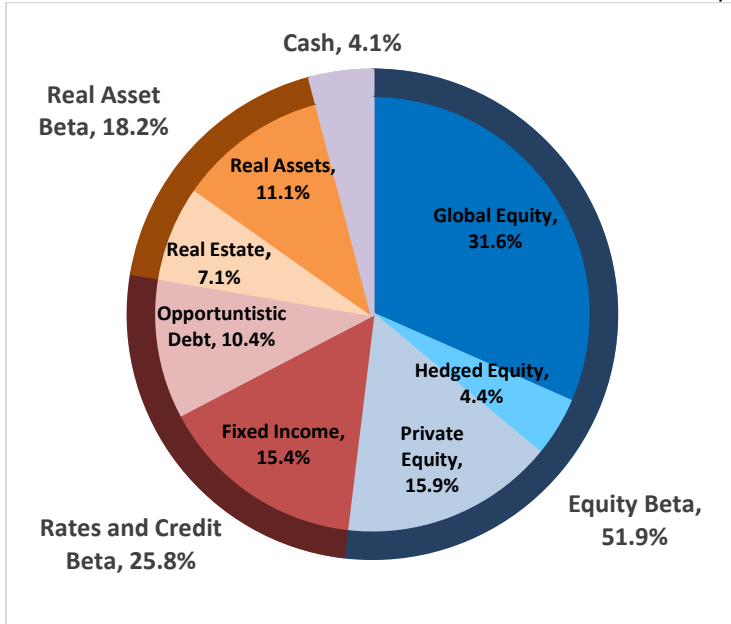


Investment Performance Report

NEPC will present MPERS’ Fiscal Year 2021 investment performance report. A high level summary of the report is provided below.

MPERS’ Asset Allocation
June 30, 2021
Market Value \$3,002,833,720

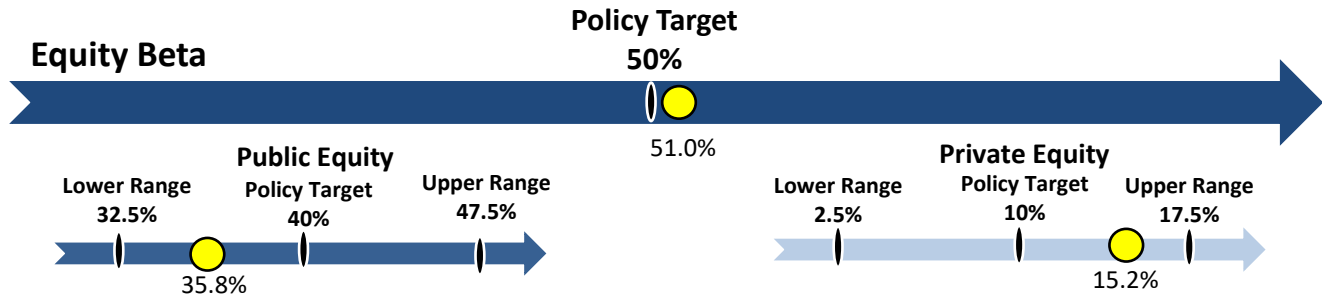


1-Year Return:	30.80%
Benchmark Return:	<u>23.47%</u>
Excess:	7.33%
3-Year Return:	11.63%
Benchmark Return:	<u>11.79%</u>
Excess:	(0.16%)
5-Year Return:	11.10%
Benchmark Return:	<u>10.79%</u>
Excess:	0.31%
10-Year Return:	9.59%
Benchmark Return:	<u>8.79%</u>
Excess:	0.80%

- Despite being dominated by the COVID-19 pandemic and a contentious presidential election, MPERS’ portfolio generated a 30.8% return in fiscal year 2021 and crossed over the \$3.0 billion mark in assets for the first time. The 30.8% return considerably outperformed MPERS’ policy benchmark return of 23.5%, and ranked in the top 9% of public fund peer universe for the period. The public equity portfolio performed extremely well, generating 47.7% return relative to the benchmark return of 39.3%. The value and small cap bias in the equity portfolio, which underperformed in prior years, performed very well alongside the improving economy.
- MPERS’ long-term return remains excellent across all performance metrics. MPERS’ 10-year return of 9.6% ranks in the top 14% of the public fund universe, and has a risk profile (as measured by volatility of returns) in the bottom 1% of the peer universe.
- Fiscal Year 2022 is also off to a good start. As of September 13, 2021, the portfolio is up an estimated 3.1%, and the fund balance is at an all-time high of \$3.09 billion.
- The current positioning of the portfolio is detailed on the following page.

Current Asset Allocation and Positioning Relative to Targets

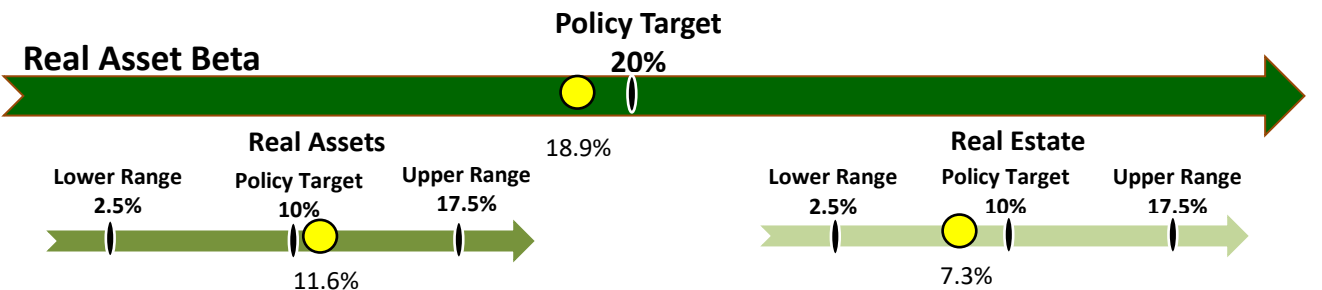
The current allocation relative to policy targets, along with additional comments on the positioning of the portfolio, is provided below. As of September 13, 2021, each of the respective allocations are within the permissible ranges established in MPERS' Investment Policy. The total fund leverage authority is not being utilized and MPERS' cash balance stands at \$128.1 million (4.15% of assets).



The relative performance of the equity portfolio continues to improve. The value and small cap bias in the public equity portfolio, which underperformed in prior years, has reversed course and is once again adding value to the portfolio. With equity valuations at the high range of historical averages, we liquidated \$100 million of public equity exposure effective June 30, 2021, and will likely continue to harvest gains and stay underweight to public equity until we are more comfortable with valuations. 67% of the public equity exposure (24% of assets) is currently obtained through the use of derivative and/or portable alpha (hedge fund) strategies.



The bond market remains somewhat of an enigma for investors, as the low yield environment feels inconsistent with equity market valuations and current inflation levels. The yield on the 10-year Treasury has dropped to 1.28% (down from 1.58% in June 2021), while the 30-year Treasury now yields 1.85% (down from 2.21% in June 2021). Given the low level of interest rates, we intend to maintain the underweight 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 are reviewing a new strategy with a potential long-term strategic partner in the sector which could increase the allocation over time. The recent commitments are well positioned to take advantage of any dislocations that may occur as the sector adjusts to long-term supply and demand changes brought about by COVID-19.