

City of Austin Employees' Retirement System

November 22, 2024

Meeting Materials

Agenda

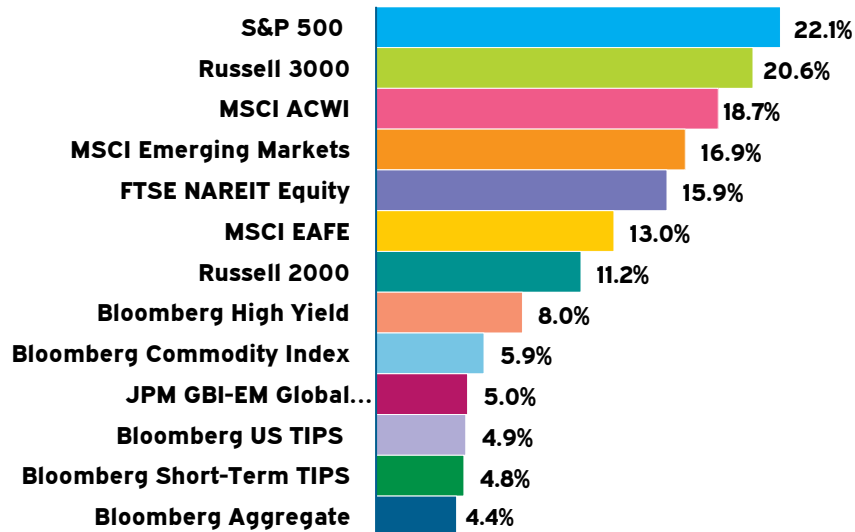
1. Executive Summary
2. Performance Report as of September 30, 2024

Executive Summary

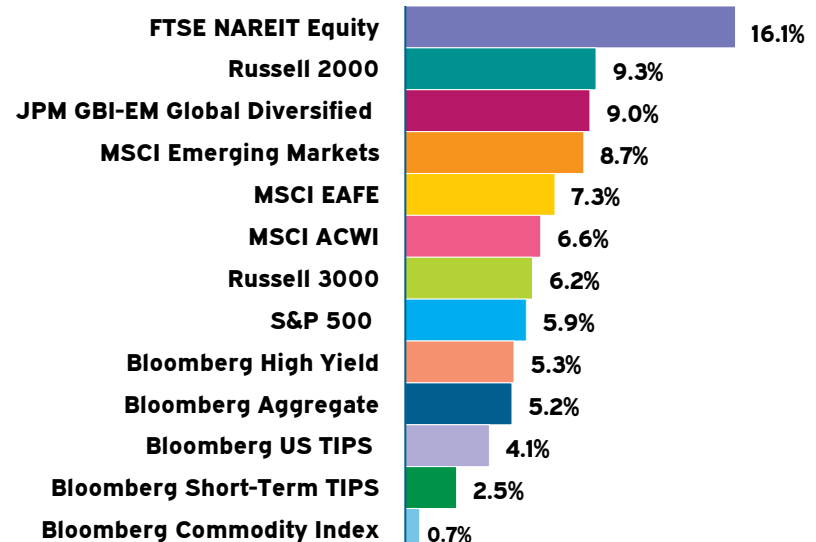
Economic and Market Update¹

- Stock and bond markets rallied despite heightened **volatility**. Gains were driven by central bank indications of future interest rate cuts given declining inflation pressures. In September, the Federal Reserve surprised many with a 50 basis point interest rate cut while the US economy and employment remained quite healthy.
- Looking ahead, the paths of inflation, labor markets, and monetary policy, China's slowing economy and potential policy stimulus benefits, increased geopolitical tensions, and the looming US election will be key factors.

YTD



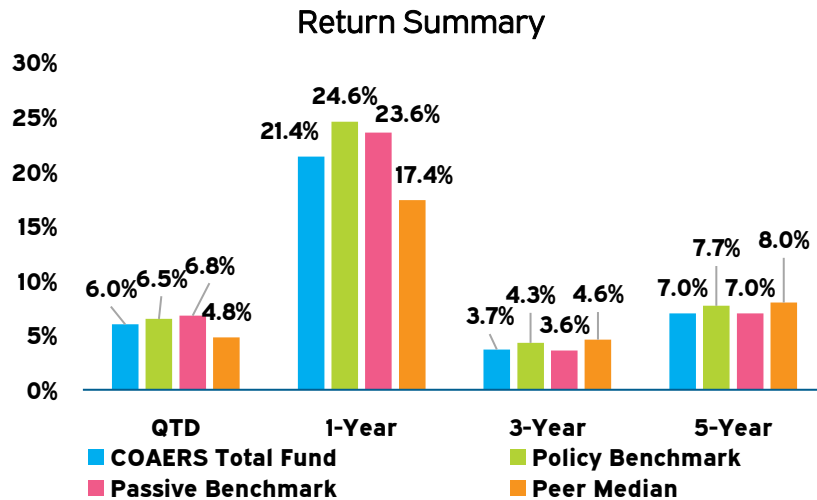
Q3



¹ Source: Bloomberg. Data is as of September 30, 2024.

