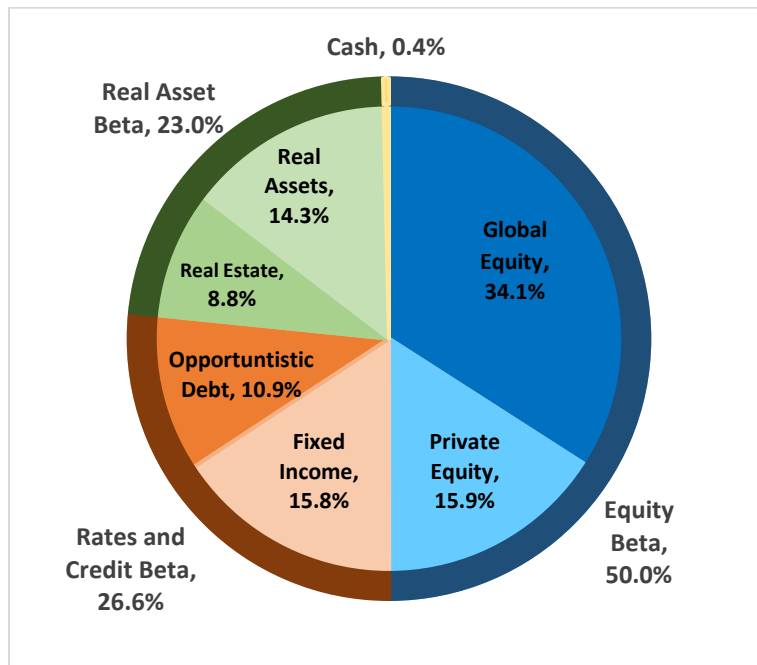


Investment Performance Report

NEPC will present MPERS’ Fiscal Year 2022 investment performance report. A high-level summary of the report is provided below.

MPERS’ Asset Allocation
June 30, 2022
Market Value \$3,061,161,231

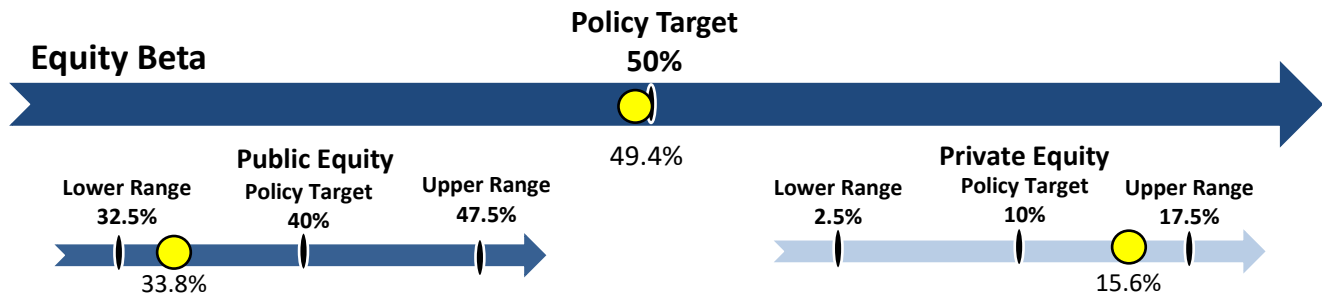


1-Year Return:	3.94%
Benchmark Return:	<u>-4.35%</u>
Excess:	8.29%
3-Year Return:	10.61%
Benchmark Return:	<u>7.11%</u>
Excess:	3.50%
5-Year Return:	9.61%
Benchmark Return:	<u>7.56%</u>
Excess:	2.05%
10-Year Return:	9.72%
Benchmark Return:	<u>7.98%</u>
Excess:	1.74%

