for AEW. Multi-family and office were also positive contributors while retail was modestly negative.
- The UBS Trumbull Property Fund's current leverage is 18.7% and has an occupancy rate of 91.1%.
  - UBS' performance this quarter was positive on an absolute basis but trailed the index due to depreciation in the retail and hotel sectors.

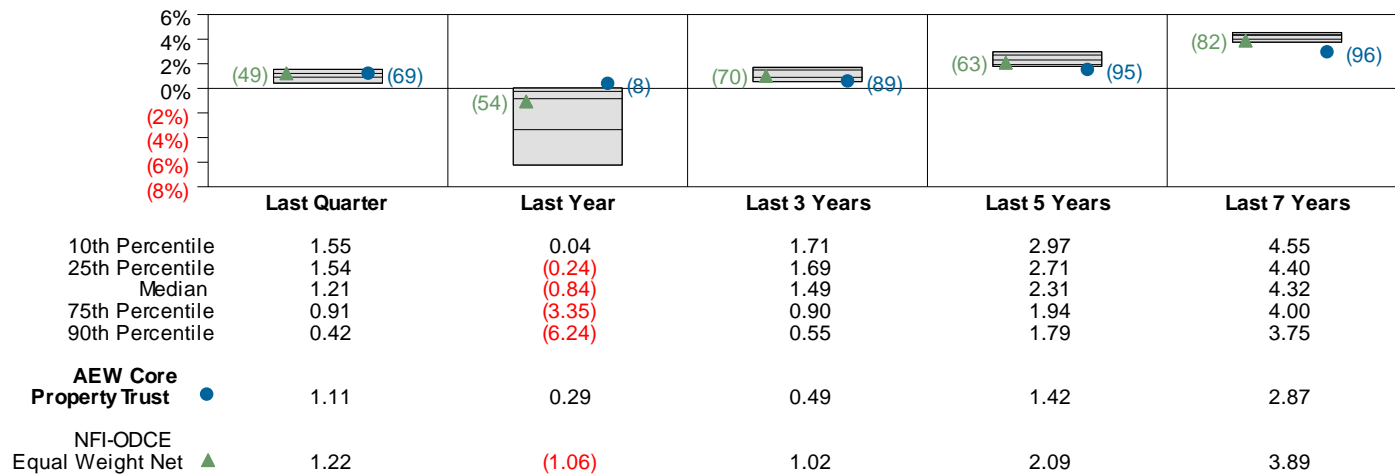
The Real Estate Target is comprised of the NCREIF Classic Index through 12/31/2004, NCREIF Total Property Index through 12/31/2014, and the NFI-ODCE Equal Weight Net thereafter.

# AEW Income and Appreciation Returns

## Income Rankings vs Callan Real Estate ODCE Periods ended March 31, 2021

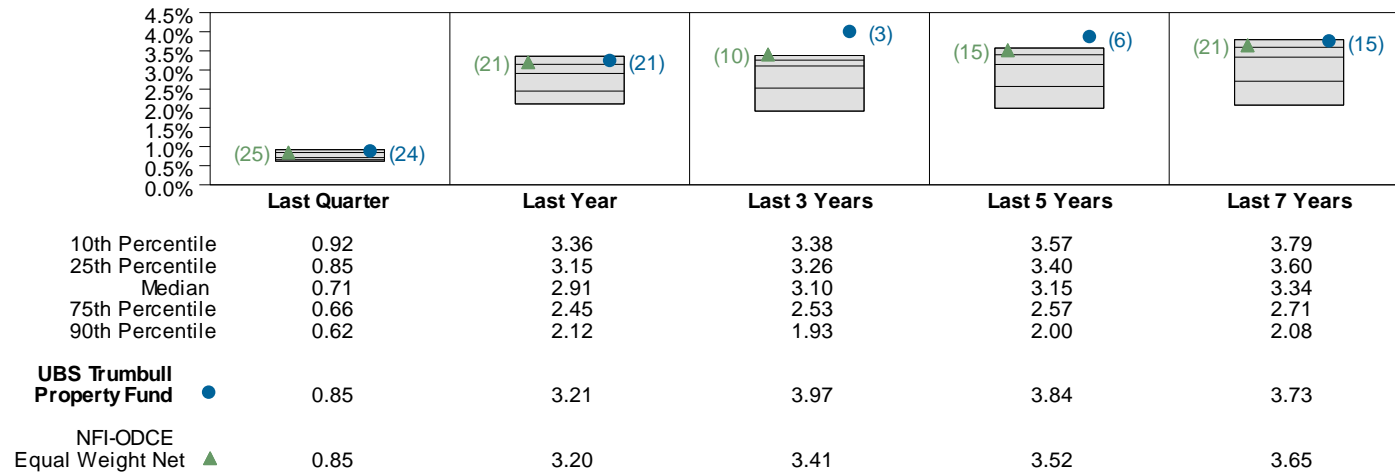


## Appreciation Rankings vs Callan Real Estate ODCE Periods ended March 31, 2021

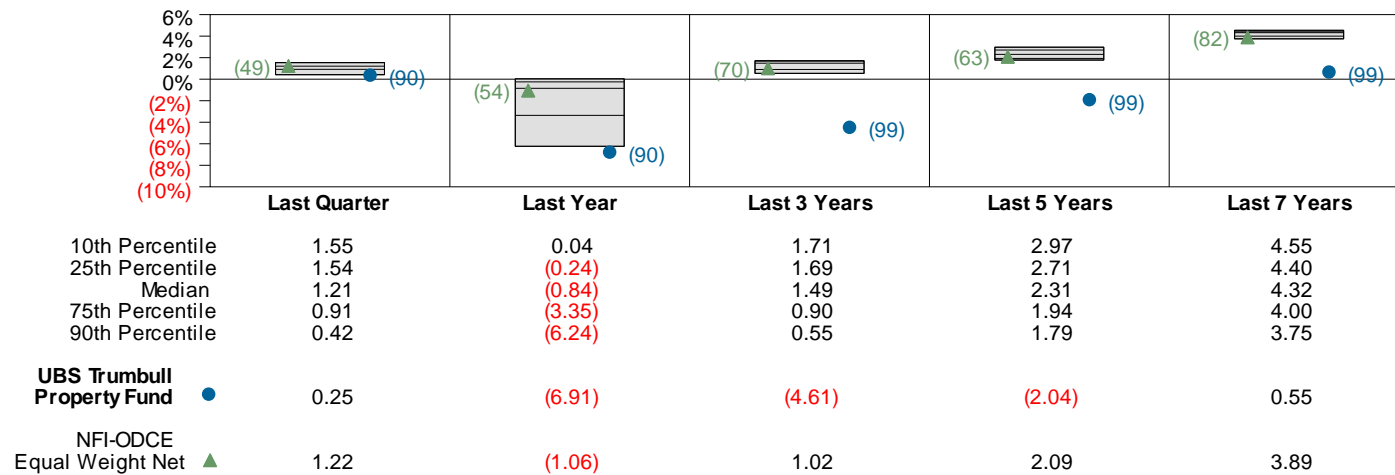


# UBS Income and Appreciation Returns

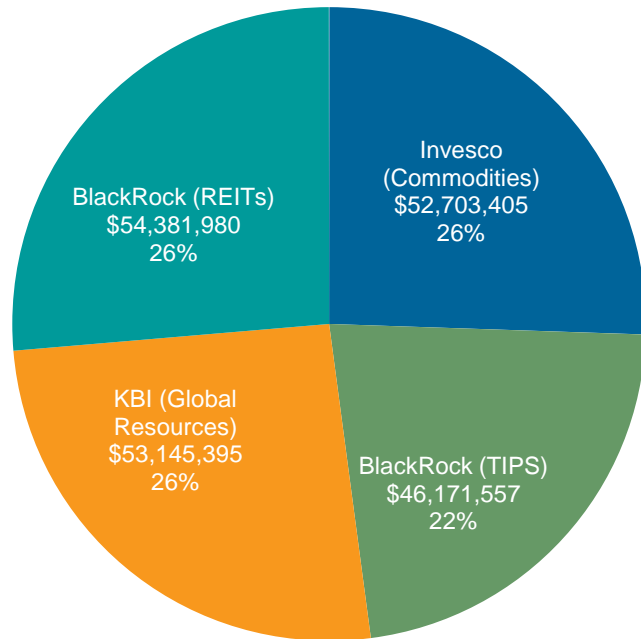
## Income Rankings vs Callan Real Estate ODCE Periods ended March 31, 2021



## Appreciation Rankings vs Callan Real Estate ODCE Periods ended March 31, 2021



## Real Assets Composite



- The BlackRock TIPS and REITs Funds are passive.
- The Invesco Balanced Risk Commodities Fund outperformed primarily due to its overweight to industrial metals.
- All three strategies within the KBI Global Resources Solutions Fund (energy solutions, water, and agribusiness) contributed to the fund's total return, but the strategy underperformed its index during the first quarter. Within the water segment, utilities and technology were the largest contributors to underperformance.

