CIO INVESTMENT REPORT
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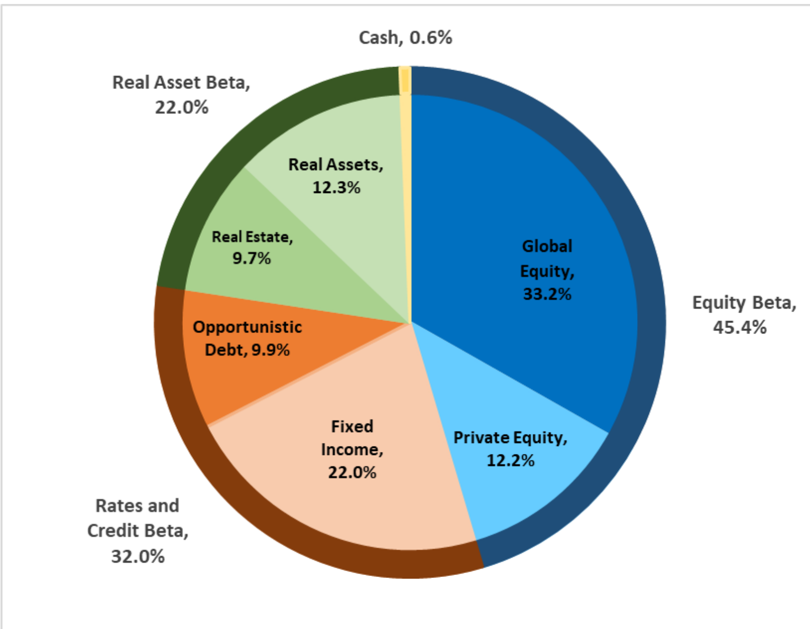
Chief Investment Officer
MPERS Board Meeting – June 20, 2024

Investment Performance Report

NEPC will present MPERS' calendar year 2023 investment performance report. Below is a high-level summary of the report.

MPERS' Asset Allocation March 31, 2024
Market Value $3,590,344,684



1-Year Return:	13.17%
Benchmark Return:	13.04%
Excess:	0.13%
5-Year Return:	10.87%
Benchmark Return:	8.36%
Excess:	2.51%
10-Year Return:	9.19%
Benchmark Return:	7.48%
Excess:	1.71%
20-Year Return:	8.08%
Benchmark Return:	7.19%
Excess:	0.89%

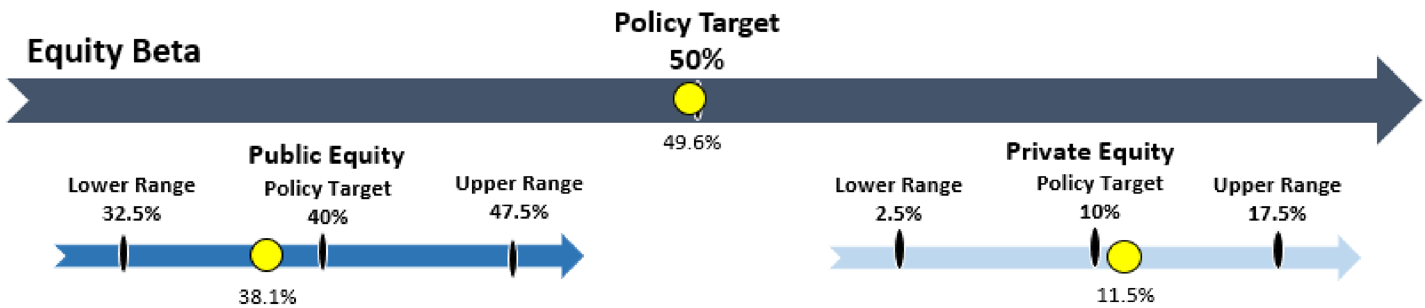
- Global equity markets rallied another 8% during the 1st quarter of 2024 resulting in new all-time highs for the S&P 500 and the NASDAQ. Large technology companies (namely the Magnificent 7 including AAPL, AMZN, GOOGL, META, MSFT, NVDA, and TSLA) continue to fuel most of the market momentum. MPERS' overall portfolio gained another 4.0% for the quarter, adding to the 6.5% gain in the 4th quarter of 2023.

- The strong equity markets have also pushed MPERS' portfolio balance to all-time highs as the System crossed $3.6 billion for the first time. With only a few weeks remaining in the fiscal year, MPERS' estimated Fiscal Year 2024 return is up to 11.8% (July 1st – June 9th). This should lead to more downward pressure on contribution rates once the fiscal year results are finalized.

