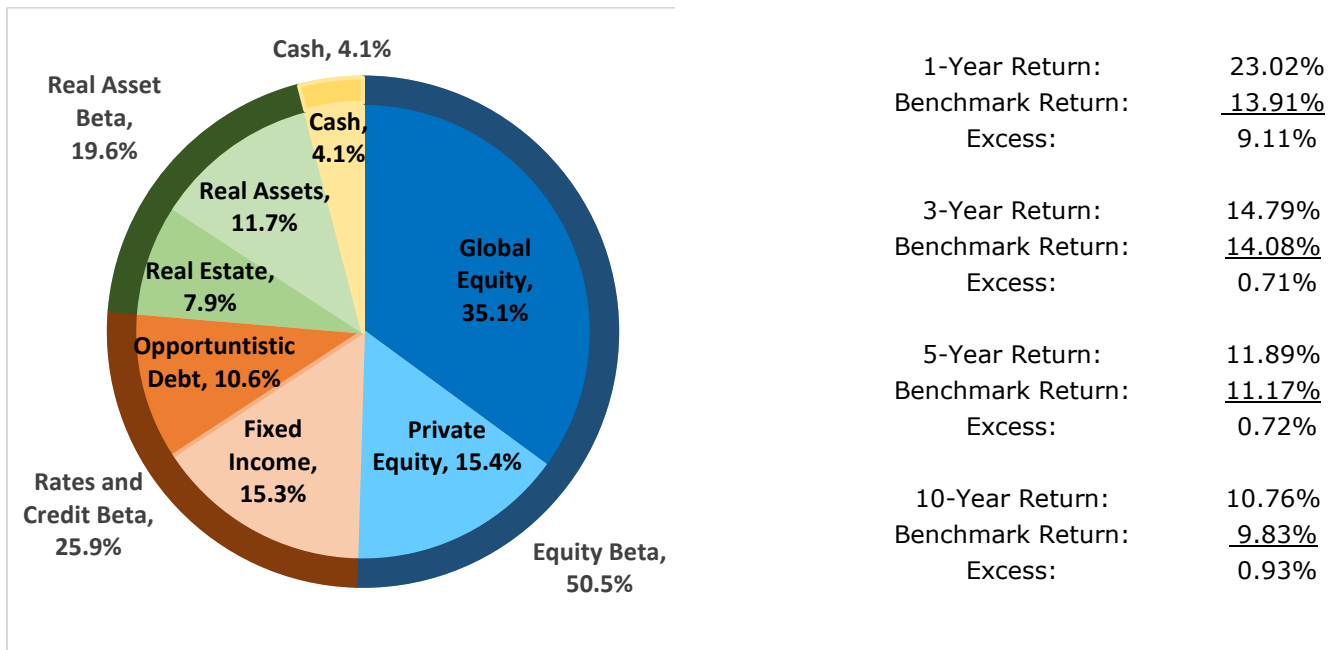


Investment Performance Report

NEPC will present MPERS' calendar year 2021 investment performance report. A high-level summary of the report is provided below.

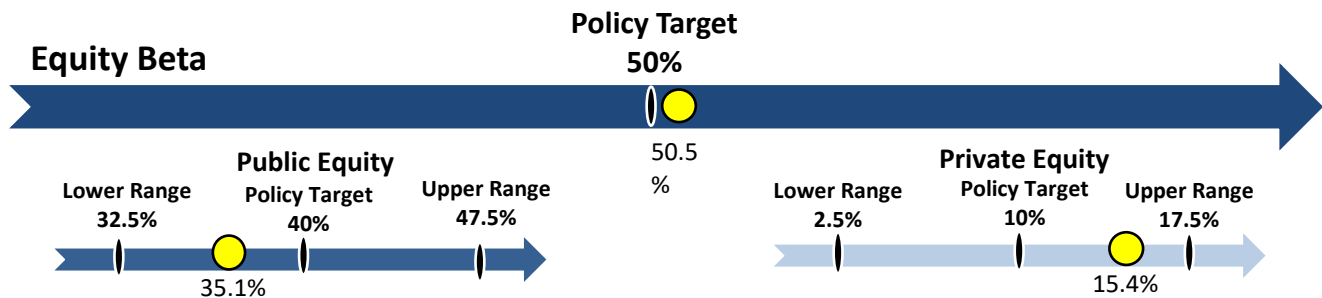
MPERS' Asset Allocation
December 31, 2021
Market Value \$3,223,507,106



