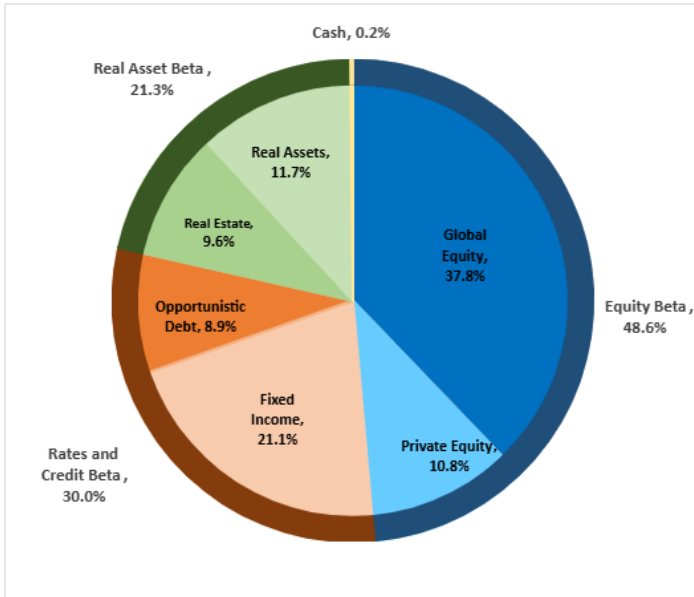


## Investment Performance Report

NEPC will present MPERS' 4th quarter 2024 investment performance report. Below is a high-level summary of the report.

### MPERS' Asset Allocation December 31, 2024 Net Market Value \$3,823,342,195

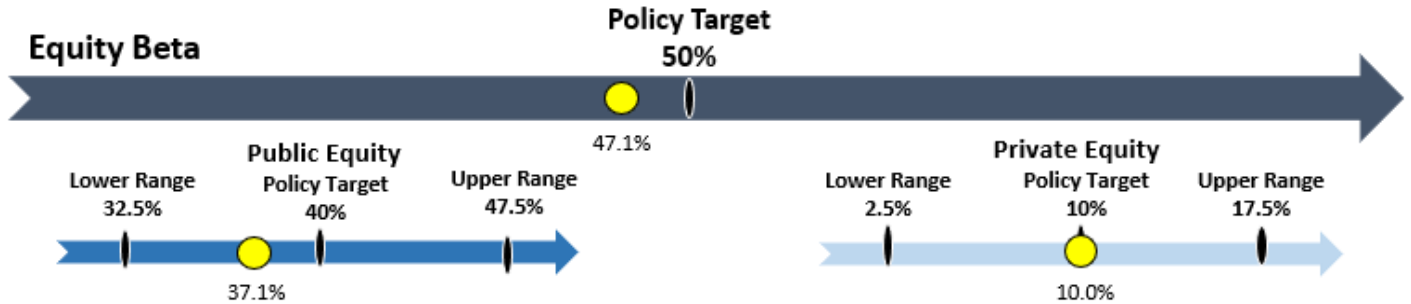


1-Year Return:	11.96%
Benchmark Return:	<u>12.30%</u>
Excess:	-0.34%
5-Year Return:	10.78%
Benchmark Return:	<u>7.75%</u>
Excess:	3.03%
10-Year Return:	9.15%
Benchmark Return:	<u>7.71%</u>
Excess:	1.44%
20-Year Return:	8.06%
Benchmark Return:	<u>7.22%</u>
Excess:	0.84%

