CIO INVESTMENT REPORT
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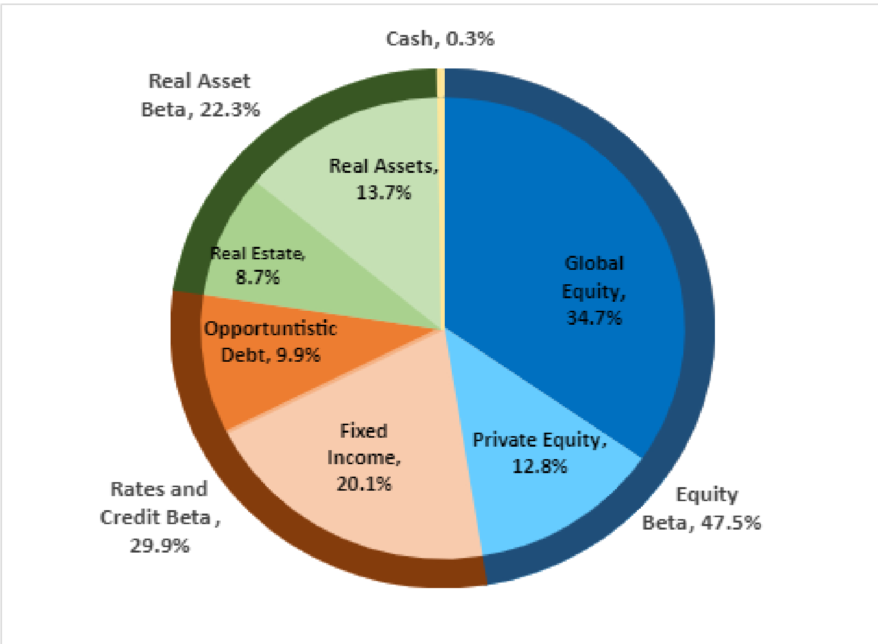
Chief Investment Officer
MPERS Board Meeting – June 22, 2023

Investment Performance Report

NEPC will present MPERS' 1st quarter 2023 investment performance report. A high-level summary of the report is provided below.

MPERS' Asset Allocation March 31, 2023
Market Value $3,209,278,429



1-Year Return:	2.15%
Benchmark Return:	-4.84%
Excess:	6.99%
3-Year Return:	14.55%
Benchmark Return:	9.23%
Excess:	5.32%
5-Year Return:	9.44%
Benchmark Return:	6.77%
Excess:	2.67%
10-Year Return:	9.17%
Benchmark Return:	7.44%
Excess:	1.73%

- MPERS' portfolio was up 4.0% during the 1st quarter of 2023, which underperformed the policy benchmark return of 4.7%. The overweight to banks/financials within the global equity portfolio was the primary driver of the underperformance. It was also a difficult quarter to gain a full perspective on investment performance because 2022 audited financials for MPERS' private market strategies are not finalized until the 2nd quarter and are therefore not reflected in this report.

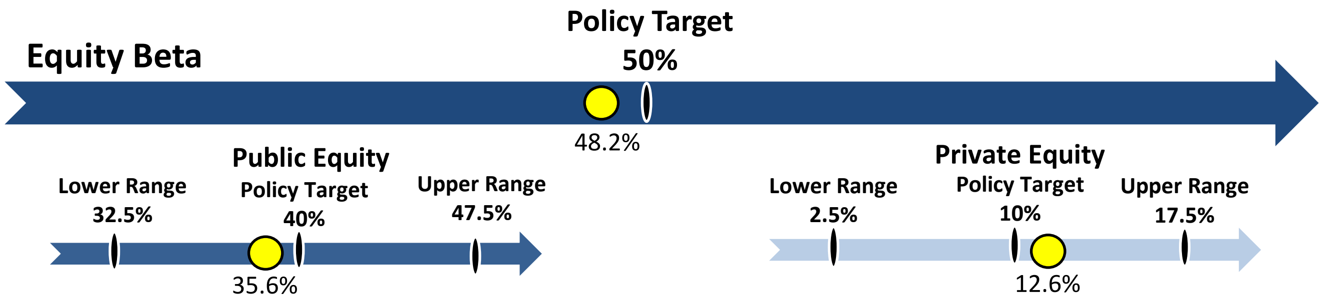
- MPERS' one-year return of 2.2% ranks in the top 1% of peer universe, outperforming the policy index, which lost 4.8%, and the median public fund, which lost 5.5% in value.