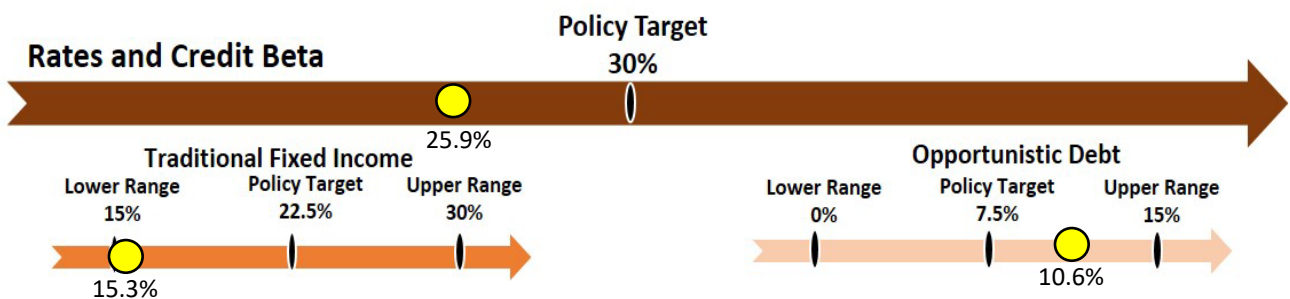
- MPERS' investment portfolio continues to perform well across most any metric. The portfolio gained another 5.7% during the 4th quarter of 2021, bringing the calendar year 2021 return up to 23.0%. The one-year return outperformed the policy benchmark by over 9%, ranked in the top 1% of the peer universe, and drove the fund balance to an all-time high of \$3.22 billion. MPERS' portfolio now ranks at or near the top quartile of the peer universe over the one-, five-, ten-, and fifteen-year periods (on a nominal basis), while the risk-adjusted performance measures (as measured by Sharpe Ratios) all rank in the top one percent over those same periods.
- After several years of strong market performance, calendar year 2022 started off on a softer note. January 2022 was the worst start to a calendar year since the financial crisis, as geopolitical risks and inflation fears outweighed strong economic reports. While still early in the year, 2022 is shaping up to be a year of mixed market results and a year where portfolio positioning can add value to the portfolio. MPERS' portfolio positioning has recently led to significant gains relative to policy benchmarks, and the current positioning is detailed on the following page.
- Despite the rough start to the year, the estimated Fiscal Year 2022 performance stands at a healthy 6.5% (July 1, 2021 – February 16, 2022).

Current Asset Allocation and Positioning Relative to Targets

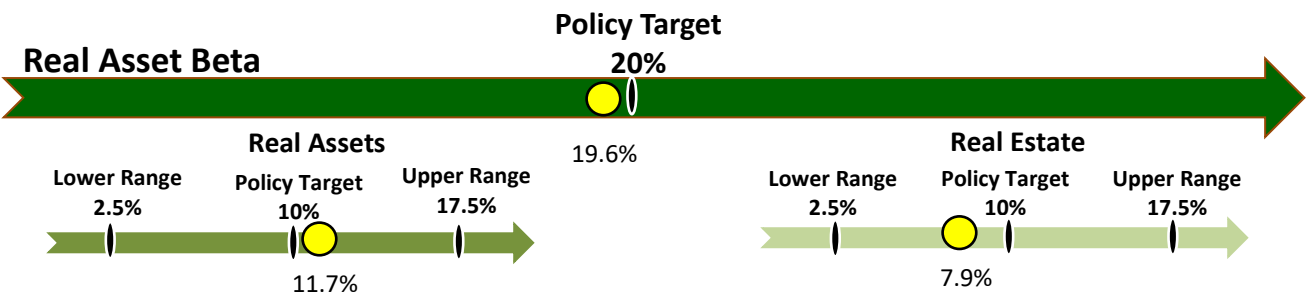
The current allocation relative to policy targets, along with additional comments on the positioning of the portfolio, is provided below. As of February 16, 2022, each of the respective allocations are within the permissible ranges established in MPERS' Investment Policy. We continue to hold a sizeable cash position of \$104.8 million (3.3% of assets) in the portfolio given the increased volatility in the market. We have also yet to utilize any leverage in the portfolio, which together with the current cash balance provides a powerful tool in managing the volatility in the market.



Calendar year 2022 brought a new wave of volatility in the market. The pace of economic growth remains very strong as COVID-19 cases plunge, but that led to rising inflation which is putting pressure on input costs and corporate profitability. Tensions also remain high between Russia and Ukraine, which is adding another element of geopolitical risk for the markets to absorb. We continue to maintain a neutral weighting overall to the equity Beta group, with a bias towards private equity over public equity.



Interest rates continue to trend higher with all the growth and inflation, and the Federal Reserve will certainly be raising rates throughout the year to curb further inflation risks. Year-over-year inflation is currently 7.5%, the highest level since the early 1980s. The underweight position to traditional fixed income continues to add value to the portfolio and we expect to maintain that positioning for the foreseeable future.



The real assets portfolio continues to perform well, led by gains in the energy and timber portfolios. We remain underweight the real estate allocation target but continue to review several new strategies that could increase the allocation over time. The entire real assets portfolio should continue to perform well should the current inflationary pressures persist over the longer term.