### Returns and Rankings for Periods Ended March 31, 2021

	Last Quarter	Last Year	Last 3 Years	Last 4 Years
<b>Real Assets - Net</b>	<b>6.56</b>	<b>46.36</b>	<b>9.11</b>	<b>7.84</b>
Real Assets Target	6.76	35.53	5.25	5.05
<b>BlackRock TIPS Index Fund - Net</b>	<b>(1.46)</b>	<b>7.81</b>	<b>5.78</b>	<b>4.59</b>
Bloomberg US TIPS Index	(1.47)	7.54	5.68	4.47
Ranking vs. Real Returns Database	56	56	44	44
<b>BlackRock REIT Index Fund - Net</b>	<b>9.97</b>	<b>36.58</b>	<b>7.52</b>	<b>--</b>
S&P Dow Jones US Select REIT	10.00	36.66	7.55	4.63
MSCI US REIT Index	8.76	37.69	9.51	5.86
Ranking vs. Real Estate Mutual Funds	13	36	88	91
<b>Invesco Commodity Fund - Net</b>	<b>7.13</b>	<b>54.79</b>	<b>2.62</b>	<b>3.25</b>
Bloomberg Commodity Index	6.92	35.04	(0.20)	0.76
Ranking vs. Commodities Funds	82	19	25	25
<b>KBI Global Resources Fund - Net</b>	<b>9.35</b>	<b>89.20</b>	<b>16.12</b>	<b>15.20</b>
S&P Global Natural Resources Index	11.59	66.45	4.74	7.58
KBI Custom Benchmark	3.91	94.55	20.69	18.41

### Returns and Rankings Calendar Years

	1 Qtr. 2021	2020	2019	2018
<b>Real Assets - Net</b>	<b>6.56</b>	<b>11.08</b>	<b>15.51</b>	<b>(7.97)</b>
Real Assets Target	6.76	0.57	14.08	(7.27)
<b>BlackRock TIPS Index Fund - Net</b>	<b>(1.46)</b>	<b>11.17</b>	<b>8.49</b>	<b>(1.15)</b>
Bloomberg US TIPS Index	(1.47)	10.99	8.43	(1.26)
Ranking vs. Real Returns Database	56	24	37	43
<b>BlackRock REIT Index Fund - Net</b>	<b>9.97</b>	<b>(11.21)</b>	<b>23.07</b>	<b>(4.22)</b>
S&P Dow Jones US Select REIT Index	10.00	(11.20)	23.10	(4.22)
MSCI US REIT Index	8.76	(7.57)	25.84	(4.57)
Ranking vs. Real Estate Mutual Funds	13	96	89	23
<b>Invesco Commodity Fund - Net</b>	<b>7.13</b>	<b>7.57</b>	<b>5.49</b>	<b>(11.61)</b>
Bloomberg Commodity Index	6.92	(3.12)	7.69	(11.25)
Ranking vs. Commodities Funds	82	6	81	46
<b>KBI Global Resources Fund - Net</b>	<b>9.35</b>	<b>29.16</b>	<b>24.81</b>	<b>(14.60)</b>
S&P Global Natural Resources Index	11.59	(0.05)	16.41	(13.08)
KBI Custom Benchmark	3.91	46.83	28.74	(13.77)

The Real Assets Target is comprised of 25% Bloomberg US TIPS Index, 25% Bloomberg Commodity Index, 25% S&P Dow Jones US Select REIT Index, and 25% S&P Global Natural Resources Index. The KBI Custom Benchmark consists of 1/3 each: S-Network Global Water Index, Wilderhill New Energy Global Innovation Index, and Dax Global Agribusiness Index.

## Private Equity Portfolio

- 91% Paid-In through 12/31/20.
- When ranked against the Thomson-Cambridge Private Equity Database, MCERA is ranked in the second quartile for Total Value to Paid-In (TVPI) basis.
- The total portfolio is well diversified by vintage year and investment type.

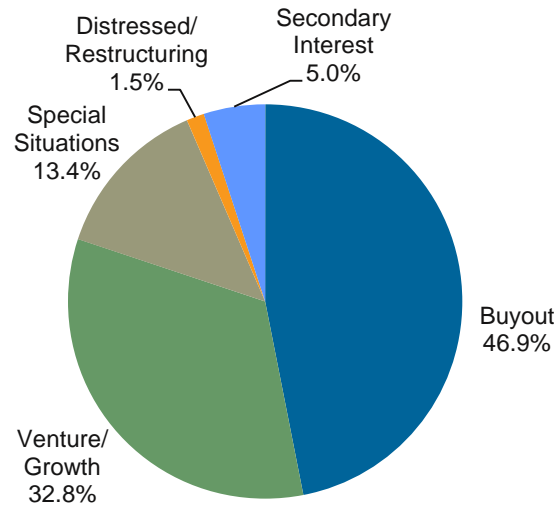
	December 31, 2020	Quarter Change	September 30, 2020
<b>Summary</b>			
Vintage Years	13 in 2008-2020		13 in 2008-2020
# Total Partnerships	360	-	360
# Active Partnerships	356	-	356
# Liquidated Partnerships	4	-	4
<b>Changes in Value</b>			
Capital Commitments	\$400,000,000	-	\$400,000,000
Paid-In Capital	\$362,504,003	\$6,410,411	\$356,093,592
Uncalled Capital	\$37,555,346	\$(6,410,411)	\$43,965,757
% Paid-In	90.63%	1.60%	89.02%
Distributed Capital	\$284,885,796	\$23,990,861	\$260,894,935
Net Asset Value	\$375,550,729	\$42,188,505	\$333,362,224
<b>Total Realized and Unrealized Value</b>	<b>\$660,436,525</b>	<b>\$66,179,366</b>	<b>\$594,257,159</b>
<b>Ratios and Performance</b>			
Distributions to Paid-In Capital (DPI)	0.79x	0.05x	0.73x
Residual Value to Paid-In Capital (RVPI)	1.04x	0.10x	0.94x
Total Value to Paid-In Capital (TVPI)	1.82x	0.15x	1.67x
Quartile Ranking	2nd		2nd
Net IRR	15.33%	1.61%	13.72%
<b>Additional Performance Metrics</b>			
Distribution Rate, as % of Beginning NAV		7.20%	
Unrealized Gain/(Loss), Dollars		\$59,768,954	
Unrealized Gain/(Loss), %		17.93%	

Quartile Rankings against the All Private Equity, All Regions Refinitiv/Cambridge Database.

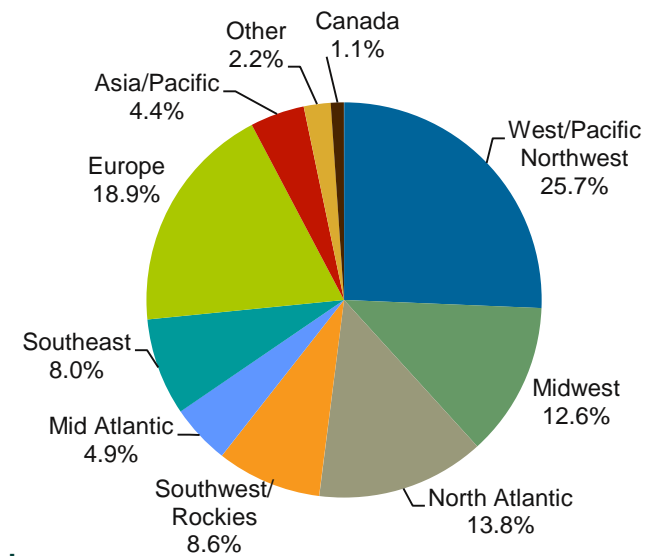
Uncalled capital above does not reflect currency fluctuations for Pathway's investments in foreign partnerships.