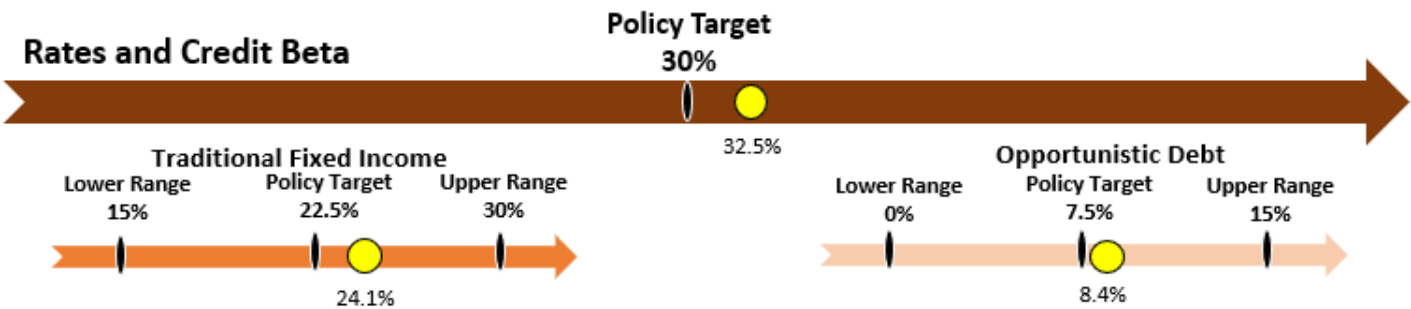
- Markets were mixed in the 4<sup>th</sup> quarter of 2024 as the Federal Reserve followed up its 50-basis point rate cut (1/2 of 1%) in September with additional 25-basis point cuts in November and December. Both the equity and bond markets were down during the quarter over concerns that inflation will remain elevated in this environment. Gains in MPERS' alternatives portfolio helped to offset losses in traditional stocks and bonds, resulting in an overall gain of 0.2% in the quarter. The modest gains in the quarter pushed the calendar year 2024 return up to nearly 12% and sets a new all-time high fund balance of \$3.82 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.
- On a forward-looking basis, NEPC will present its updated capital market assumptions to MPERS' Investment Committee before the board meeting. The increased bond yields and the optimism behind a more "business-friendly" political climate led NEPC to increase the expected return of MPERS' portfolio to 6.9%, which is up from 6.5% the previous year.
- The current positioning of the portfolio is highlighted on the following page.

## Current Asset Allocation and Positioning Relative to Targets

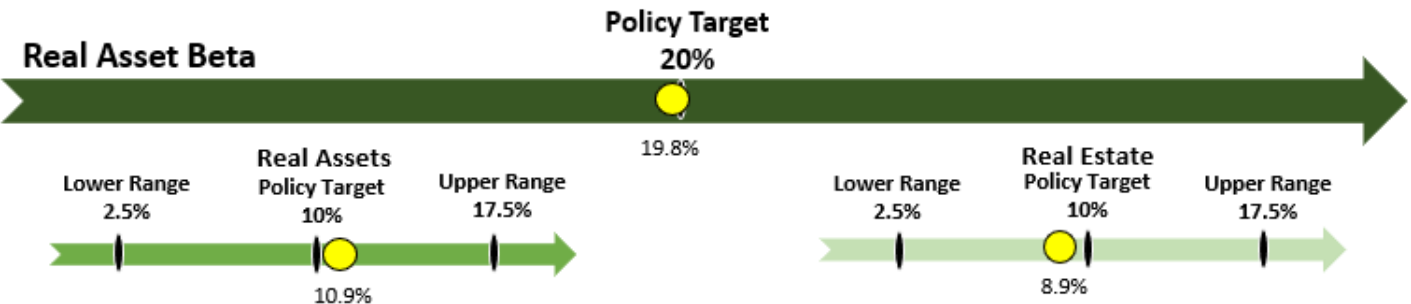
Below are the current allocations relative to policy targets and additional comments on the portfolio's positioning. As of February 12, 2025, each allocation was within the permissible ranges established in MPERS' Investment Policy. The overall portfolio is up an estimated 6.8% thus far in Fiscal Year 2025 (July 1<sup>st</sup> – February 12<sup>th</sup>), and total fund leverage has increased to 6.6% of assets (due to fixed income purchases discussed below).



Staff remains cautiously optimistic about the public equity markets, given valuations near all-time highs and the elevated inflationary environment. The public equity allocation has drifted lower after new commitments to the traditional fixed income portfolio, and the private equity allocation is officially at the long-term policy target for the first time since the financial crisis (due to the denominator effect).



Staff have utilized the increased yield environment to steadily increase MPERS' allocation to traditional fixed income. Over \$250 million of bonds have been acquired since September 30, 2024, primarily for the long duration portfolio. With government-guaranteed mortgages approaching and even exceeding yields of 6%, this is an excellent opportunity to de-risk and simplify the investment portfolio in a manner that can meet or exceed the actuarial return target with fewer complexities and moving parts, along with lower management fees. The private/opportunistic debt program continues to perform very well and should remain an integral part of the overall portfolio.



The real assets portfolio, especially the timber portfolio, continues to perform well in the current environment. The timber portfolio remains MPERS' best-performing sub-asset class over the three-year (39%) and five-year (24.7%) periods, and we recently acquired a new investment for that mandate. Staff have developed a unique niche in the agriculture/timberland market and continue seeing steady new opportunities.