



VCERA
VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

2024 ASSET ALLOCATION RECOMMENDATION

VENTURA COUNTY EMPLOYEES'
RETIREMENT SYSTEM

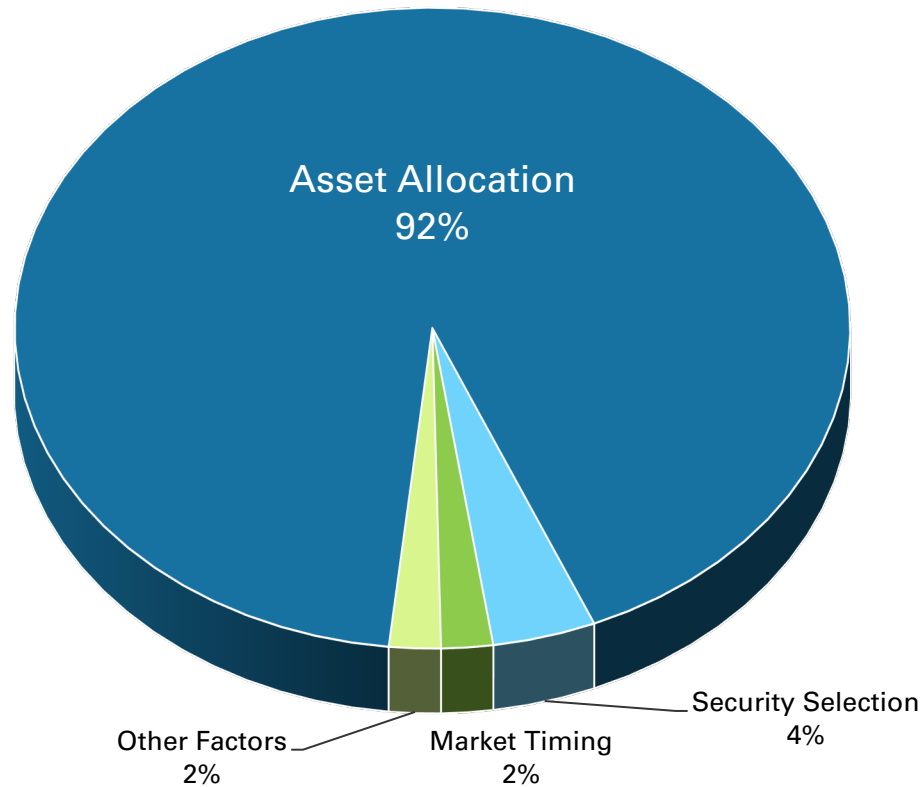
MAY 2024



PROPRIETARY & CONFIDENTIAL

ASSET ALLOCATION: THE KEY INVESTMENT DECISION

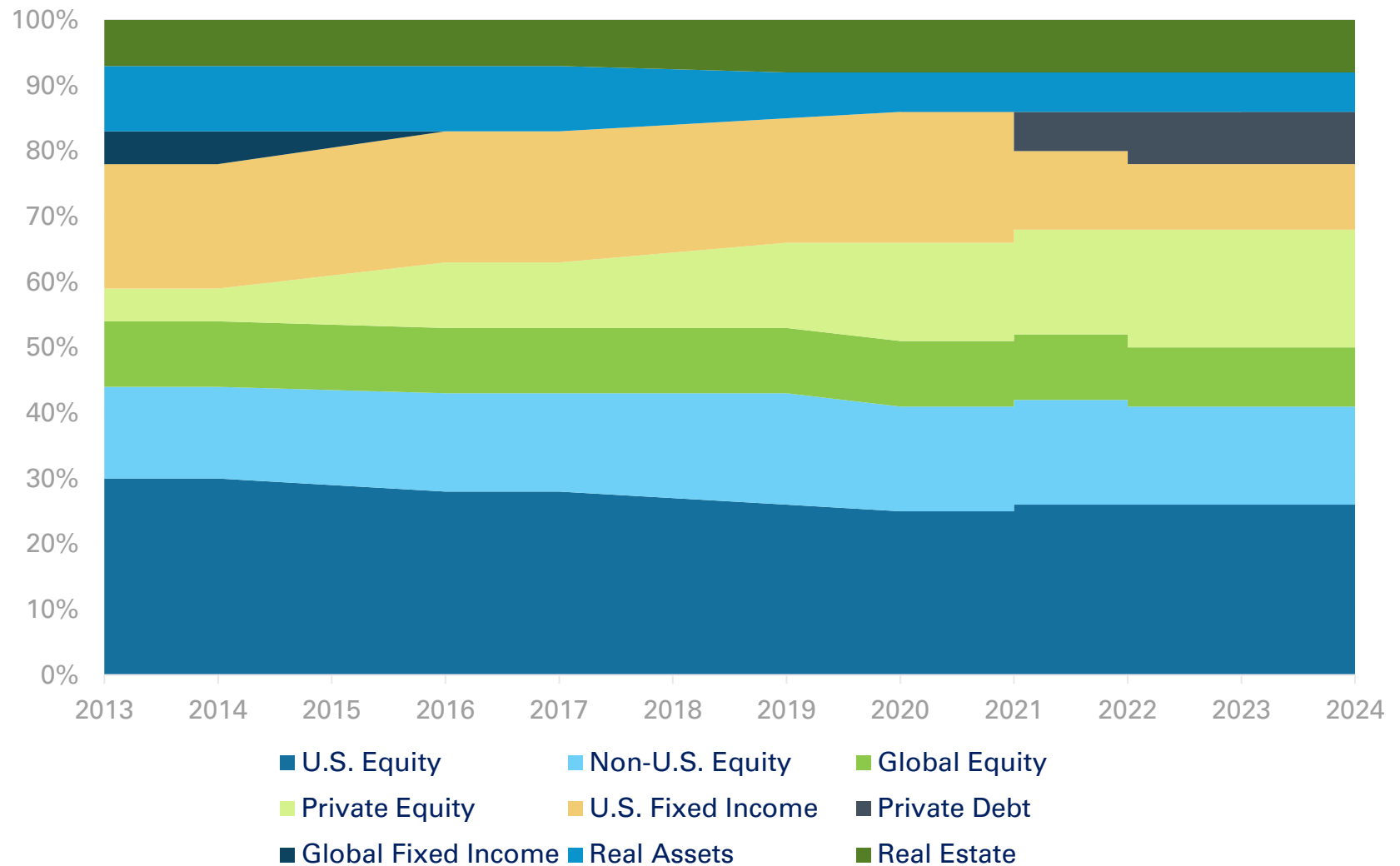
Determinants of Portfolio Performance



CURRENT ALLOCATION AND BENCHMARKS

| Asset Class | Policy Target | Policy Range | Benchmark Used in the Policy Index |
|------------------------------|---------------|----------------|-------------------------------------------------------------------|
| Equity | 68% | | |
| U.S. Equity | 26% | 20% - 32% | Russell 3000 Index |
| Non-U.S. Equity | 15% | 12% - 20% | MSCI ACWI ex U.S. Index Net |
| Global Equity | 9% | 7% - 13% | MSCI ACWI Index Net |
| Private Equity | 18% | 14% - 22% | Russell 3000 Index + 2% |
| Fixed Income | 18% | | |
| Publicly Traded Fixed Income | 10% | 7% - 13% | Bloomberg US Aggregate |
| Private Credit | 8% | 4% - 12% | 50% CS Leveraged Loan / 50% ICE BofA US HY BB-B Rated Constrained |