Executive Summary

- As of September 30, 2024, the market value of the COAERS portfolio was \$3.6 billion, an increase of \$199.8 million from the end of the second quarter. For the third quarter of 2024, the COAERS portfolio posted a return of 6.0%, which lagged the Policy and Passive Benchmark returns, but exceeded the peer¹ median performance.
- Over the trailing one-year period, the COAERS portfolio returned 21.4%, compared to 24.6% for the Policy Benchmark.
- The portfolio's risk volatility, as indicated by standard deviation, was below the Policy Benchmark but above the peer group median for the trailing one-year period, at 8.3% versus 10.7% and 6.7%, respectively. The long-term risk-adjusted return of the COAERS portfolio, as indicated by the Sharpe Ratio over the past five-year period, matched the Policy Benchmark at 0.4, but was below peer group median of 0.6.



	Summary of Cash Flows	
	QTD	1-Year
Beginning MV	\$3,391,016,424	\$2,976,657,953
Net Cash Flow	-3,115,837	-18,486,803
Net Investment Change	202,957,316	632,686,753
Ending Market Value	\$3,590,857,903	\$3,590,857,903

¹ InvMetrics Public DB \$1B - \$5B net.

Report Card

Category	Results			
	QTD	One-Year	Three-Year	Five-Year
Total Fund Absolute Performance	Positive	Positive	Positive	Positive
Total Fund Performance vs. Policy Benchmark	Underperformed	Underperformed	Underperformed	Underperformed
Total Fund Performance vs. Peers ¹	1st Quartile	1st Quartile	4th Quartile	4th Quartile
% Active Public Managers Outperforming Benchmarks	10%	30%	13%	50%
% Active Public Managers Outperforming Peer Median	40%	70%	25%	63%
Compliance with Targets	In Compliance	In Compliance	In Compliance	In Compliance
Return in Excess of Actuarial Target (6.75%)	NM	Yes	No	Yes

→ The Total Fund generated positive absolute returns over all measurable time periods but lagged the Policy Benchmark and failed to generate performance in excess of the actuarial target (6.75%) over the trailing, three-year period.

- Underperformance versus the Policy Benchmark over the trailing five-year period is predominantly attributable to manager selection/execution within the Global Equity sleeve. This exposure represents over 50% of the Total Fund value and lagged its respective benchmark by -1.9% over the past five years (annualized), on average.

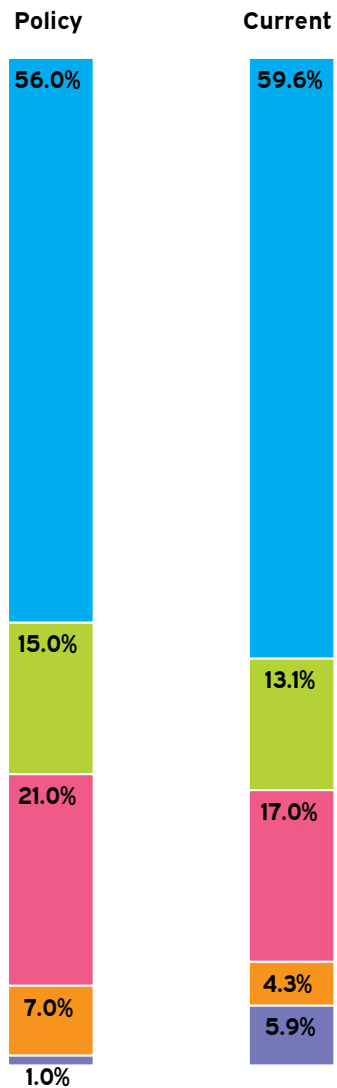
¹ InvMetrics Public DB \$1B - \$5B net.

