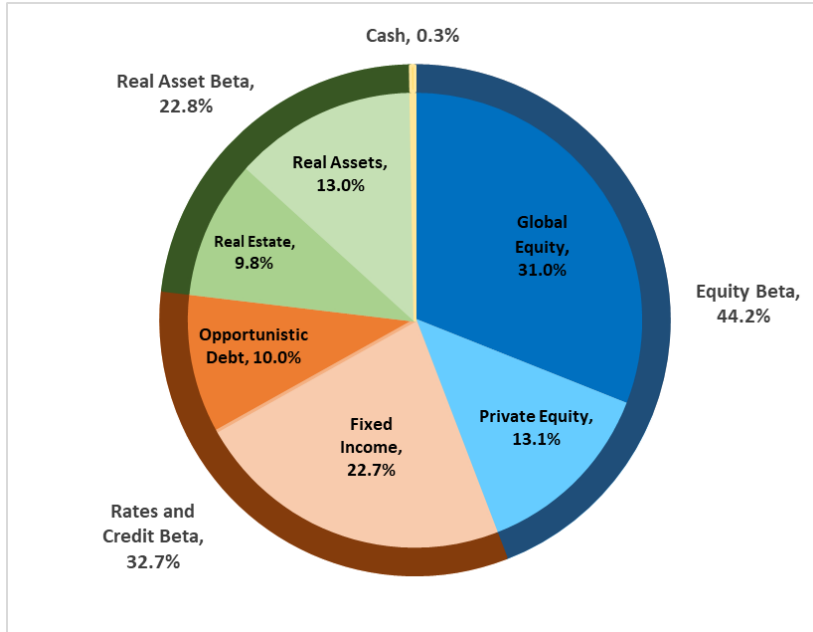


Investment Performance Report

NEPC will present MPERS’ calendar year 2023 investment performance report. A high-level summary of the report is provided below.

MPERS’ Asset Allocation December 31, 2023 Market Value \$3,460,200,033

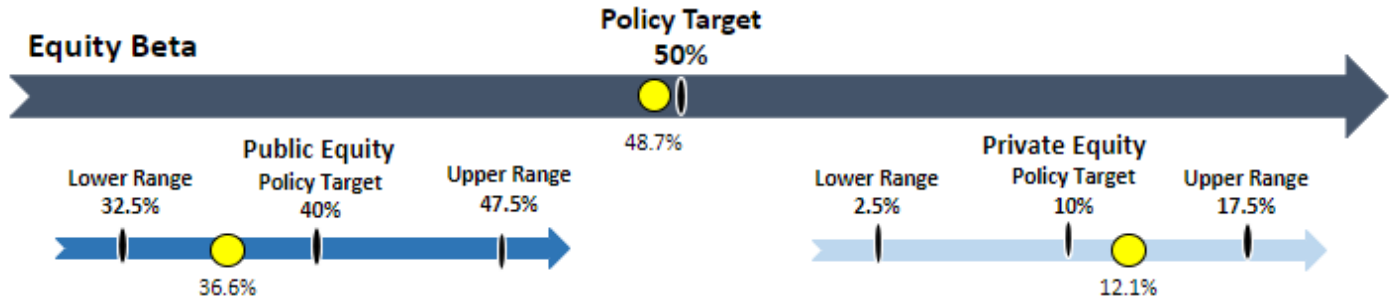


1-Year Return:	13.22%
Benchmark Return:	<u>12.95%</u>
Excess:	0.27%
5-Year Return:	10.89%
Benchmark Return:	<u>8.43%</u>
Excess:	2.46%
10-Year Return:	9.03%
Benchmark Return:	<u>7.29%</u>
Excess:	1.74%
20-Year Return:	8.08%
Benchmark Return:	<u>7.18%</u>
Excess:	0.90%