| Real Assets | 14% | | |
| Real Assets | 6% | 4% - 8% | CPI + 2% |
| Real Estate | 8% | 5% - 11% | NCREIF ODCE Net |
| Cash | 0% | 0% - 3% | |

HISTORICAL POLICY ALLOCATION



ASSET ALLOCATION RECOMMENDATION



EXECUTIVE SUMMARY

- **Market environment has shifted significantly**
 - Economic resiliency in the U.S. despite higher interest rates and above target inflation
 - From low rates/low growth/low expected returns...
 - To higher inflation, higher growth, and tightening monetary policy
- **VCERA Staff and NEPC are recommending incremental changes to the policy mix**
 - Generally closer to the current actual allocation
 - Reduce overall public equity exposure by 2% and add it to private debt
 - Reduce non-U.S. developed and emerging market equity exposures
 - Shift 2% from core real estate to non-core
 - **Result is a portfolio that maintains a similar return expectation as the Current Policy with lower asset volatility and increased risk/return efficiency**

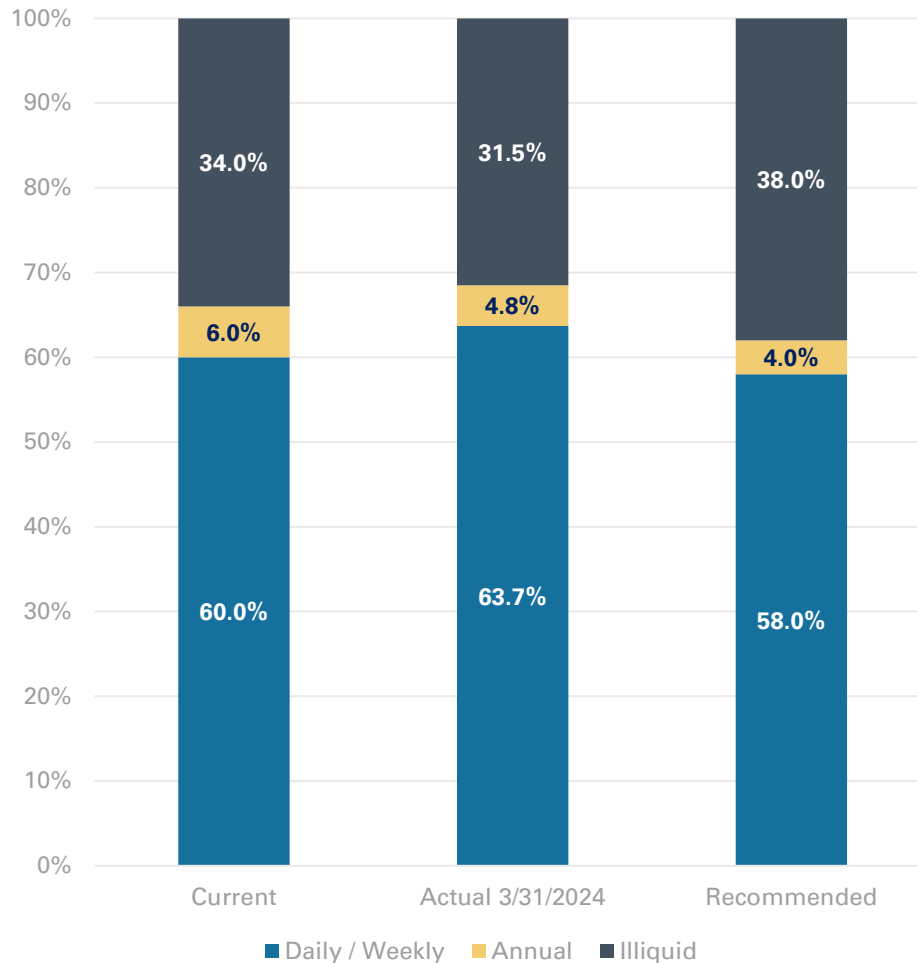
Notes: Funded ratio based on June 30, 2023 actuarial valuation produced by Segal