Performance Drivers and Detractors

- The portfolio's positive absolute performance during the quarter was primarily driven by strong performance within Global Equity and Multi-Asset, with each asset class returning 6.7% and 8.1%, respectively, and collectively represent 63.9% of the overall portfolio.
- Within the Multi-Asset sleeve, the Commodities & Other sub-asset class achieved a return of 13.0%, the highest within the Total Fund. The strong performance was driven by the NISA Gold Futures strategy, which is the only strategy in the Commodities & Other sub-asset class. Key contributing factors behind the rally in Gold included the Fed's 0.5% interest rate cut, China's announcement of a broad-based stimulus package, and ongoing purchases of Gold by central banks.
 - Within the Global Equity asset class, US Equity recorded a quarterly return of 6.8%, while Developed Markets Equity achieved a return of 6.9%. Leading performers were the SSGA MSCI US Small Cap Index and the NT MSCI World Ex US Small Cap Index, with returns of 8.8% and 10.5%, respectively. Small Cap stocks performed strongly throughout the quarter, benefiting from the Fed's 0.5% interest rate cut, which typically provides a significant boost to small cap stocks due to their higher reliance on floating rate debt.
- Laggards from the portfolio's quarter-to-date absolute performance included Fixed Income and Cash & Equivalents, with each asset class returning 4.1% and 1.3%, respectively.
- In the Fixed Income asset class, US Treasuries achieved a return of 3.7%. The Agincourt 1-5 YR US TIPS fund was the weakest performer within US Treasuries, returning 2.8%, as TIPS faced slight headwinds from a decline in the breakeven inflation rate.

Performance Report as of September 30, 2024

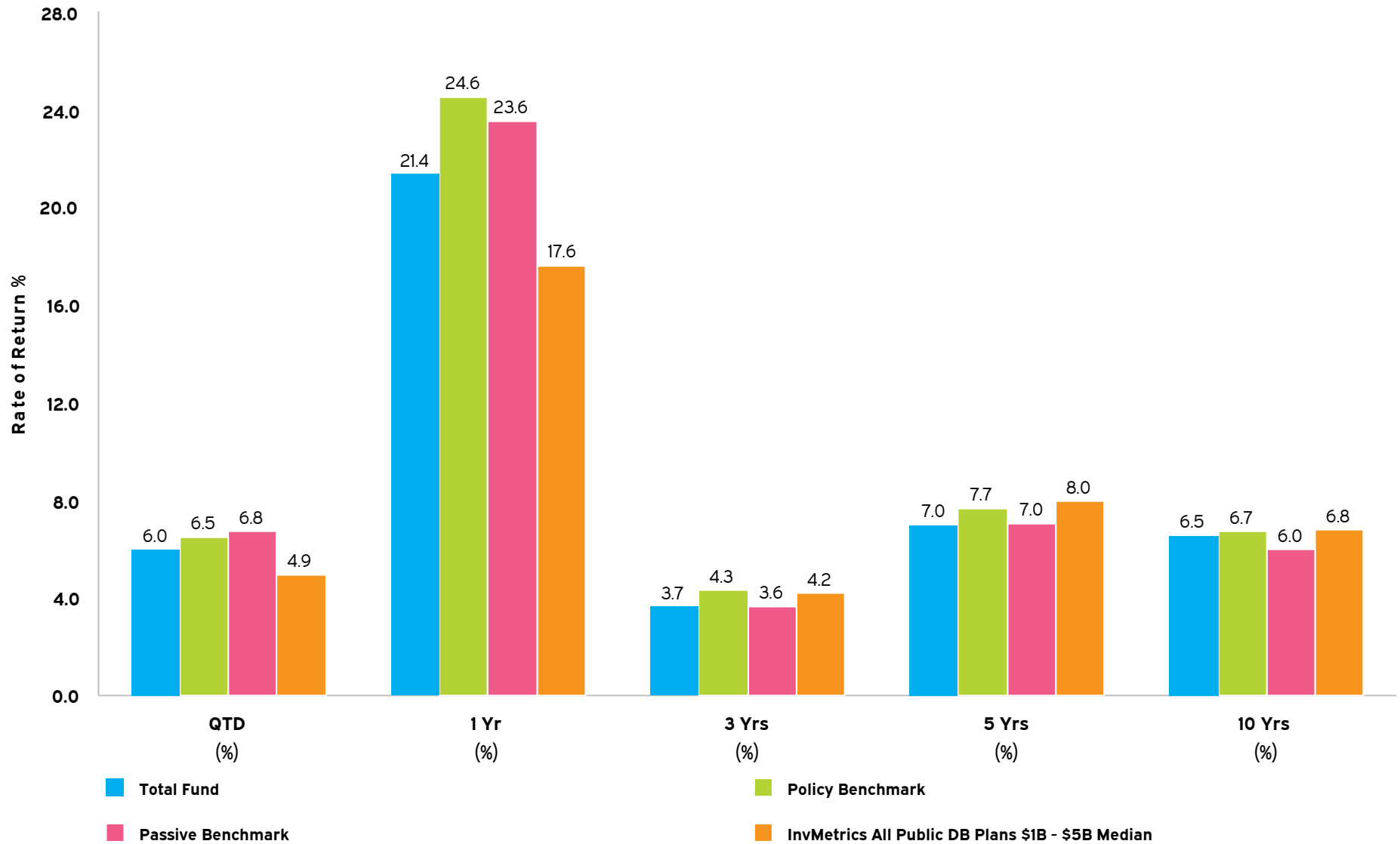
Asset Allocation Compliance | As of September 30, 2024