- MPERS' longer-term performance remains excellent, with the three-, five-, and ten-year results all ranking the top 1% of the peer universe.

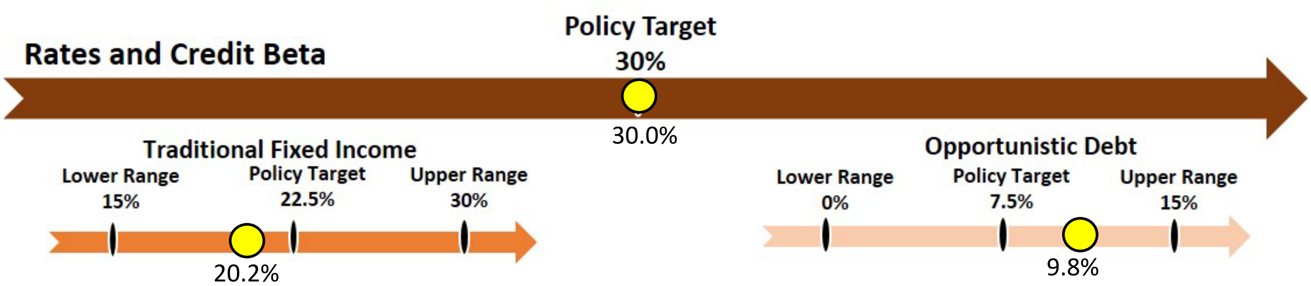
- The recent strength in the equity markets continues to push portfolio values higher. With only a few weeks remaining in Fiscal Year 2023, MPERS' estimated fiscal year return is up to 8.1% (July 1st - June 13th).

Current Asset Allocation and Positioning Relative to Targets

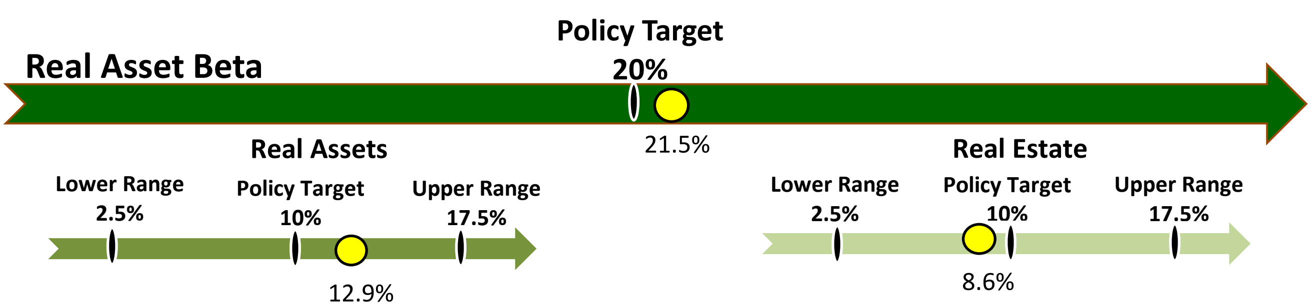
The current allocation relative to policy targets, along with additional comments on the positioning of the portfolio, is provided below. As of June 8, 2023, each of the respective allocations are within the permissible ranges established in MPERS' Investment Policy. The total fund leverage authority is being utilized moderately, with leverage totaling 12.3% of assets.



With global equities up almost 13% to start calendar year 2023, the allocation to public equities has creeped closer to targets. After several years of strong performance, private equity valuations are holding relatively steady. We continue to closely monitor the trends in private market valuations, and still expect some challenges ahead as higher interest rates are incorporated into the profit margins and liquidation values of portfolio companies.



Bond yields have settled into a relatively narrow trading range as the Federal Reserve starts to pause its series of interest rate hikes. Inflationary pressures continue to subside but remain higher than longer term targets. Staff took advantage of the recent spike in yields to increase the traditional fixed income allocation closer to policy targets. We expect to allocate additional capital to fixed income should yields make another move higher.



The real assets portfolio continues to provide diversification during this inflationary period, particularly the timber portfolio, which is benefiting from strong realized land sales in Tennessee and Montana. On the real estate side, office properties remain a big concern, but staff continues to review several other real estate opportunities that could potentially increase the allocation closer to targets.