# Private Equity Portfolio Exposure

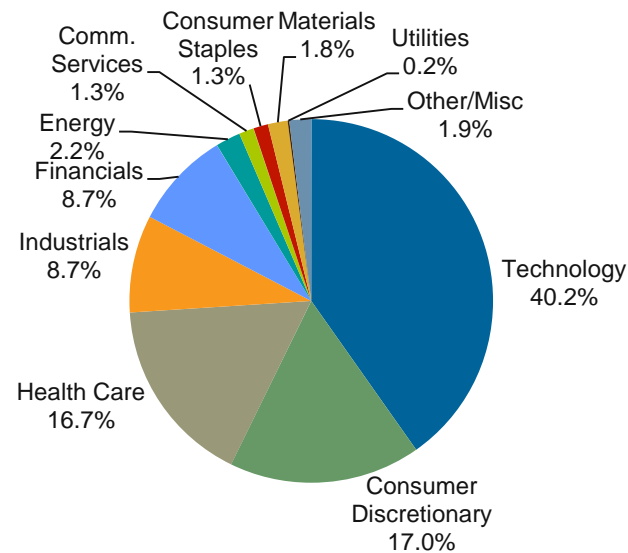
## Strategy Mix by Net Asset Value



## Geographic Mix by Net Asset Value

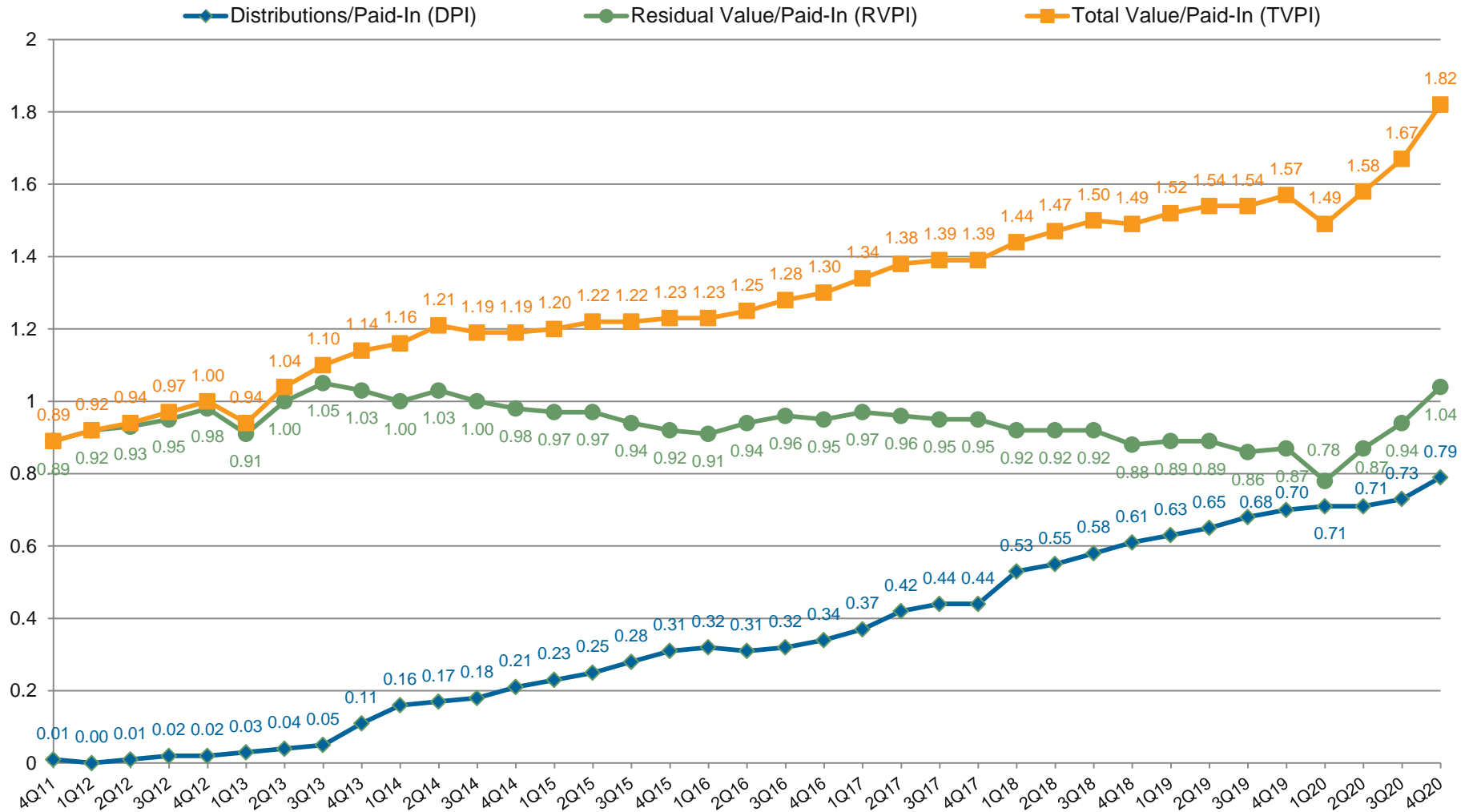


## Industry Mix by Net Asset Value





## Private Equity Ratios – Changes Over Time



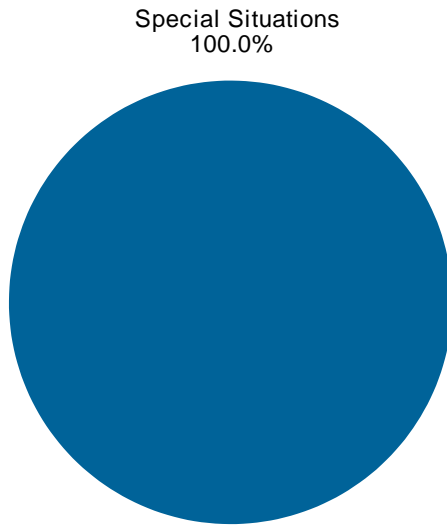
## Opportunistic Portfolio

- 20.2% Paid-In through 3/31/21.
- The total portfolio is well diversified by industry type and geographic location.

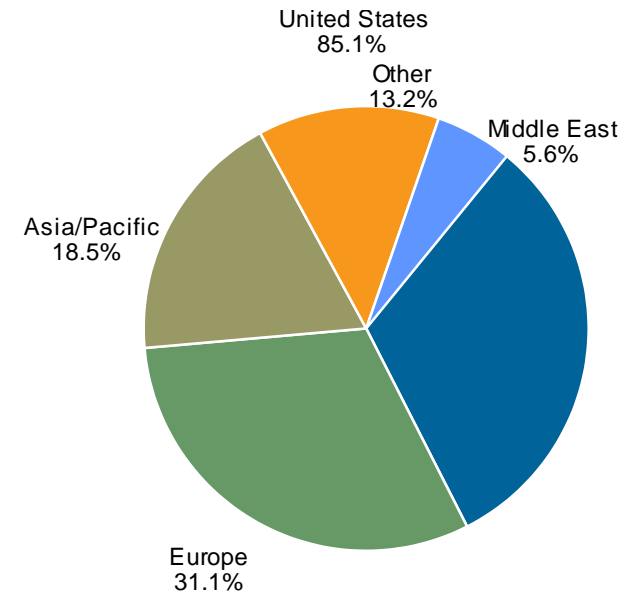
	March 31, 2021	Quarter Change	December 31, 2020
<b>Summary</b>			
Vintage Year	2020		2020
# Total Partnerships	172	-	172
# Active Partnerships	172	-	172
# Liquidated Partnerships	0	-	0
<b>Changes in Value</b>			
Capital Commitments	\$100,000,000	-	\$100,000,000
Paid-In Capital	\$20,147,955	\$10,050,000	\$10,097,955
Uncalled Capital	\$79,852,045	\$(10,050,000)	\$89,902,045
% Paid-In	20.15%	10.05%	10.10%
Distributed Capital	\$0	-	\$0
Net Asset Value	\$21,998,886	\$10,530,075	\$11,468,811
<b>Total Realized and Unrealized Value</b>	<b>\$21,998,886</b>	<b>\$10,530,075</b>	<b>\$11,468,811</b>
<b>Ratios and Performance</b>			
Distributions to Paid-In Capital (DPI)	0.00x	-	0.00x
Residual Value to Paid-In Capital (RVPI)	1.09x	(0.04)x	1.14x
Total Value to Paid-In Capital (TVPI)	1.09x	(0.04)x	1.14x
Net IRR	19.15%	(10.42%)	29.57%
<b>Additional Performance Metrics</b>			
Distribution Rate, as % of Beginning NAV		0.00%	
Unrealized Gain/(Loss), Dollars		\$480,075	
Unrealized Gain/(Loss), %		4.19%	

## Opportunistic Portfolio Exposure

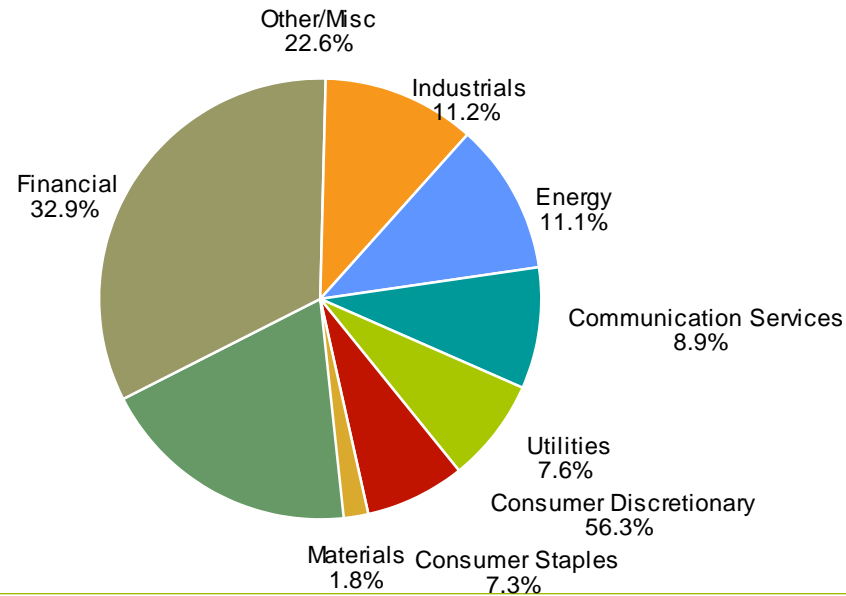
Strategy Mix by Net Asset Value



Geographic Mix by Net Asset Value



Industry Mix by Net Asset Value



Callan

---

## Appendix

# SSGA S&P 500 Index Portfolio

Inception Date: 12/31/2010

Strategy AUM: \$653.3B

Vehicle AUM: \$59.5B

Fee Schedule:

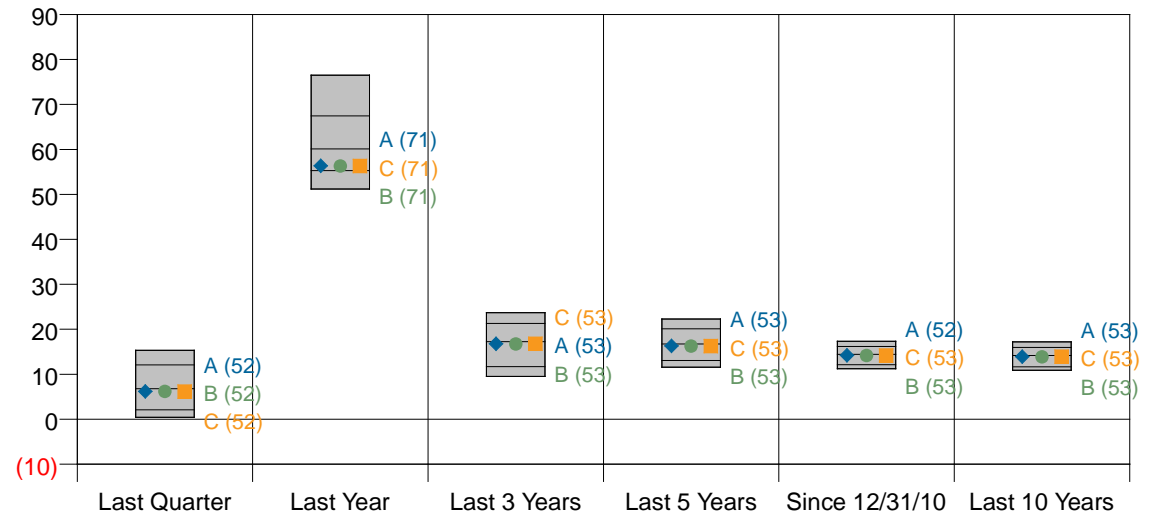
0.05% on the first \$50 million

0.04% on the next \$50 million

0.02% on the balance

Returns for Periods Ended March 31, 2021

Group: Callan Large Capitalization



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Since 12/31/10	Last 10 Years
10th Percentile	15.34	76.55	23.69	22.28	17.35	17.21
25th Percentile	12.08	67.46	21.30	20.10	16.18	15.99
Median	6.81	60.12	17.25	16.74	14.45	14.20
75th Percentile	2.10	55.31	11.71	13.08	12.14	11.68
90th Percentile	0.43	51.22	9.54	11.59	11.23	10.90
SSGA - Gross	6.20	56.39	16.78	16.31	14.22	13.94
SSGA - Net	6.19	56.35	16.74	16.28	14.18	13.90
S&P 500 Index	6.17	56.35	16.78	16.29	14.19	13.91

