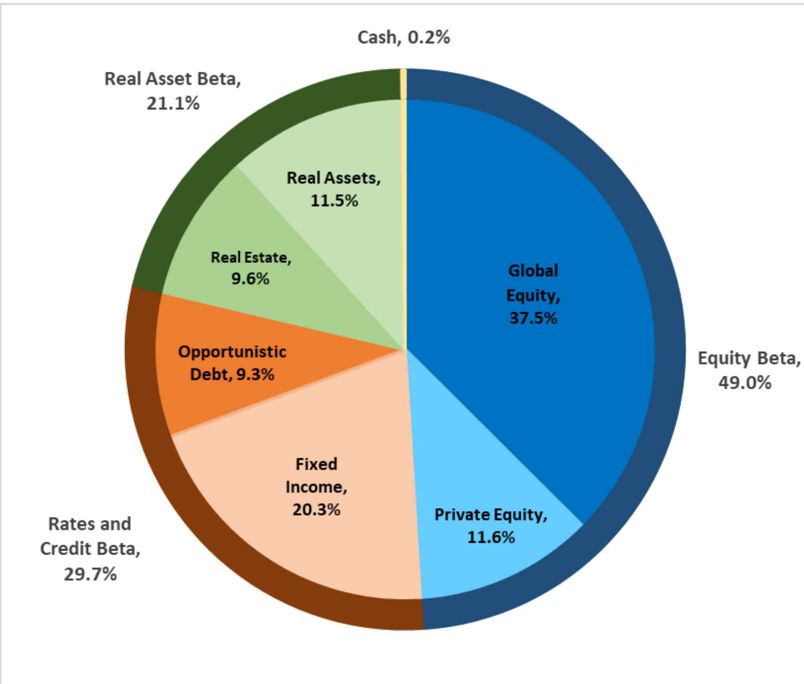
CIO INVESTMENT REPORT
~ by Larry Krummen, CFA ~
Chief Investment Officer
MPERS Board Meeting – September 17, 2024

Investment Performance Report

NEPC will present MPERS' Fiscal Year 2024 investment performance report. Below is a high-level summary of the report.

MPERS' Asset Allocation June 30, 2024
Market Value $3,667,853,950



1-Year Return:	13.29%
Benchmark Return:	12.29%
Excess:	1.00%
5-Year Return:	10.79%
Benchmark Return:	7.99%
Excess:	2.80%
10-Year Return:	8.86%
Benchmark Return:	7.41%
Excess:	1.45%
20-Year Return:	8.08%
Benchmark Return:	7.19%
Excess:	0.89%

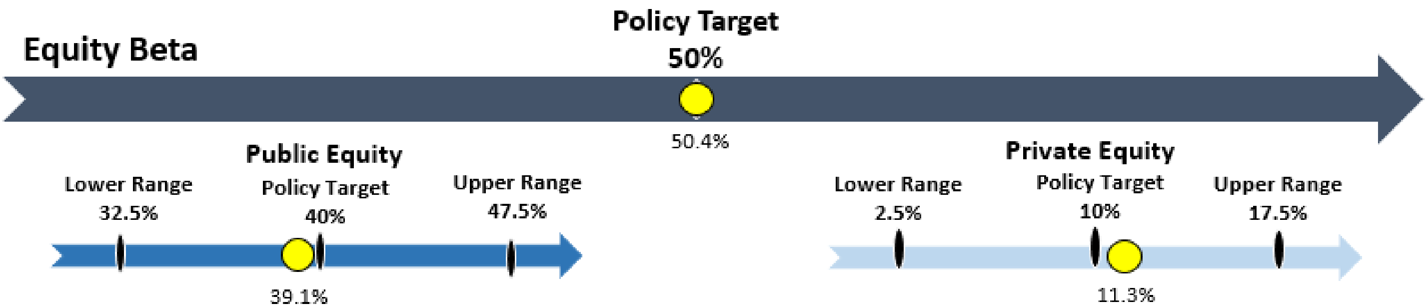
- It was another strong year for MPERS' investment portfolio. Fiscal Year 2024 performance came in at 13.29%, which outperformed the policy benchmark (12.29%), median public fund (11.4%), and most importantly the actuarial assumption (6.5%). Simpler was better was the theme once again for the past year as global equities were up another 19% for the year. Traditional fixed income was up 2.7% for the year, so a traditional 60/40 mix of stocks and bonds generated a 12.7% return. MPERS' portfolio typically trails peers and traditional 60/40 portfolios in this environment, so we are very pleased with the overall results. The strong returns should also provide more downward pressure on employer contribution rates.

- 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 peer universe, while the 20-year return ranks in the top 2%.

