CIO INVESTMENT REPORT
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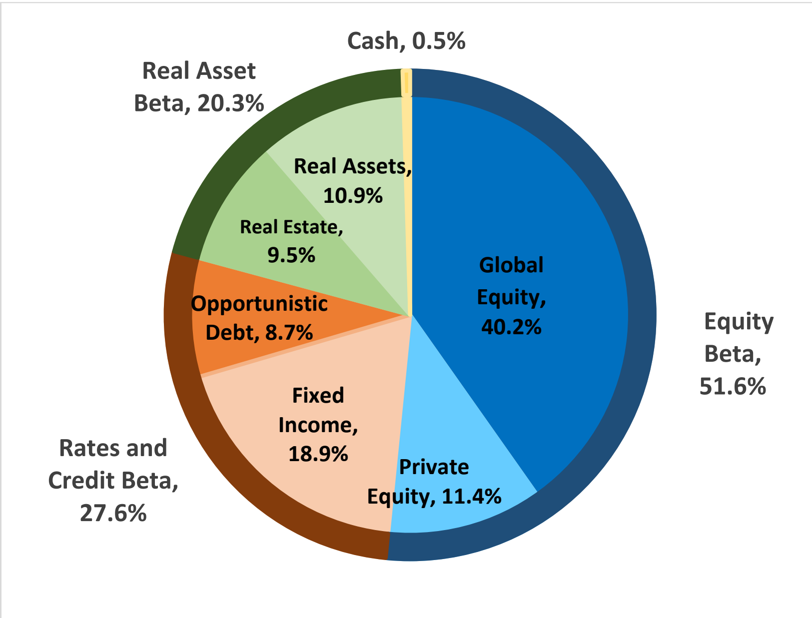
Chief Investment Officer
MPERS Board Meeting – November 21, 2024

Investment Performance Report

NEPC will present MPERS' 3rd quarter 2024 investment performance report. Below is a high-level summary of the report.

MPERS' Asset Allocation September 30, 2024
Net Market Value $3,829,084,750



1-Year Return:	19.01%
Benchmark Return:	18.99%
Excess:	0.02%
5-Year Return:	11.50%
Benchmark Return:	8.69%
Excess:	2.81%
10-Year Return:	9.31%
Benchmark Return:	7.86%
Excess:	1.45%
20-Year Return:	8.48%
Benchmark Return:	7.64%
Excess:	0.84%

- Both stocks and bonds rallied in the 3rd quarter of 2024, on the heels of the first Federal Reserve rate cut since the COVID pandemic. The 50-basis point cut (1/2 of 1%) begins a gradual reduction back to neutral after raising the Fed Funds Rate a total of 11 times since 2022 to curb inflationary pressures. Markets embraced the move and continue to be optimistic that the Fed can navigate the illusive "soft landing" for the economy. MPERS' portfolio was up 4.78% in the 3rd quarter, pushing the total fund balance to a new all-time high of $3.8 billion.

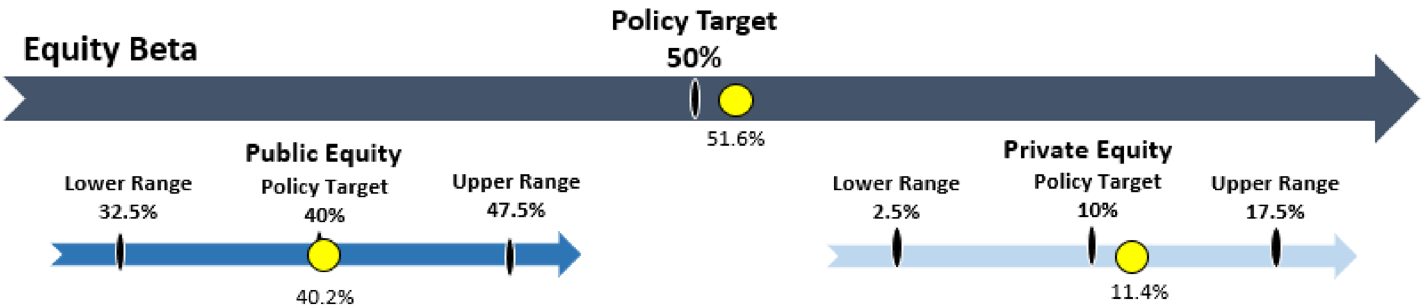
- MPERS' long-term returns continue to look strong relative to any metric. MPERS' 5-, 10-, and 20-year returns all rank among the top of the public fund peer universe and exceed both the actuarial hurdle and policy benchmark returns.

- The markets also seem pleased with the outcome of the U.S. Presidential race, as President-Elect Trump joins President Grover Cleveland as the only two candidates to win non-consecutive presidential terms. Financial markets were already pricing in expectation of a Trump victory, as bond yields and stock prices have both increased in the hopes of a more "business-friendly" political climate. Since the Federal Reserve rate cut on September 10th, the yield on the 10-year Treasury has increased from 3.65% to 4.35%, and the S&P 500 has rallied from roughly 5400 to just under 6000.