# DFA Small Cap Core Equity

Inception Date: 12/31/2018

Strategy AUM: \$26.7B

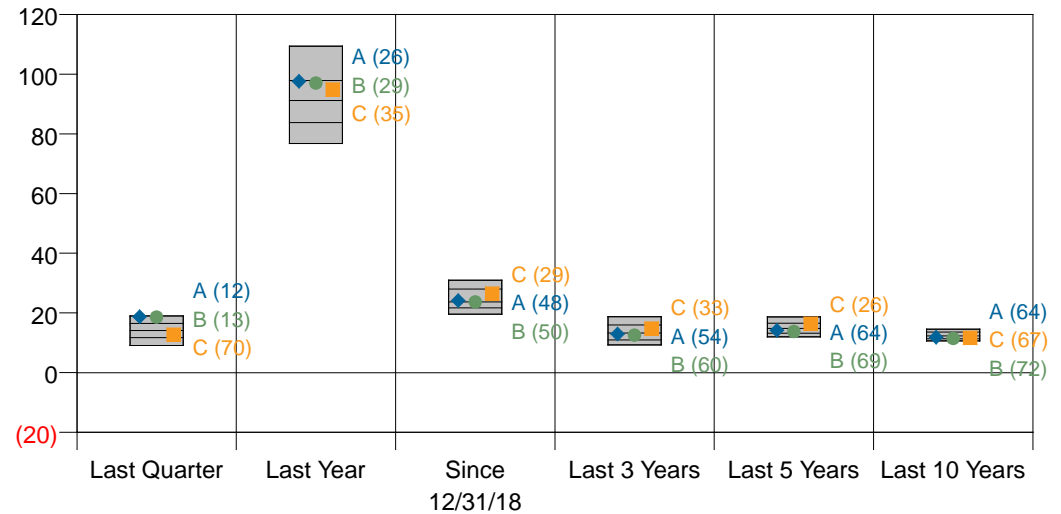
Vehicle AUM: \$2.1B

Fee Schedule:

0.30% on all assets

Returns for Periods Ended March 31, 2021

Group: Callan Small Cap Core



10th Percentile	19.02	109.42	31.01	18.76	18.72	14.61
25th Percentile	16.50	97.87	28.03	15.97	16.60	13.61
Median	14.11	91.22	23.73	13.33	14.84	12.31
75th Percentile	11.73	83.83	21.73	11.00	13.24	11.34
90th Percentile	9.11	76.81	19.59	9.32	12.00	10.63
DFA Small Core - Gross	◆ A	18.74	97.66	24.17	12.96	11.87
DFA Small Core - Net	● B	18.64	97.04	23.73	12.56	11.48
S&P 500 Index	■ C	12.70	94.85	26.50	14.76	11.68

# Morgan Stanley International Value Equity

Inception Date: 9/30/2001

Strategy AUM: \$6.9B

Vehicle AUM: \$2.2B

Fee Schedule:

0.75% on the first \$25 million

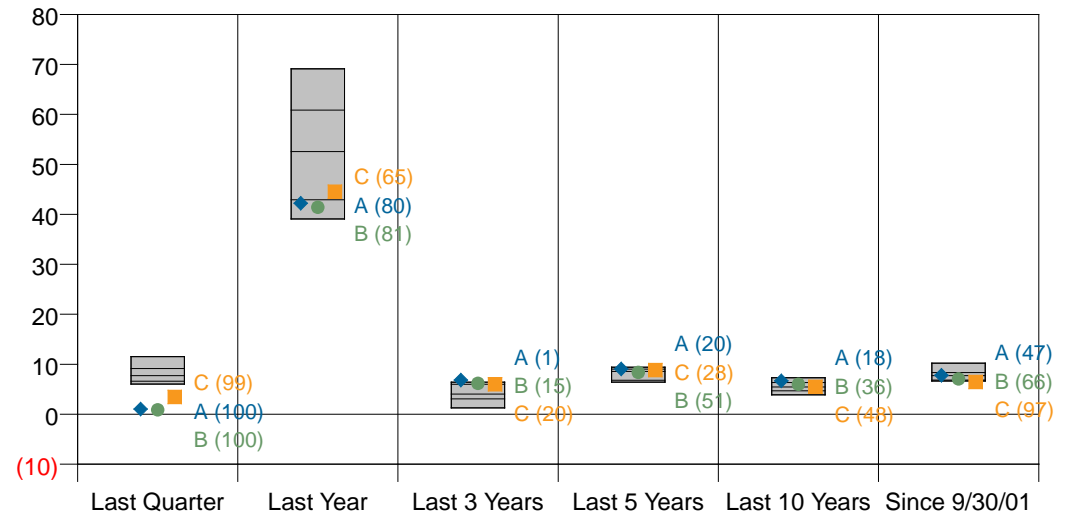
0.65% on the next \$50 million

0.60% on the next \$25 million

0.45% on the balance

Returns for Periods Ended March 31, 2021

Group: Callan Non-US Developed Value Equity



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Since 9/30/01
10th Percentile	11.53	69.14	6.41	9.41	7.30	10.22
25th Percentile	9.16	60.90	6.01	9.04	6.35	8.36
Median	7.75	52.59	4.06	8.56	5.46	7.73
75th Percentile	6.62	42.93	3.09	6.83	4.69	6.87
90th Percentile	6.04	39.11	1.30	6.43	3.90	6.66
Morgan Stanley - Gross	1.05	42.23	6.86	9.07	6.68	7.80
Morgan Stanley - Net	0.91	41.42	6.21	8.39	6.00	7.08
MSCI EAFE Index	3.48	44.57	6.02	8.85	5.52	6.47

# Artisan International Growth Equity

Inception Date: 12/31/2002

Strategy AUM: \$21.2B

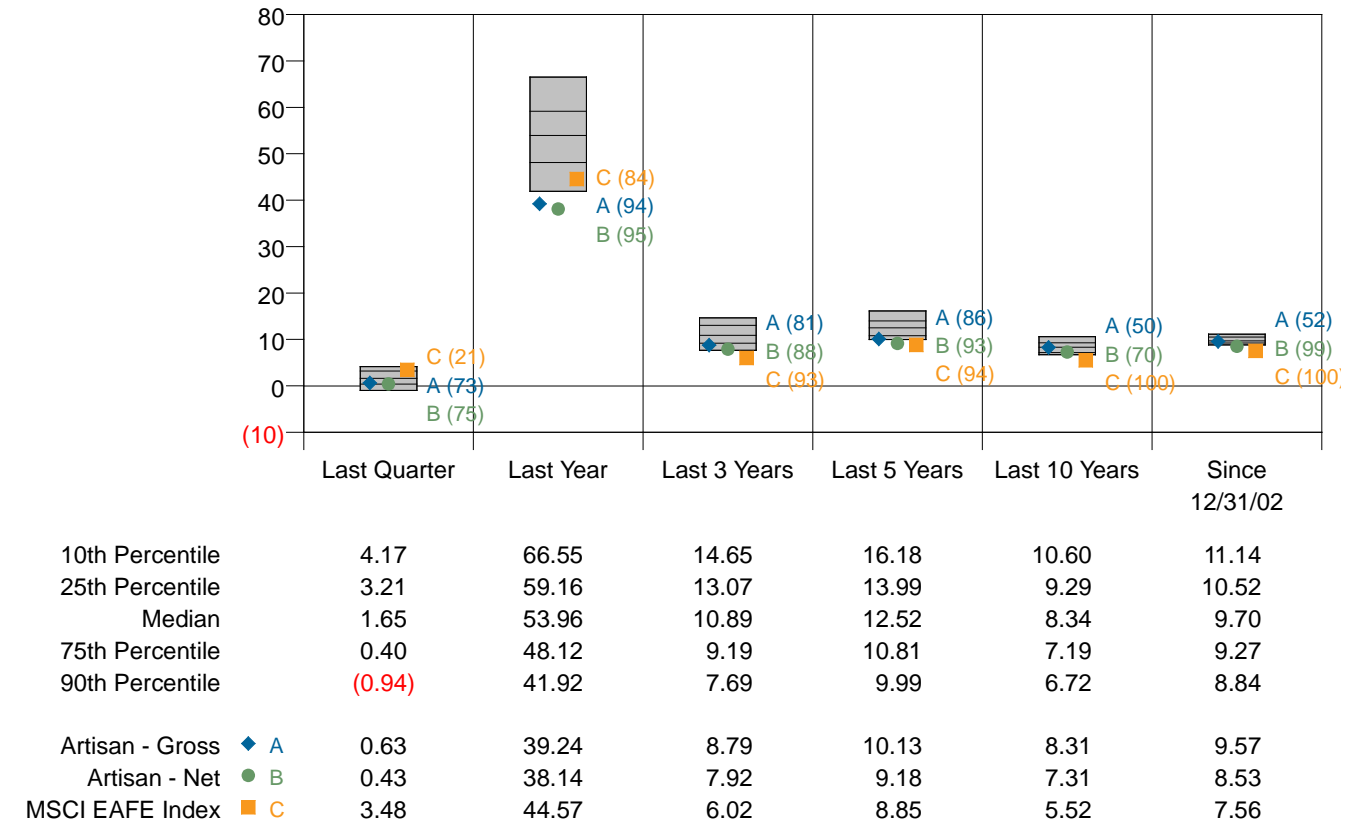
Vehicle AUM: \$1.3B

Fee Schedule:

0.80% on all assets

Returns for Periods Ended March 31, 2021

Group: Callan Non-US Broad Growth Equity





# TimesSquare International Small Cap Equity

Inception Date: 3/31/2019

Strategy AUM: \$3.4B

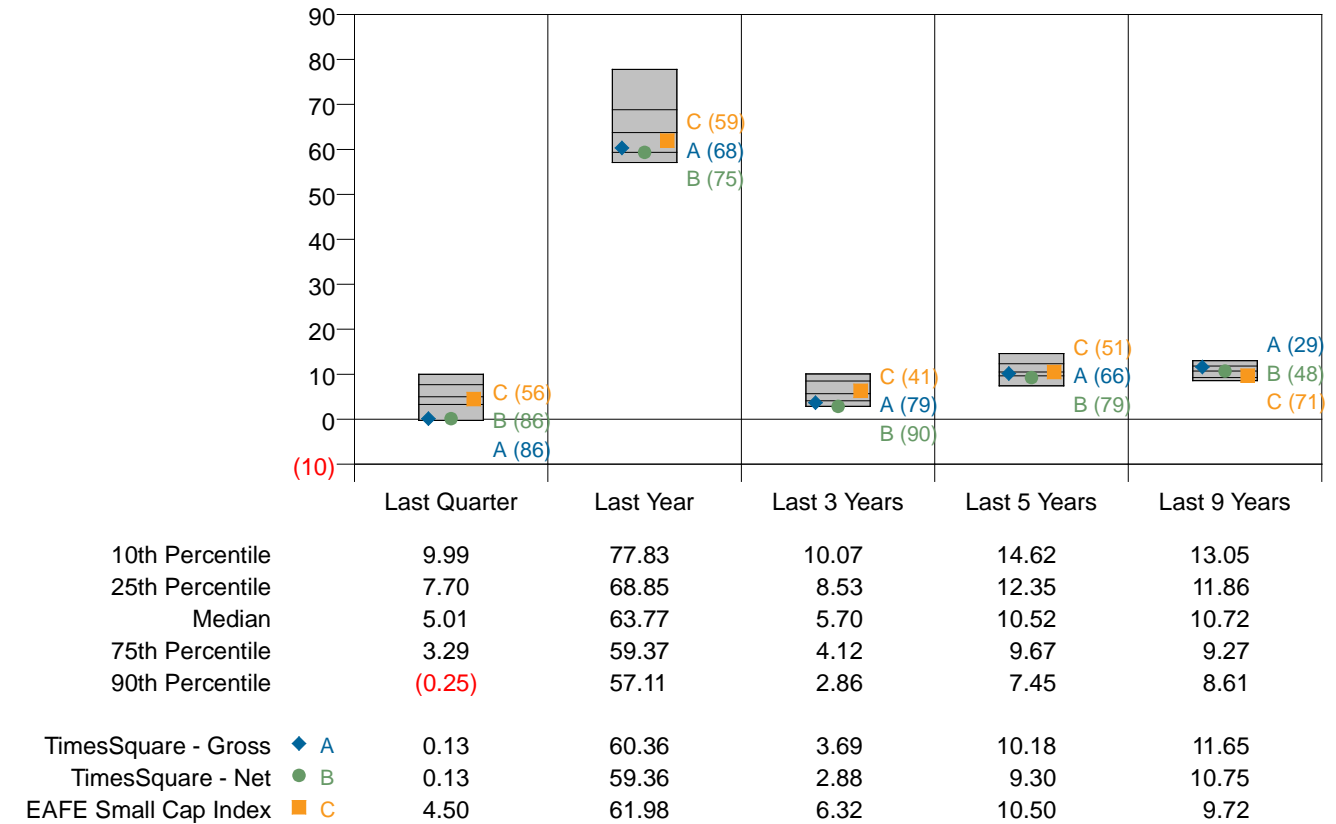
Vehicle AUM: \$218.5M

Fee Schedule:

0.85% on all assets

Returns for Periods Ended March 31, 2021

Group: Callan International Small Cap



# Parametric Emerging Markets Equity

Inception Date: 9/30/2010

Strategy AUM: \$3.0B

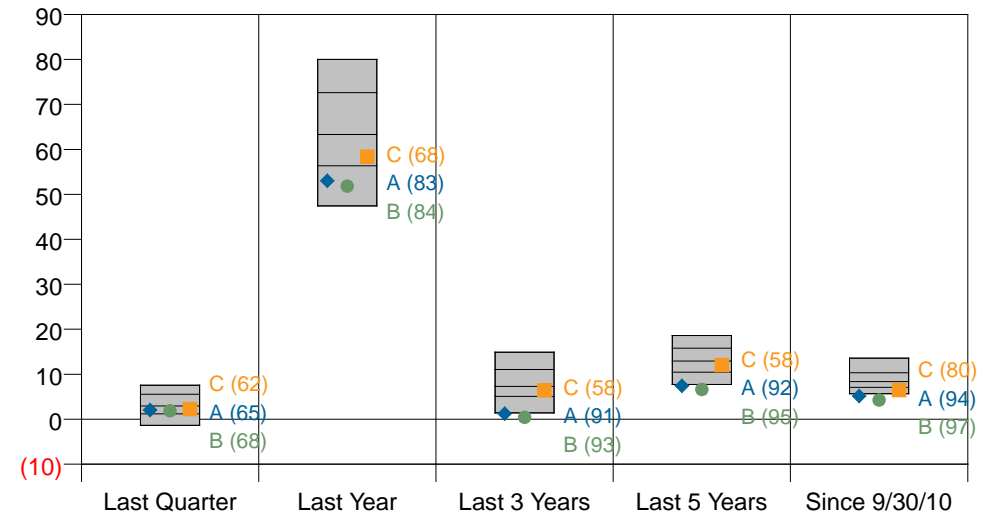
Vehicle AUM: \$873.0M

Fee Schedule:

0.78% on all assets

Returns for Periods Ended March 31, 2021

Group: Emerging Markets Equity DB



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Since 9/30/10
10th Percentile	7.58	80.01	14.93	18.64	13.60
25th Percentile	5.58	72.62	11.05	15.81	10.35
Median	2.97	63.31	7.31	12.97	8.38
75th Percentile	1.21	56.36	5.08	10.49	7.08
90th Percentile	(1.35)	47.44	1.42	7.76	5.69
Parametric - Gross <span style="color: blue;">◆</span> A	2.08	53.02	1.25	7.44	5.20
Parametric - Net <span style="color: green;">●</span> B	1.88	51.84	0.46	6.61	4.30
MSCI Emerging Markets Index <span style="color: orange;">■</span> C	2.29	58.39	6.48	12.07	6.50

# Wellington Core Plus Fixed Income

Inception Date: 9/30/2002 (Core)

Inception Date: 3/31/2012 (Core Plus)

Strategy AUM: \$13.2B

Vehicle AUM: \$10.4B

Fee Schedule:

0.30% on the first \$25 million

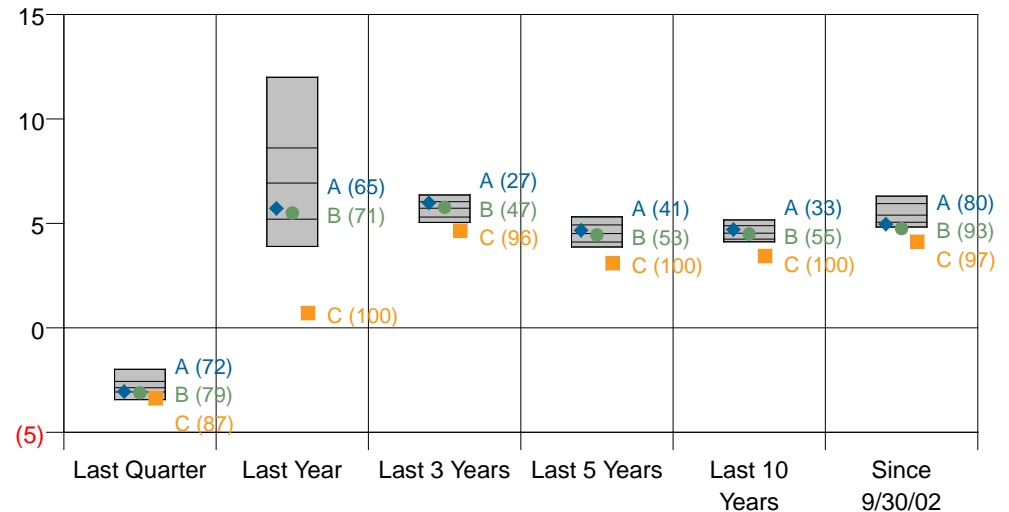
0.25% on the next \$25 million

0.22% on the next \$50 million

0.15% on the balance

Returns for Periods Ended March 31, 2021

Group: Callan Core Plus Fixed Income



10th Percentile	(1.98)	12.00	6.37	5.31	5.17	6.31
25th Percentile	(2.56)	8.62	6.04	4.93	4.89	5.95
Median	(2.86)	6.94	5.73	4.51	4.54	5.40
75th Percentile	(3.07)	5.21	5.31	4.11	4.26	5.06
90th Percentile	(3.44)	3.90	5.05	3.87	4.12	4.83
Wellington - Gross	◆ A (3.04)	5.72	5.99	4.67	4.71	4.97
Wellington - Net	● B (3.10)	5.50	5.77	4.46	4.50	4.75
Bloomberg Aggregate Index	■ C (3.37)	0.71	4.65	3.10	3.44	4.12

## Western Asset Intermediate Credit Fixed Income

Inception Date: 9/30/2001 (Core Plus)

Inception Date: 3/31/2014 (Int. Credit)

Strategy AUM: \$22.9B

Vehicle AUM: \$20.1B

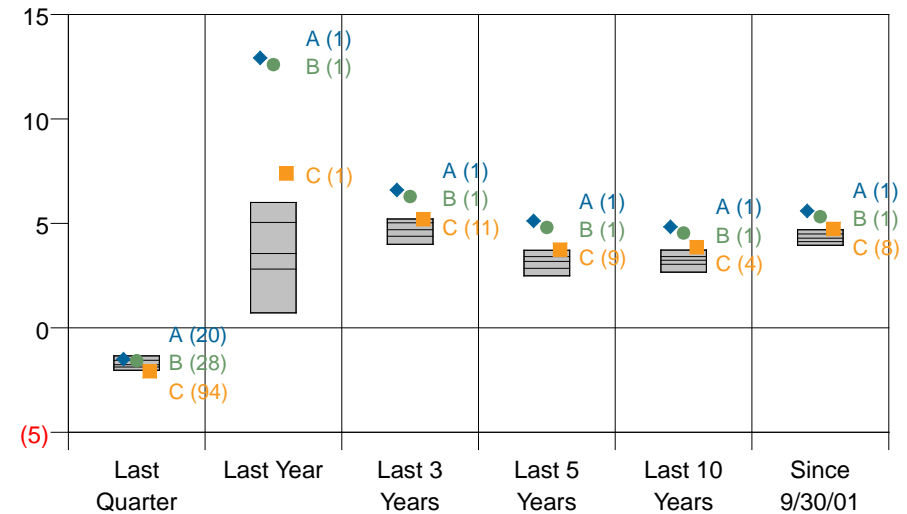
Fee Schedule:

0.30% on the first \$100 million

0.15% on the balance

Returns for Periods Ended March 31, 2021

Group: Callan Intermediate Fixed Income



		Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Since 9/30/01
10th Percentile		(1.34)	6.01	5.21	3.71	3.73	4.70
25th Percentile		(1.55)	5.05	5.04	3.41	3.41	4.50
Median		(1.76)	3.57	4.70	3.19	3.24	4.29
75th Percentile		(1.87)	2.81	4.39	2.85	3.05	4.13
90th Percentile		(2.03)	0.72	4.01	2.49	2.67	3.96
Western Asset - Gross	◆ A	(1.50)	12.93	6.61	5.12	4.84	5.61
Western Asset - Net	● B	(1.57)	12.61	6.29	4.81	4.55	5.33
Bloomberg Intermediate Credit Index	■ C	(2.07)	7.39	5.21	3.75	3.86	4.74

# Colchester Global Fixed Income

Inception Date: 3/31/2014

Strategy AUM: \$25.4B

Vehicle AUM: \$5.1B

Fee Schedule:

0.60% on the first \$25 million

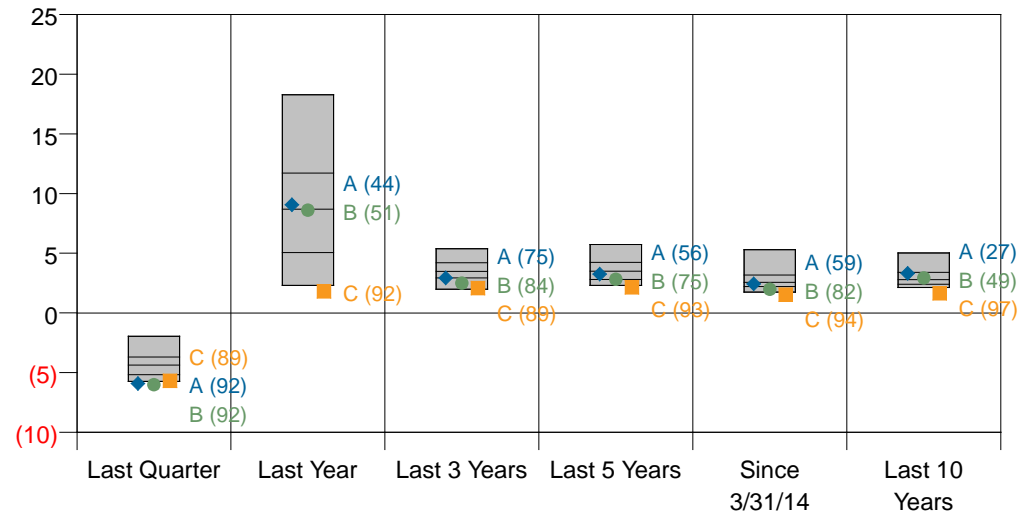
0.50% on the next \$25 million

0.35% on the next \$100 million

0.30% on the balance

Returns for Periods Ended March 31, 2021

Group: Callan Global Fixed Income (Unhedged)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Since 3/31/14	Last 10 Years
10th Percentile	(1.95)	18.29	5.39	5.75	5.30	5.03
25th Percentile	(3.68)	11.72	4.22	4.24	3.17	3.40
Median	(4.36)	8.70	3.49	3.50	2.56	2.80
75th Percentile	(5.16)	5.06	2.93	2.81	2.21	2.41
90th Percentile	(5.74)	2.32	1.99	2.31	1.75	2.14
Colchester - Gross	◆ A (5.91)	9.07	2.94	3.27	2.44	3.33
Colchester - Net	● B (6.01)	8.61	2.51	2.82	1.99	2.93
Citi World Govt Bond Index	■ C (5.68)	1.82	2.09	2.15	1.55	1.66

# UBS Trumbull Property Fund

Inception Date: 3/31/2013

Fund NAV: \$14.4B

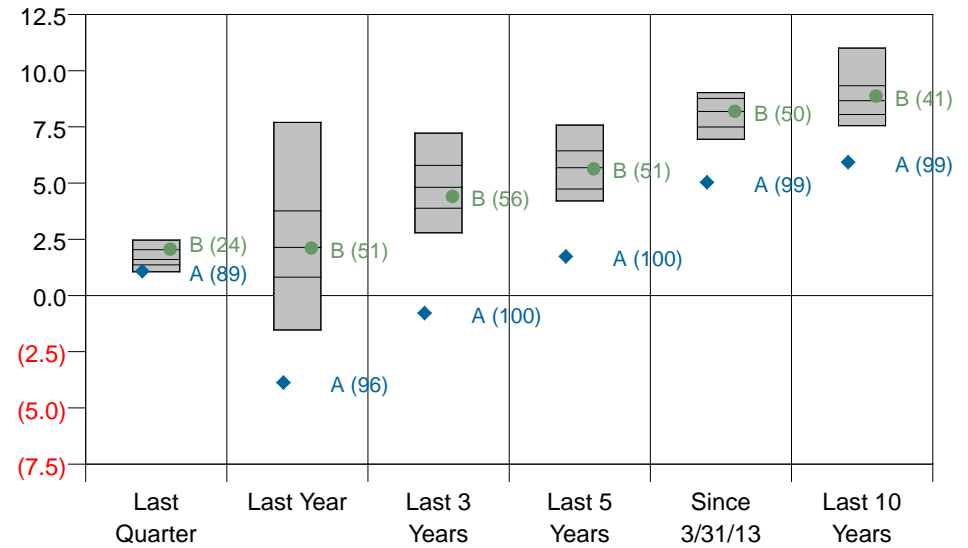
Fee Schedule:

0.955% on the first \$10 million  
 0.825% on the next \$15 million  
 0.805% on the next \$25 million  
 0.79% on the next \$50 million  
 0.67% on the next \$150 million  
 0.60% on the next \$150 million  
 0.56% on the next \$200 million  
 0.52% on the balance

25% Loyalty Incentive Fee for 4 years  
 Effective 1/1/20

Returns for Periods Ended March 31, 2021

Group: Callan Open End Core Cmmingled Real Est



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Since 3/31/13	Last 10 Years
10th Percentile	2.47	7.70	7.23	7.58	9.03	11.01
25th Percentile	2.04	3.77	5.80	6.44	8.78	9.34
Median	1.61	2.15	4.82	5.69	8.19	8.67
75th Percentile	1.37	0.82	3.88	4.74	7.50	8.06
90th Percentile	1.06	(1.53)	2.79	4.21	6.96	7.56

UBS Trumbull Property Fund - Net	◆ A	1.09	(3.86)	(0.78)	1.74	5.04	5.94
NFI-ODCE Equal Weight Index	● B	2.07	2.12	4.41	5.64	8.20	8.88

# AEW Core Property Trust

Inception Date: 3/31/2013

Fund NAV: \$7.1B

Fee Schedule:

1.10% on the first \$10 million

1.00% on the next \$15 million

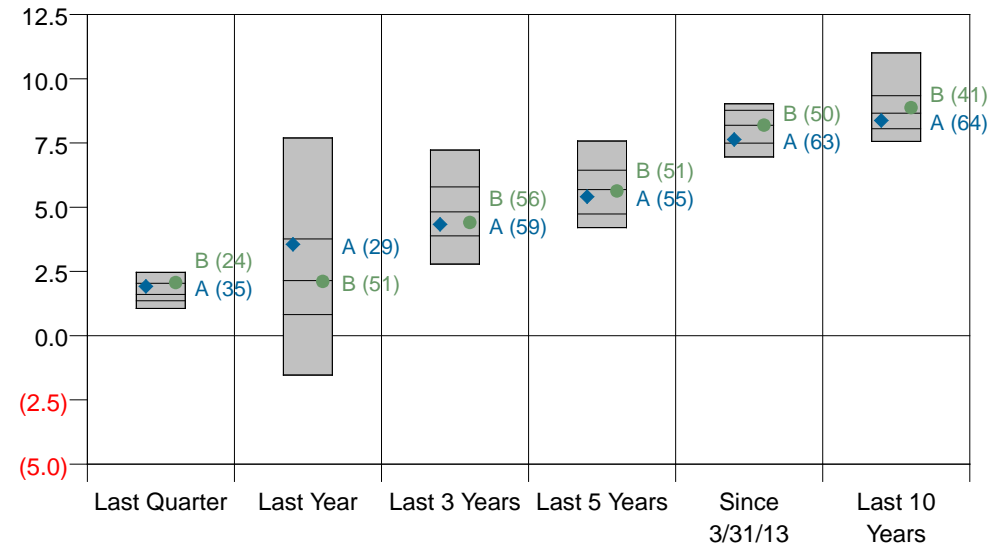
0.85% on the next \$25 million

0.80% on the next \$50 million

0.75% on the balance

Returns for Periods Ended March 31, 2021

Group: Callan Open End Core Cmmingled Real Est



10th Percentile	2.47	7.70	7.23	7.58	9.03	11.01
25th Percentile	2.04	3.77	5.80	6.44	8.78	9.34
Median	1.61	2.15	4.82	5.69	8.19	8.67
75th Percentile	1.37	0.82	3.88	4.74	7.50	8.06
90th Percentile	1.06	(1.53)	2.79	4.21	6.96	7.56

AEW Core Property Trust - Net	◆ A	1.92	3.56	4.34	5.42	7.64	8.38
NFI-ODCE Equal Weight Index	● B	2.07	2.12	4.41	5.64	8.20	8.88