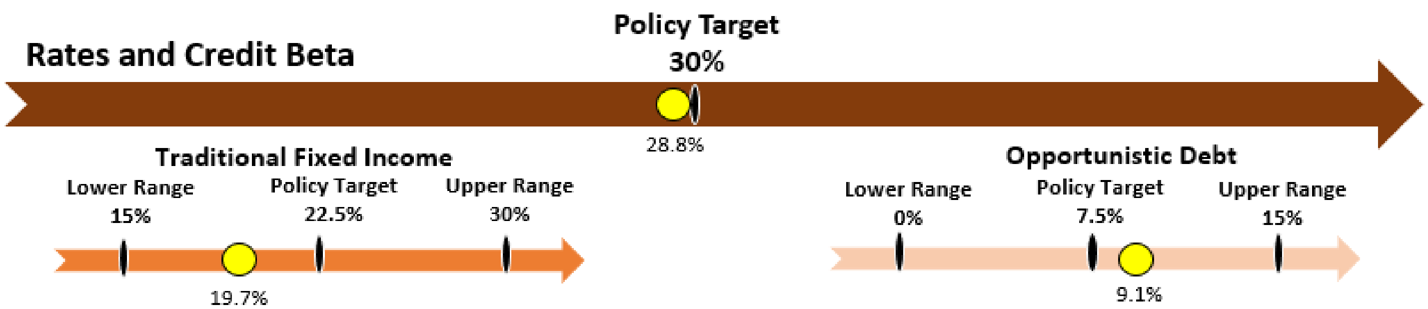
- Fiscal Year 2025 is also off to a good start. Stocks and bonds have rallied further in recent months in hopes that the Federal Reserve will start to reduce interest rates and successfully navigate a "soft landing" for the economy. Overall, the portfolio is up an estimated 2.5% to start the year (July 1st – September 4th).

Current Asset Allocation and Positioning Relative to Targets

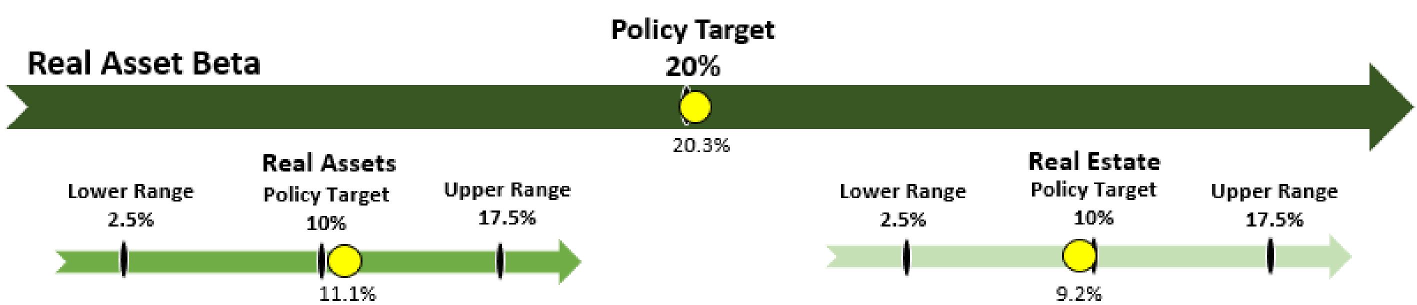
Below are the current allocations relative to policy targets and additional comments on the portfolio's positioning. As of August 26, 2024, each allocation was within the permissible ranges established in MPERS' Investment Policy. Total fund leverage remains low at 4.1% of assets.



There has been some weakness in the "Magnificent 7" names after the Department of Justice (DOJ) announced it is looking into possible anti-trust issues with Nvidia's AI platform. Google is also in anti-trust talks with the DOJ and is considering breaking up into 3-4 separate business lines. Outside of the unique pressures of these technology names, we still believe the next major risk to equity markets will come from the November presidential election, so we remain "cautiously optimistic" about equities in general.



Bond yields have rallied on expectations the Federal Reserve will start lowering the Fed Funds rate at the September FOMC meeting. The 10-year Treasury has dropped to a yield of 3.7%, while the 30-year Treasury is hanging around the 4% range (both of which are down 40-50 basis points since July). It remains challenging to keep any non-equity allocation close to targets given the strength of broad equity markets (due to the denominator effect), and given the drop in yields, it's becoming harder to allocate new capital to fixed income.



The real assets portfolio continues to perform strongly in the current inflationary environment. The timber portfolio is now MPERS' best-performing sub-asset class over the three-year (36.5%) and five-year (23.1%) periods. The real estate portion of the allocation is also stabilizing, given the lower yield environment, and now looks relatively more attractive than prior years.