- During a year when the median public fund lost 10.5% of value, MPERS’ diversified portfolio was able to generate a positive 3.94% return in Fiscal Year 2022. That return ranked in the top 1% of the peer universe and outperformed the policy benchmark return by 8.29%.
- MPERS’ three-year return of 10.61% remains well above the actuarial assumption of 6.5% which has pushed the System’s funded status to 66%. Given MPERS’ accelerated funding policy, the System is well-positioned for continued growth in the funded status over the coming years.
- In summary, MPERS’ returns are the strongest they have ever been relative to peers and the policy benchmark. **MPERS’ one-, three-, five-, and ten-year returns all rank in the top 1% of the public fund peer universe.** The risk-adjusted returns (measured by a system’s Sharpe ratio) also rank in the top 1% of the peer rankings.
- As we turn to Fiscal Year 2023, the portfolio continues to hold up well. The estimated return thus far in Fiscal Year 2023 is 2.5% (July 1st – September 12th). Additional details on how the fund is currently positioned are highlighted on the following page.

Current Asset Allocation and Positioning Relative to Targets

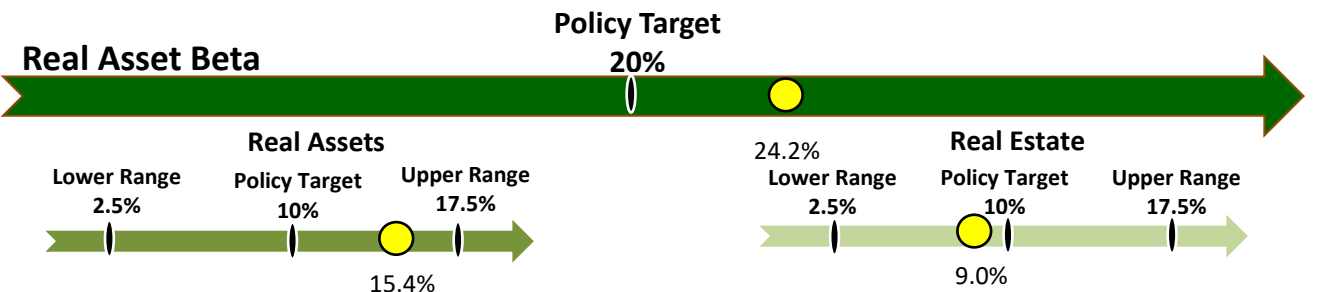
The financial markets are currently in a “tug of war” balancing strong corporate profits against fears of inflation, Federal Reserve rate hikes, and geopolitical risks. This will certainly lead to periods of volatility as additional news is digested, but for now, MPERS’ portfolio is holding up well. The current allocation relative to policy targets, along with additional comments on the positioning of the portfolio, is provided below. As of September 12, 2022, each of the respective allocations are within the permissible ranges established in MPERS’ Investment Policy. The total fund leverage authority is being modestly utilized, with total leverage standing at 0.7% of assets.



Staff continues to maintain an underweight allocation to the public equity markets, offset by an overweight position to private equity. This collectively results in a neutral positioning to equities overall. We expect to see some modest write-downs in the private equity portfolio as valuations catch up to public markets, but thus far it has been a balanced mix of write-downs and write-ups in the portfolio. Staff has utilized the leverage authority to be tactical with MPERS’ overall public equity exposure, trading in and out of markets and generating significant profits for the system. Should the public markets sell off considerably from these levels, we expect to rebalance and add additional equity exposure.



Concerns over inflation continue to push interest rates higher and bond prices lower. The 10-year Treasury is now yielding 3.4%, while the 30-year Treasury now yields 3.50% (the 20-year yields more at 3.75%). The underweight position relative to policy targets and relatively short duration of the traditional fixed income portfolio has served MPERS well this year, and we intend to maintain the current positioning until the outlook improves.



The real assets beta portfolio was up 27% in Fiscal Year 2022 and continues to benefit from inflationary pressures and higher commodity prices. We expect the portfolio will continue to perform well as these inflationary trends continue. We remain underweight the real estate allocation target, but a number of recent commitments should bring the allocation closer to target over time.