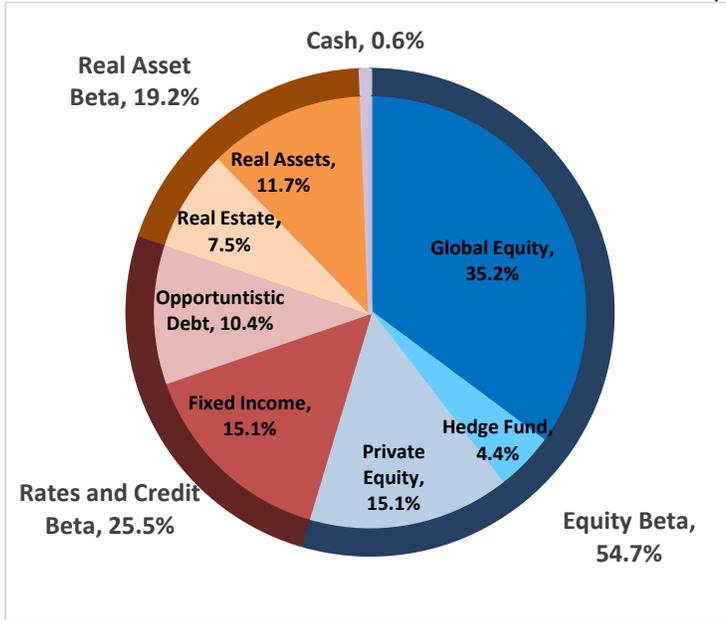


Investment Performance Report

NEPC will present MPERS' 1st quarter 2021 investment performance report. A high level summary of the report is provided below.

MPERS' Asset Allocation
March 31, 2021
Market Value \$2,799,344,008

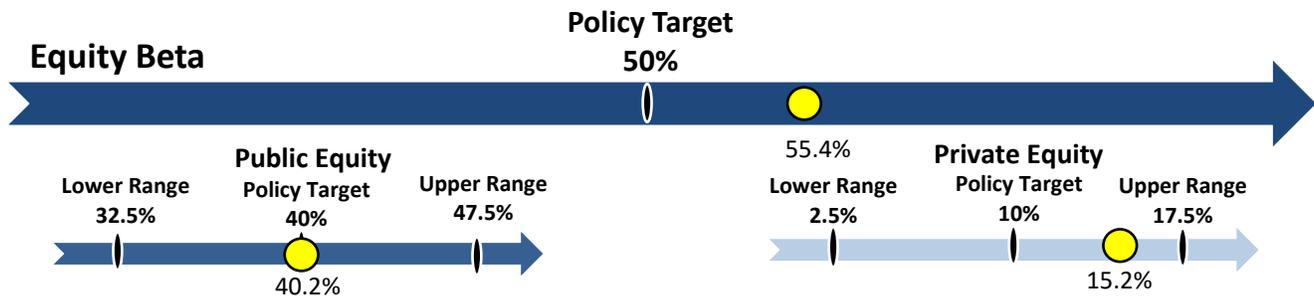


1-Year Return:	26.02%
Benchmark Return:	<u>25.50%</u>
Excess:	0.52%
3-Year Return:	9.59%
Benchmark Return:	<u>10.15%</u>
Excess:	(0.56%)
5-Year Return:	9.85%
Benchmark Return:	<u>10.08%</u>
Excess:	(0.23%)
10-Year Return:	8.99%
Benchmark Return:	<u>8.49%</u>
Excess:	0.50%

- The 1st quarter of 2021 provided an excellent start to the new calendar year, as MPERS' investment portfolio delivered a 5.1% return for the period. The 5.1% considerably outperformed MPERS' policy benchmark return of 2.7%, and ranked in the top 5% of public fund peer universe for the period.
- MPERS' intermediate-term returns are very strong on an absolute return basis, and continue to improve relative to policy benchmarks. The value bias within the equity portfolio, which led to the underperformance in 2020 as growth strategies outperformed value, is performing very well again alongside the continued distribution of COVID-19 vaccines and the broader strength in the economy.
- MPERS' long-term return remains excellent across all performance metrics. MPERS' 10-year return is just under 9.0%, ranks in the top 22% 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 2021 is shaping up to be a banner year for the portfolio. The estimated return for the year stands at 28%, and the fund balance is at an all-time high of \$2.95 billion.
- The current positioning of the portfolio is detailed on the following page.

Current Asset Allocation and Positioning Relative to Targets

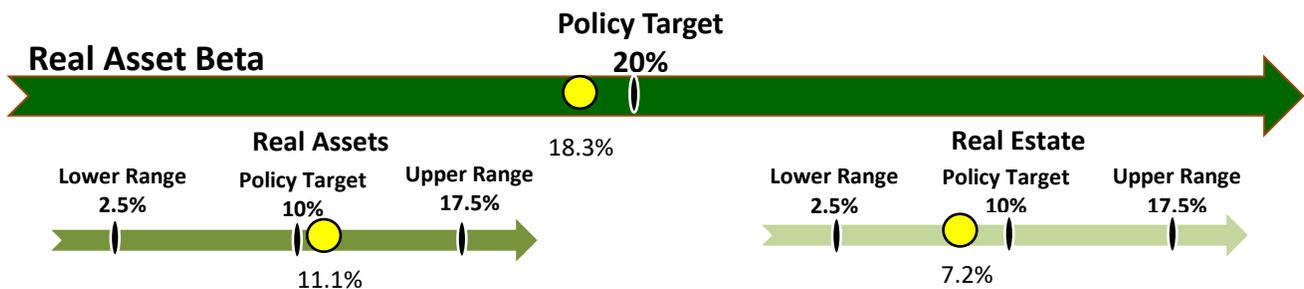
The current allocation relative to policy targets, along with additional comments on the positioning of the portfolio, is provided below. As of June 7, 2021, each of the respective allocations are within the permissible ranges established in MPERS' Investment Policy. The total fund leverage authority is not being utilized and MPERS' cash balance stands at \$22.1 million (0.8% of assets).



The relative performance of the equity portfolio continues to improve. Since July 1st, the equity portfolio is up 48.0% relative to the ACWI benchmark, which is up 38.6%. With equity valuations at the high range of historical averages, we will likely continue to harvest gains and utilize the equity portfolio for any liquidity needs until we are more comfortable with valuations. 65% of the public equity exposure (26% of assets) is currently obtained through the use of derivative and/or portable alpha (hedge fund) strategies.



The reopening of the economy and concerns over inflation continue to push interest rates higher and bond prices lower. The 10-year Treasury now yields 1.62% (up from 0.67% in September 2020), while the 30-year Treasury now yields 2.29% (up from 1.41% in September 2020). The underweight position relative to policy targets has served MPERS well during this recent spike in yields, and we intend to maintain this positioning for the foreseeable future.



The real assets portfolio has performed better as of late, led by gains in the timber portfolio, and should continue to perform well if inflationary trends continue to emerge. With oil prices stabilizing between \$60-70 per barrel, we expect to see some relief and potential gains within MPERS' energy-based strategies over the coming months. We remain underweight the real estate allocation target, but are reviewing a number of new strategies and remain optimistic that 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.