CIO INVESTMENT REPORT
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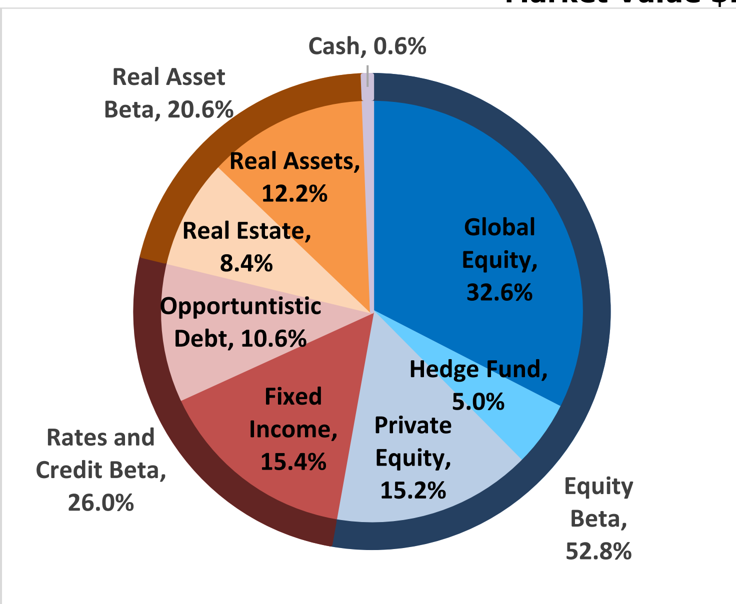
Chief Investment Officer
MPERS Board Meeting – November 19, 2020

Investment Performance Report

NEPC will present MPERS' finalized 3rd Quarter 2020 investment performance report. A high level summary of the report is provided below.

MPERS' Asset Allocation
September 30, 2020
Market Value $2,473,020,894



1-Year Return:	3.51%
Benchmark Return:	8.81%
Excess:	(5.30%)
3-Year Return:	6.01%
Benchmark Return:	7.91%
Excess:	(1.90%)
5-Year Return:	7.13%
Benchmark Return:	8.52%
Excess:	(1.39%)
10-Year Return:	8.58%
Benchmark Return:	8.38%
Excess:	0.20%

- Fiscal year 2021 is off to an excellent start, as equity markets continue to recover losses associated with the COVID-19 outbreak. MPERS' portfolio was up 5.5% in the 3rd quarter of 2020, as risk-on assets rallied across the globe despite a new wave of COVID outbreaks and uncertainty around the U.S. Presidential election. U.S. Treasury yields fell during the quarter (sending bond prices higher) on expectations that the Federal Reserve will keep rates low for the foreseeable future to stimulate economic growth.

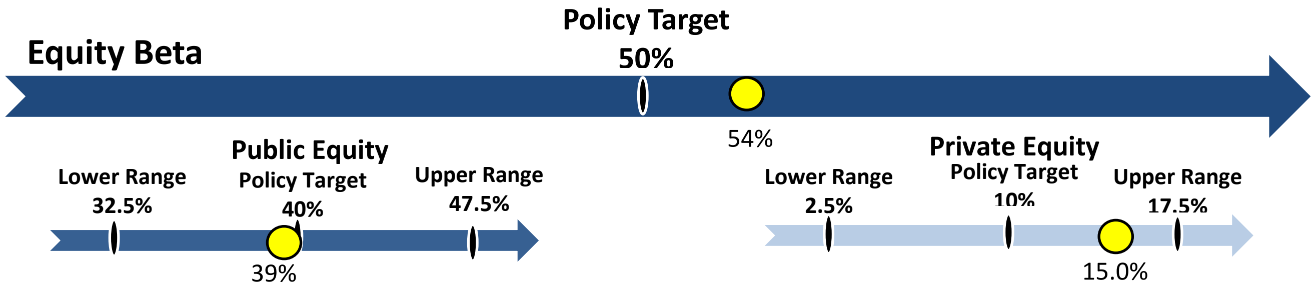
- MPERS' intermediate-term returns, while strong on an absolute return basis, continue to struggle relative to policy benchmarks. The underperformance stems primarily from two asset classes; namely the traditional equity portfolio (which has a strong value bias during a period of time where growth has outperformed value) and the real assets portfolio (which is suffering losses from energy-based investments). Both the energy and broader value sectors have performed well of late on hopes of a COVID vaccine and stronger economic growth.