ASSET ALLOCATION PROFILES

| | Current Policy | Actual Allocation as of 3/31/2024 | Recommended |
|-----------------------------------------|----------------|--------------------------------------|--------------|
| Cash | 0.0% | 0.7% | 0.0% |
| Total Cash | 0.0% | 0.7% | 0.0% |
| US Large-Cap Equity | 22.4% | 27.1% | 24.0% |
| US Small/Mid-Cap Equity | 3.6% | 1.3% | 2.0% |
| Non-US Developed Equity | 10.8% | 11.8% | 10.0% |
| Emerging Market Equity | 4.3% | 3.0% | 3.0% |
| Global Equity | 9.0% | 10.1% | 9.0% |
| Private Equity | 18.0% | 17.7% | 18.0% |
| Total Equity | 68.0% | 71.0% | 66.0% |
| US Aggregate Bond | 4.0% | 4.4% | 4.0% |
| Absolute Return Fixed Income | 4.0% | 4.4% | 4.0% |
| Private Debt | 8.0% | 7.5% | 10.0% |
| 10 Year US Treasury Bond | 2.0% | 0.9% | 2.0% |
| Total Fixed Income | 18.0% | 17.2% | 20.0% |
| Real Estate - Core | 6.0% | 4.8% | 4.0% |
| Real Estate - Non-Core | 2.0% | 1.3% | 4.0% |
| Private Real Assets - Natural Resources | 2.0% | 2.5% | 2.0% |
| Private Real Assets - Infrastructure | 4.0% | 2.5% | 4.0% |
| Total Real Assets | 14.0% | 11.1% | 14.0% |

| | | | |
|----------------------------------|-------|-------|-------|
| Expected Return - 10 Year | 6.7% | 6.5% | 6.7% |
| Expected Return - 30 Year | 8.0% | 7.9% | 8.1% |
| Asset Volatility | 15.9% | 16.0% | 15.9% |
| Sharpe Ratio - 10 Year | 0.17 | 0.16 | 0.18 |
| Sharpe Ratio - 30 Year | 0.29 | 0.28 | 0.30 |

LIQUIDITY PROFILE



- **Recommended Mix increases Annual / Illiquid allocation by 2% of the portfolio**
- **Net cash flow is expected to average -3% of assets for next 10 years**
 - Public funds average between -2% and -4% net cash flow
- **Funding policy will trigger contribution increases if needed, providing a backstop to plan liquidity**
- **NEPC believes the plan can take on the recommended increase in illiquids with no material impact in the plan's ability to meet its obligations**

STAFF & NEPC RECOMMENDATION

| Asset Class | Recommended Target | Recommended Range | Recommended Benchmark |
|------------------------------|--------------------|-------------------|--------------------------------|
| Equity | 66.0% | | |
| U.S. Equity | 26.0% | 22%-30% | Russell 3000 |
| Non-U.S. Equity | 13.0% | 9%-17% | MSCI ACWI ex U.S. Index Net |
| Global Equity | 9.0% | 5%-13% | MSCI ACWI Index Net |
| Private Equity | 18.0% | 14%-22% | Russell 3000 + 2% (lagged) |
| Debt | 20.0% | | |
| Publicly Traded Fixed Income | 10.0% | 7%-13% | Bloomberg Aggregate Bond Index |
| Private Credit | 10.0% | 6%-14% | CS Leveraged Loan +2% (lagged) |
| Real Assets | 14.0% | | |
| Real Assets | 6.0% | 3%-9% | CPI + 2% |
| Real Estate | 8.0% | 5%-11% | NCREIF ODCE Index |
| Cash | 0.0% | 0%-3% | 90 Day T-Bills |

INFORMATION DISCLAIMER

Past performance is no guarantee of future results.

The goal of this report is to provide a basis for substantiating asset allocation recommendations. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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