# BlackRock TIPS Index Fund

Inception Date: 6/30/2015

Strategy AUM: \$50.7B

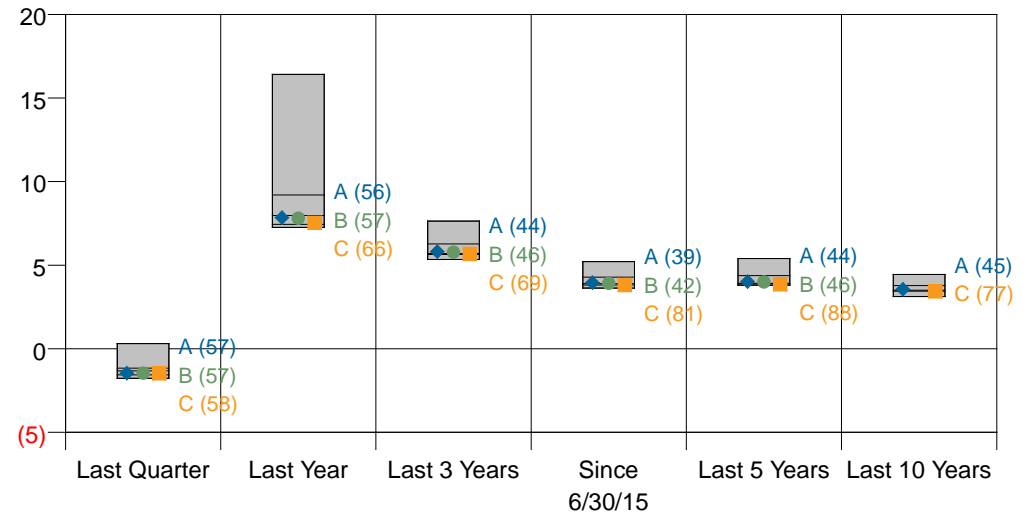
Vehicle AUM: \$13.6B

Fee Schedule:

0.03% on all assets

## Returns for Periods Ended March 31, 2021

Group: Real Returns Database



10th Percentile	0.32	16.42	7.64	5.22	5.40	4.45
25th Percentile	(1.16)	9.21	6.27	4.29	4.38	3.78
Median	(1.31)	7.98	5.71	3.90	3.93	3.51
75th Percentile	(1.56)	7.45	5.65	3.82	3.88	3.45
90th Percentile	(1.76)	7.27	5.35	3.64	3.81	3.12
BlackRock TIPS - Gross	◆ A (1.46)	7.85	5.82	3.95	4.03	3.56
BlackRock TIPS - Net	● B (1.46)	7.81	5.78	3.92	4.00	--
Bloomberg US TIPS Index	■ C (1.47)	7.54	5.68	3.81	3.86	3.44



# BlackRock REITs Index Fund

Inception Date: 9/30/2017

Strategy AUM: \$1.5M

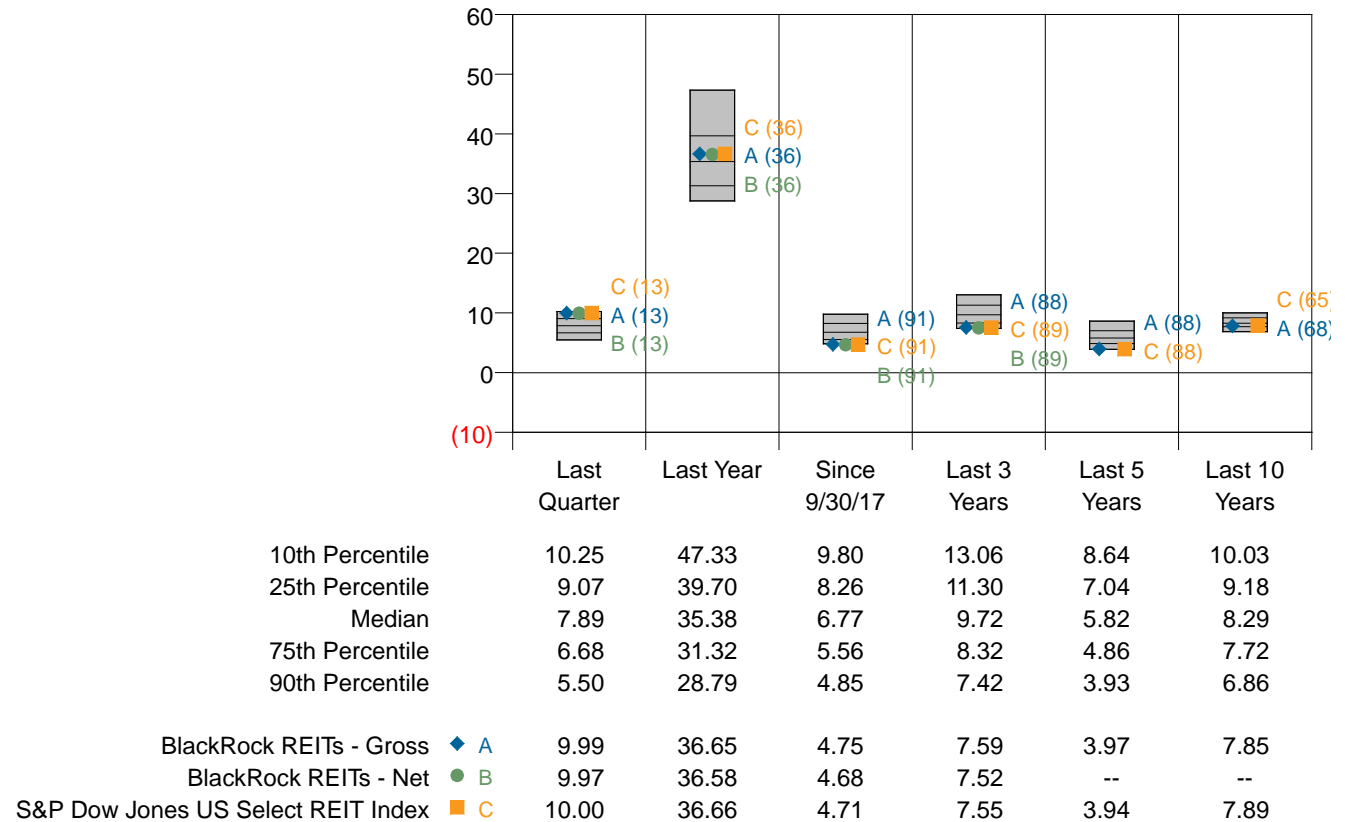
Vehicle AUM: \$1.5M

Fee Schedule:

0.06% on all assets

## Returns for Periods Ended March 31, 2021

Group: Callan Real Estate Mutual Funds



# Invesco Balanced Risk Commodities Fund

Inception Date: 6/30/2016

Strategy AUM: \$1.8B

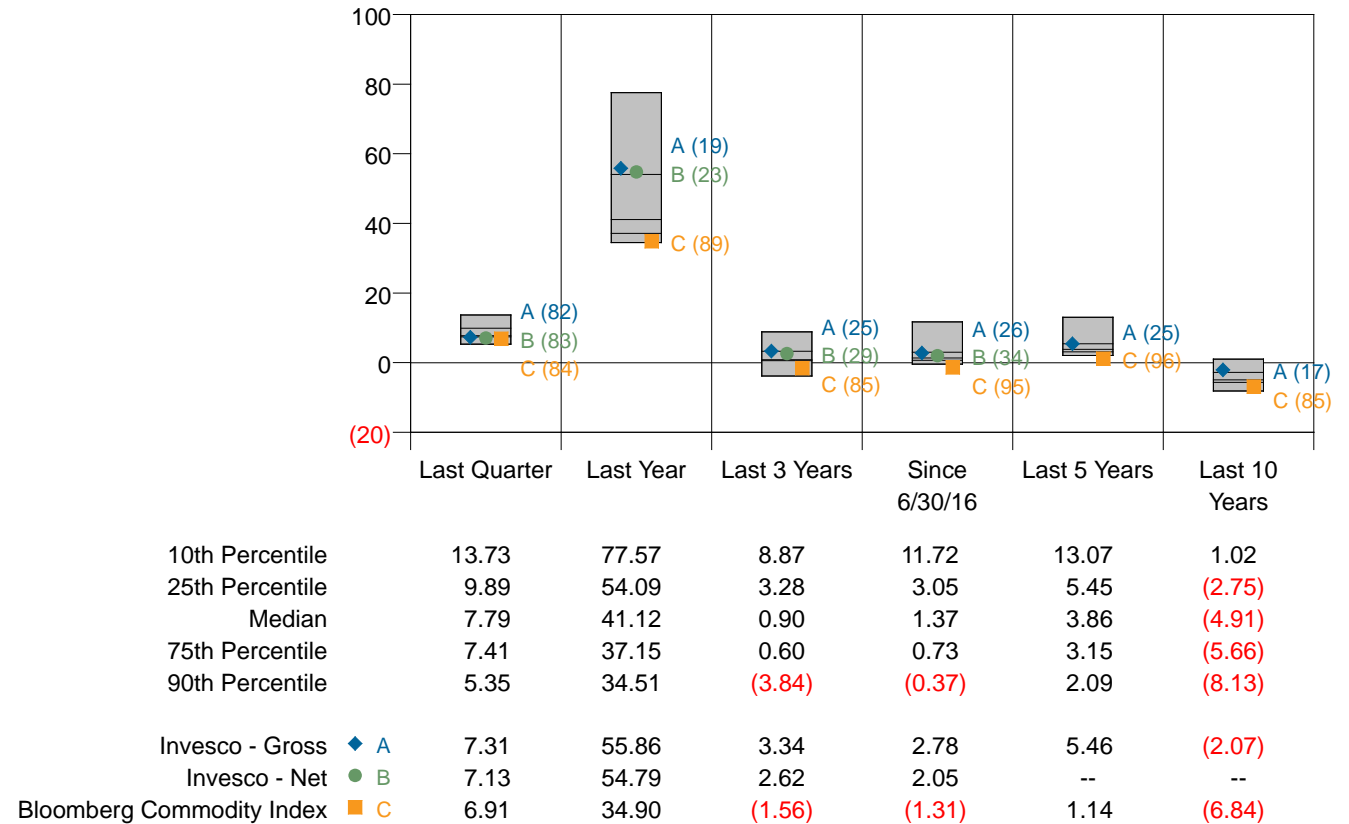
Vehicle AUM: \$0.6B

Fee Schedule:

0.70% on all assets

Returns for Periods Ended March 31, 2021

Group: Callan Commodities



# KBI Global Resources Fund

Inception Date: 9/30/2016

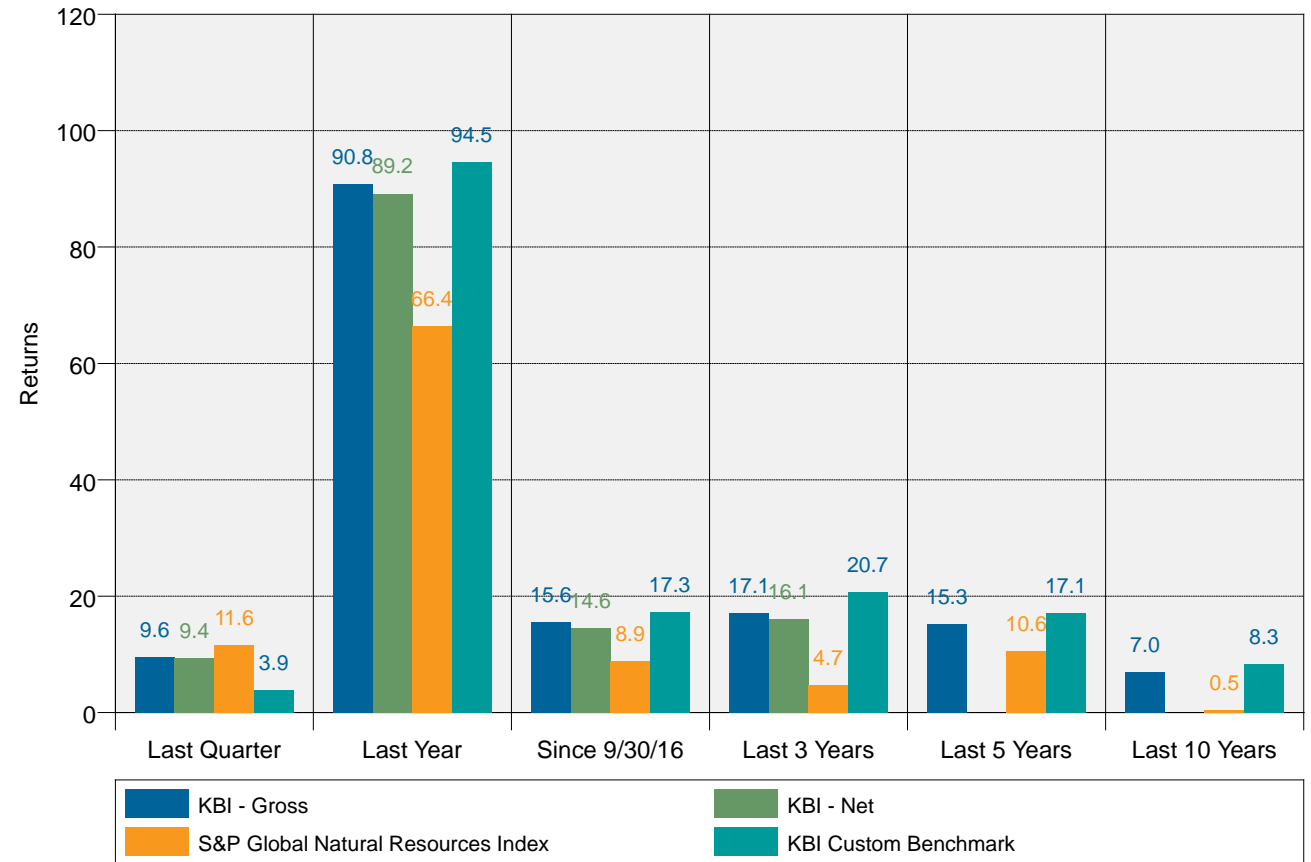
Strategy AUM: \$405.7M

Vehicle AUM: \$99.9M

Fee Schedule:

0.85% on all assets

Returns for Periods Ended March 31, 2021



**Marin County Employees' Retirement Association  
Defined Benefit Plan**

<b>Managers</b>	<b>May 2021 Market Value</b>	<b>Fiscal Year To Date 7/1/20 - 5/31/21</b>	<b>Year to Date Through 5/31/21</b>
<b>Domestic Equity</b>	<b>\$1,012,650,590</b>	<b>45.8%</b>	<b>16.1%</b>
<i>Russell 3000 Index</i>		40.7%	12.3%
<b>Large Cap Equity</b>	<b>\$704,001,699</b>	<b>37.6%</b>	<b>12.6%</b>
<b>SSgA S&amp;P 500 Index Fund</b>	<b>\$737,214,168</b>	<b>37.6%</b>	<b>12.6%</b>
<i>S&amp;P 500 Index</i>		37.6%	12.6%
<b>Parametric S&amp;P 500 Futures</b>	<b>-\$33,212,469</b>		
<b>Small Cap Equity</b>	<b>\$308,648,891</b>	<b>67.2%</b>	<b>24.2%</b>
<b>Dimensional Fund Advisors</b>	<b>\$346,694,058</b>	<b>67.2%</b>	<b>24.2%</b>
<i>Russell 2000 Index</i>		59.0%	15.3%
<b>Parametric Russell 2000 Futures</b>	<b>-\$38,045,167</b>		
<b>International Equity</b>	<b>\$704,975,355</b>	<b>30.4%</b>	<b>7.5%</b>
<i>MSCI ACWI ex-US IMI Index</i>		38.1%	10.3%
<b>Morgan Stanley</b>	<b>\$218,823,371</b>	<b>29.7%</b>	<b>9.5%</b>
<b>Artisan Partners</b>	<b>\$217,220,202</b>	<b>25.9%</b>	<b>7.6%</b>
<i>MSCI EAFE Index</i>		33.9%	10.1%
<b>TimesSquare</b>	<b>\$133,850,715</b>	<b>34.2%</b>	<b>3.4%</b>
<i>MSCI EAFE Small Cap Index</i>		43.4%	10.9%
<b>Parametric Emerging Markets</b>	<b>\$132,311,564</b>	<b>36.3%</b>	<b>8.4%</b>
<i>MSCI Emerging Markets Index</i>		40.7%	7.3%
<b>Parametric International Futures</b>	<b>\$2,769,503</b>		
<b>Fixed Income</b>	<b>\$695,205,779</b>	<b>3.0%</b>	<b>-1.9%</b>
<i>Blended Benchmark</i>		0.4%	-2.3%
<b>Wellington</b>	<b>\$264,642,970</b>	<b>0.9%</b>	<b>-1.9%</b>
<i>Bloomberg Barclays US Aggregate Index</i>		-1.0%	-2.3%
<b>Western Asset</b>	<b>\$149,854,552</b>	<b>4.3%</b>	<b>-0.1%</b>
<i>Bloomberg Barclays US Intermediate Credit Index</i>		1.9%	-0.9%
<b>Colchester</b>	<b>\$148,918,040</b>	<b>5.6%</b>	<b>-3.5%</b>
<i>FTSE World Government Bond Index</i>		1.8%	-3.7%
<b>Parametric Fixed Income Futures</b>	<b>\$131,790,217</b>		

All market values and returns shown are preliminary and subject to revision.

**Marin County Employees' Retirement Association  
Defined Benefit Plan**

<b>Managers</b>	<b>May 2021 Market Value</b>	<b>Fiscal Year To Date 7/1/20 - 5/31/21</b>	<b>Year to Date Through 5/31/21</b>
<b>Public Real Assets</b>	<b>\$222,176,898</b>	<b>40.5%</b>	<b>14.9%</b>
<i>Blended Benchmark</i>		34.4%	15.7%
<b>BlackRock TIPS Index Fund</b>	<b>\$47,389,816</b>	<b>5.9%</b>	<b>1.1%</b>
<i>Barclays US TIPS Index</i>		5.9%	1.1%
<b>BlackRock REIT Index Fund</b>	<b>\$59,412,975</b>	<b>36.8%</b>	<b>20.2%</b>
<i>DJ S&amp;P US Select REIT Index</i>		36.8%	20.2%
<b>Invesco Balanced Risk Commodities Fund</b>	<b>\$58,361,062</b>	<b>51.9%</b>	<b>18.6%</b>
<i>Bloomberg Commodities Index</i>		43.0%	18.9%
<b>KBI Global Resources Fund</b>	<b>\$57,013,045</b>	<b>65.8%</b>	<b>18.2%</b>
<i>S&amp;P Global Natural Resources Index</i>		52.0%	22.4%
<b>Real Estate(1)</b>	<b>\$237,342,859</b>	<b>0.9%</b>	<b>1.9%</b>
<i>NFI-ODCE Equal Weight Net(1)</i>		4.2%	2.6%
<b>Woodmont</b>	\$18,199,993	-	-
<b>UBS Trumbull Property Fund</b>	\$113,019,855	-	-
<b>AEW Core Property Trust</b>	\$106,123,011	-	-
<b>AEW Partners V, LP</b>	\$0	-	-
<b>Private Equity(2)</b>	<b>\$361,105,397</b>	<b>32.3%</b>	<b>0.0%</b>
<b>Abbott ACE VI</b>	\$54,206,980	-	-
<b>Abbott ACE VII</b>	\$50,062,674	-	-
<b>Abbott AP 2016</b>	\$52,155,620	-	-
<b>Abbott AP 2017</b>	\$11,854,978	-	-
<b>Abbott AP 2021</b>	\$870,618	-	-
<b>Pathway PPEF 2008</b>	\$70,663,600	-	-
<b>Pathway PPEF I-7</b>	\$44,045,171	-	-
<b>Pathway PPEF I-8</b>	\$62,285,941	-	-
<b>Pathway PPEF I-9</b>	\$11,184,532	-	-
<b>Pathway PPEF I-10</b>	\$3,775,283	-	-
<b>Opportunistic(3)</b>	<b>\$21,998,886</b>	<b>n/a</b>	<b>4.8%</b>
<b>CarVal Credit Value Fund V</b>	\$3,350,000	-	-
<b>Fortress Credit Opportunities Fund V Expansion</b>	\$1,622,900	-	-
<b>Varde Dislocation Fund</b>	\$17,025,986	-	-
<b>Total Fund</b>	<b>\$3,255,455,763</b>	<b>27.4%</b>	<b>7.2%</b>

(1)Market values as of March 31, 2021. FYTD and YTD returns use MCERA's and ODCE's pro-rata income only performance of prior quarter for current quarter monthly calculations (and assumes appreciation is zero).

(2)Market values as of March 31, 2021. FYTD and YTD returns use MCERA's pro-rata performance of prior quarter.

(3)Market values as of March 31, 2021. YTD returns use MCERA's pro-rata performance of prior quarter.

All market values and returns shown are preliminary and subject to revision.