- Longer term, MPERS' performance remains strong. MPERS' ten year return ranks in the top 15% of the universe, with a risk profile (as measured by volatility of returns) in the bottom 1% of the peer universe.

- As of November 10th, the portfolio continues to perform well and is back above the $2.5 billion mark in assets. The estimated fiscal year 2021 performance stands at 8%. The current positioning of the portfolio is detailed on the following page.

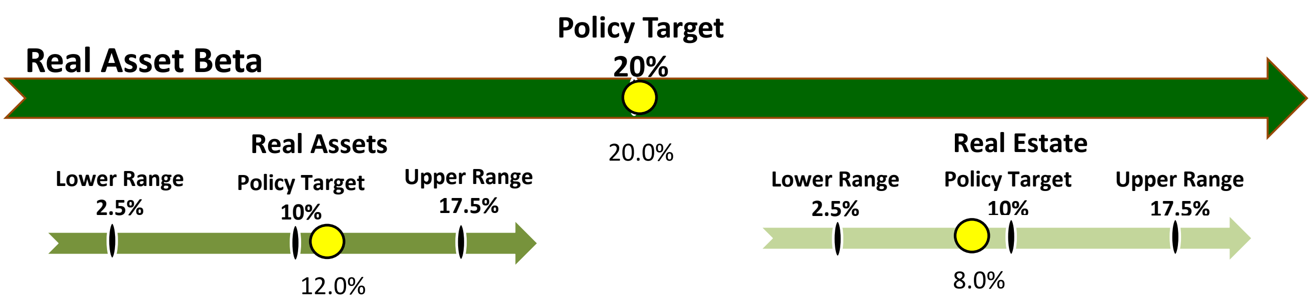
Current Asset Allocation and Positioning Relative to Targets

COVID-19 continues to disrupt global economic activity, and the future trajectory of the virus is dominating the direction of market movements. Given the market uncertainty, the investment portfolio has a relatively neutral allocation relative to long-term policy targets. The current allocation relative to policy targets, along with additional comments on the positioning of the portfolio, is provided below. As of November 11, 2020, each of the respective allocations are within the permissible ranges established in MPERS' investment policy. MPERS' current cash balance stands at $24.8 million (or 1% of assets), and the total fund leverage authority is not being utilized at this time.



With equity markets once again trading at/near all time highs, along with the uncertainty around COVID-19 and economic growth, we continue to maintain a neutral positioning to the public equity markets. Within the 39% public equity allocation, 68% of the exposure (26.8% of assets) is obtained through the use of derivative and/or portable alpha (hedge fund) strategies.

Optimism surrounding a COVID-19 vaccine has pushed interest rates somewhat higher, forcing bond prices lower and bringing MPERS to the lower limit of the permissible range for traditional fixed income. The 10-year Treasury now yields 0.97% (up from 0.67% in September), while the 30-year Treasury now yields 1.73% (up from 1.41% in September). The underweight position relative to policy targets has served MPERS well during this recent spike in yields, and we intend to maintain this positioning for the foreseeable future.



The overall real asset sector remains under stress given the reduced economic growth outlook from COVID-19. Oil prices have stabilized around $40/barrel which has limited further losses to the energy portfolio but it remains vulnerable to further declines in energy prices. Within real estate, there is very little leasing activity within the office and retail properties as the sectors adapt to the new "work from home" environment, while multi-family and industrial sectors remain very healthy. The timber portfolio continues to make progress on a number of potential sales, which should improve the overall performance of that sector.