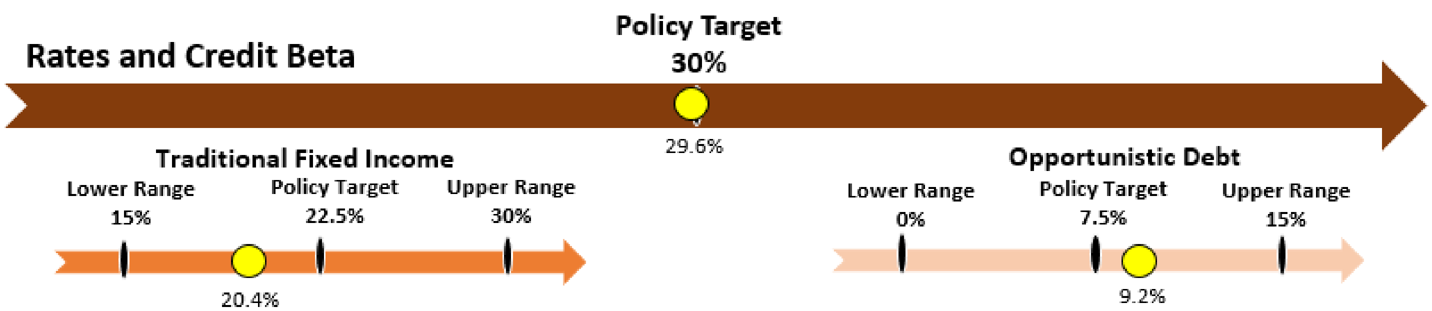
- MPERS' long-term returns continue to look strong relative to any metric. MPERS' 3-, 5-, and 10-year returns all rank in the top 1% of the public fund peer universe, while the 20-year return ranks in the top 3%.

Current Asset Allocation and Positioning Relative to Targets

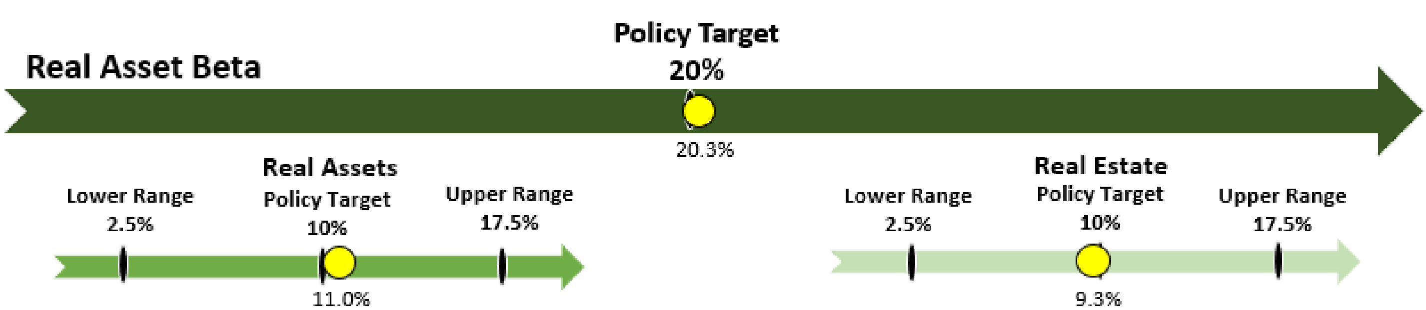
Below are the current allocations relative to policy targets and additional comments on the portfolio's positioning. As of June 4, 2024, each of the respective allocations was within the permissible ranges established in MPERS' Investment Policy. Total fund leverage is down to 5.9% of assets, having been well over 7% for most of the first quarter.



The staff remains cautiously optimistic about the public equity markets. The valuations of the "Magnificent 7" seem expensive, but a quick look beyond those 7 companies shows a much different story, with small caps and various international markets looking "relatively" attractive. We still believe the next major risk to equity markets will come from the November presidential election.



Bond yields have stabilized and traded in a relatively tight range over the past few months. Both the 10-year and 30-year Treasury notes are yielding in the mid 4% range, with government-guaranteed mortgages yielding around 6%. The allocation to traditional fixed income would be closer to policy targets if it were not for the continued rally in equity markets. We continue to put new funds to work in fixed income, but it is difficult to keep any non-equity allocation close to targets when the broad equity markets are up over 23% in the past year (due to the denominator effect).



The real assets portfolio continues to perform well in the current inflationary environment. The timber portfolio is now MPERS' best-performing sub-asset class over the three-year (30.9%) and five-year (19.9%) periods.