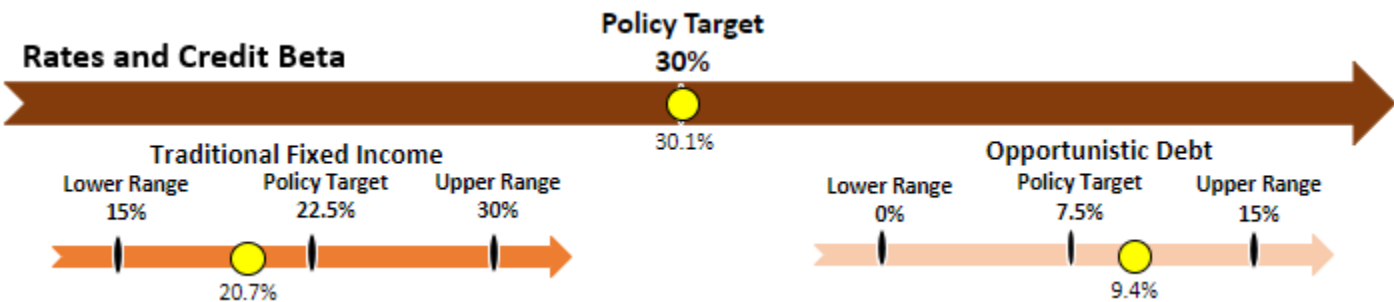
- Financial markets rallied during the 4th quarter of 2023 on the Federal Reserve’s “pivot” towards a stance of future interest rates cuts. Global equity markets gained 11% during the quarter, while traditional fixed income markets gained 6.6% over the period. MPERS’ overall portfolio gained 6.5% for the quarter, capping off a strong year for the fund.
- MPERS’ one-year return of 13.22% outperformed the policy benchmark of 12.95%. Peer rankings were not available at the time of this report, but we expect MPERS’ return to be in-line or above the average public fund.
- MPERS’ long-term returns continue to look strong relative to any metric. While not available at the time of the report, staff expects MPERS’ 5-, 10-, and 20-year returns to remain in the top 1% of the public fund peer universe.
- As the calendar turned to 2024, financial markets continue to grind higher driven by the strong performance of large technology companies (namely the Magnificent 7: AAPL, AMZN, GOOGL, META, MSFT, NVDA, & TSLA). The S&P 500 is now trading at an all-time high but has yet to close above the elusive 5000 mark. Bond yields have stabilized with Treasuries yielding in the low 4% range. The renewed market strength has pushed MPERS’ estimated Fiscal Year 2024 return up to 6.5% (July 1st – February 6th).

Current Asset Allocation and Positioning Relative to Targets

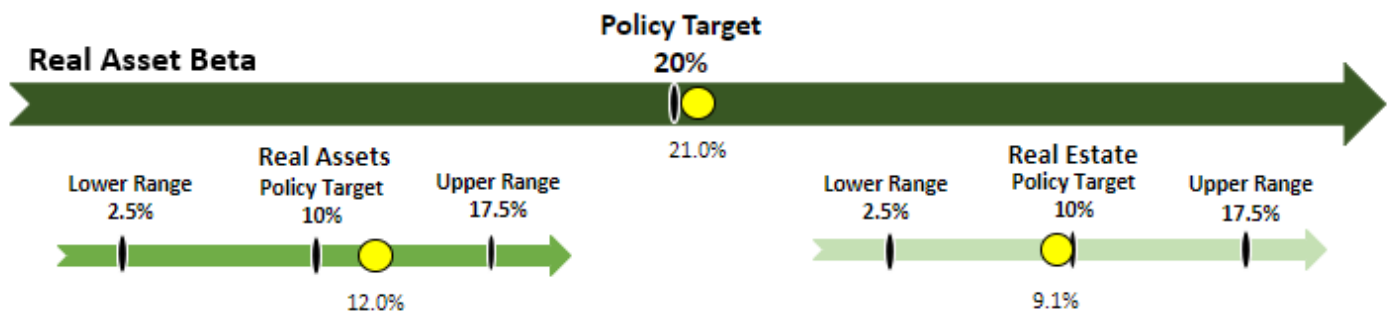
The current allocation relative to policy targets, along with additional comments on the positioning of the portfolio, are provided below. As of February 2, 2024, each of the respective allocations were within the permissible ranges established in MPERS' Investment Policy. Total fund leverage is back down to 7.7% of assets, having been well over 10% for most of the 4th quarter.



Staff has been cautious with regards to the public equity markets, as the strong performance in calendar year 2023 pushed valuations to less attractive levels. However, should the Federal Reserve successfully navigate the "soft landing," the market will likely move higher with the next major risk coming from the November presidential election.



Bond yields have stabilized after the Fed's "pivot." Both the 10-year and 30-year Treasury notes reached yields of 5% before falling back to just over 4% in recent weeks. Staff took advantage of the increase in yields to purchase government-guaranteed mortgages yielding well over 6.5%, which brought MPERS' traditional fixed income allocation closer to policy targets. That move was short-lived, as the rally in equity markets pushed the overall allocation back down to a slight underweight (due to the denominator effect).



The real assets portfolio continues to benefit from the current inflationary environment. The timber portfolio's five-year return of 18.7% is MPERS' highest returning asset class over that period.