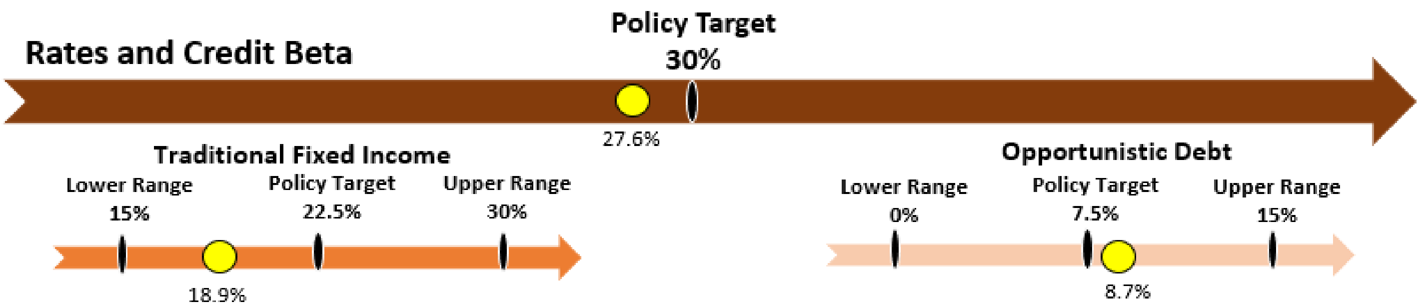
- The current positioning of the portfolio is highlighted on the following page.

Current Asset Allocation and Positioning Relative to Targets

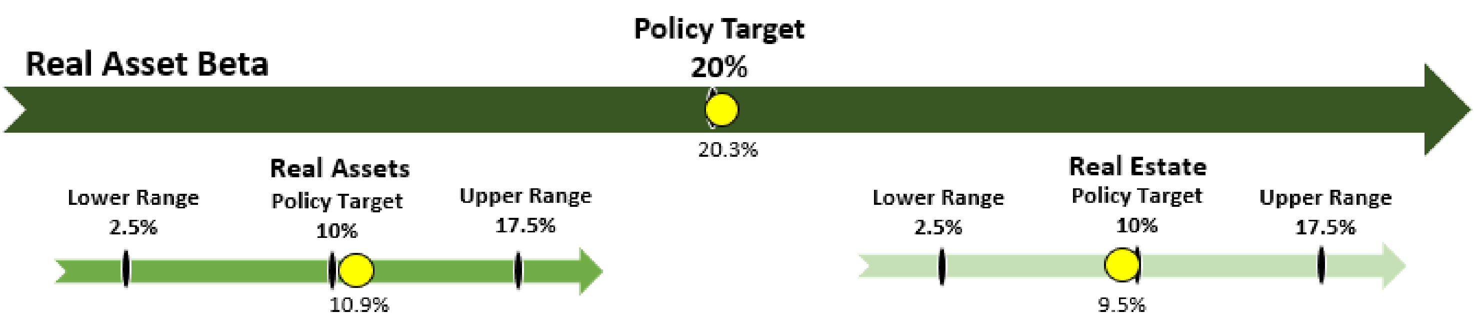
Below are the current allocations relative to policy targets and additional comments on the portfolio's positioning. As of November 8, 2024, each allocation was within the permissible ranges established in MPERS' Investment Policy. The overall portfolio is up an estimated 5.1% thus far in Fiscal Year 2025 (July 1st – November 8th), and total fund leverage is down to 1.1% of assets, having been well over 7% for most of the first half of 2024.



With equity markets hovering at all-time highs, staff rebalanced the public equity allocation back to a neutral positioning. We remain cautiously optimistic about the public equity markets going forward but feel comfortable taking gains and building cash for the inevitable pullback. Private equity continues to drift lower towards long-term targets.



Bond yields have increased roughly 70 basis points (7/10 of 1%) since the Fed started to cut rates and after the outcome of the Presidential election. Once again, with government-guaranteed mortgages approaching yields of 6%, staff has gradually been adding to MPERS' traditional fixed-income holdings. We expect the allocation to gradually increase to policy targets should rates maintain at this level or increase further. The bottom line is that government-guaranteed bonds that approach actuarial targets are good for MPERS. The private/opportunistic debt program continues to perform very well, and staff is reviewing several mandates in that sector to complement the current portfolio.



The real assets portfolio, especially the timber portfolio, continues to perform well in the current inflationary environment. The timber portfolio remains MPERS' best-performing sub-asset class over the three-year (39%) and five-year (24.7%) periods, and we are currently working on two new acquisitions