Allocation vs. Targets and Policy						
	Balance (\$)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)	Within IPS Range?
Global Equity	2,141,349,517	59.6	56.0	3.6	46.0 - 66.0	Yes
US Equity	1,319,113,267	36.7	34.0	2.7	22.0 - 47.0	Yes
Developed Markets Equity	575,298,237	16.0	16.0	0.0	11.0 - 20.0	Yes
Emerging Markets Equity	246,938,013	6.9	6.0	0.9	2.0 - 13.0	Yes
Real Assets	469,983,794	13.1	15.0	-1.9	10.0 - 20.0	Yes
Real Estate Equity	297,645,626	8.3	10.0	-1.7	5.0 - 15.0	Yes
Infrastructure Equity	172,338,168	4.8	5.0	-0.2	0.0 - 10.0	Yes
Fixed Income	611,928,171	17.0	21.0	-4.0	16.0 - 33.0	Yes
US Treasuries	386,121,926	10.8	13.0	-2.2	9.0 - 25.0	Yes
US Mortgages	76,269,668	2.1	4.0	-1.9	2.0 - 8.0	Yes
US Credit	149,536,577	4.2	4.0	0.2	1.0 - 10.0	Yes
Multi-Asset	155,440,189	4.3	7.0	-2.7	2.5 - 15.0	Yes
Asset Allocation	102,690,229	2.9	5.0	-2.1	2.5 - 10.0	Yes
Commodities & Other	52,749,960	1.5	2.0	-0.5	0.0 - 10.0	Yes
Cash & Equivalents	212,156,231	5.9	1.0	4.9	-10.0 - 10.0	Yes
US Dollar Instruments	160,425,819	4.5	1.0	3.5	-10.0 - 10.0	Yes
Other Currencies	51,730,413	1.4	0.0	1.4	0.0 - 2.0	Yes
Total	3,590,857,903	100.0	100.0	0.0		

Performance for Private Real Estate (Principal US Property), Private Infrastructure (IFM Global Infrastructure), and Private Credit (Blue Owl Diversified Lending Fund), as well as their respective benchmarks, are lagged by one quarter.

Net Return Summary



Total Portfolio Net Performance | As of September 30, 2024

	Market Value \$	% of Portfolio	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Since Inception	Inception Date
Total Fund	3,590,857,903		6.0	11.8	21.4	3.7	7.0	6.5	9.5	Jun-82
<i>Policy Benchmark</i>			6.5	12.4	24.6	4.3	7.7	6.7	--	
<i>Passive Benchmark</i>			6.8	12.5	23.6	3.6	7.0	6.0	--	
Global Equity	2,141,349,517		6.7	15.8	28.7	5.3	10.0	8.6	9.1	Jun-88
<i>MSCI AC World IMI Index (Net)</i>			6.8	17.8	31.0	7.4	11.9	9.2	--	
US Equity	1,319,113,267		6.8	17.9	31.6	7.9	12.3	11.0	10.9	Jun-88
<i>US Equity Benchmark</i>			6.1	21.6	36.0	10.7	15.5	12.9	11.1	
Developed Markets Equity	575,298,237		6.9	11.4	24.2	2.7	8.2	6.7	5.5	Jan-08
<i>Developed Market Equity Benchmark</i>			8.1	13.5	25.4	5.8	8.4	5.7	3.4	
Emerging Markets Equity	246,938,013		5.9	15.5	24.4	-0.9	4.2	3.3	1.9	Mar-08
<i>Emerging Markets Equity Benchmark</i>			8.2	16.3	25.5	0.3	5.7	4.0	2.5	
Real Assets	469,983,794		6.6	5.7	11.0	3.5	4.6	5.7	6.0	Sep-04
<i>Real Assets Benchmark</i>			7.1	8.4	23.9	3.9	4.3	6.4	7.8	
Real Estate Equity	297,645,626		6.7	5.0	9.7	1.7	4.3	7.0	6.5	Sep-04
<i>Real Estate Equity Benchmark</i>			7.0	6.9	24.2	2.3	3.8	7.3	8.1	
Infrastructure Equity	172,338,168		6.2	6.4	12.9	7.1	--	--	3.8	Jan-20
<i>Infrastructure Equity Benchmark</i>			7.3	11.0	22.9	6.7	--	--	4.0	

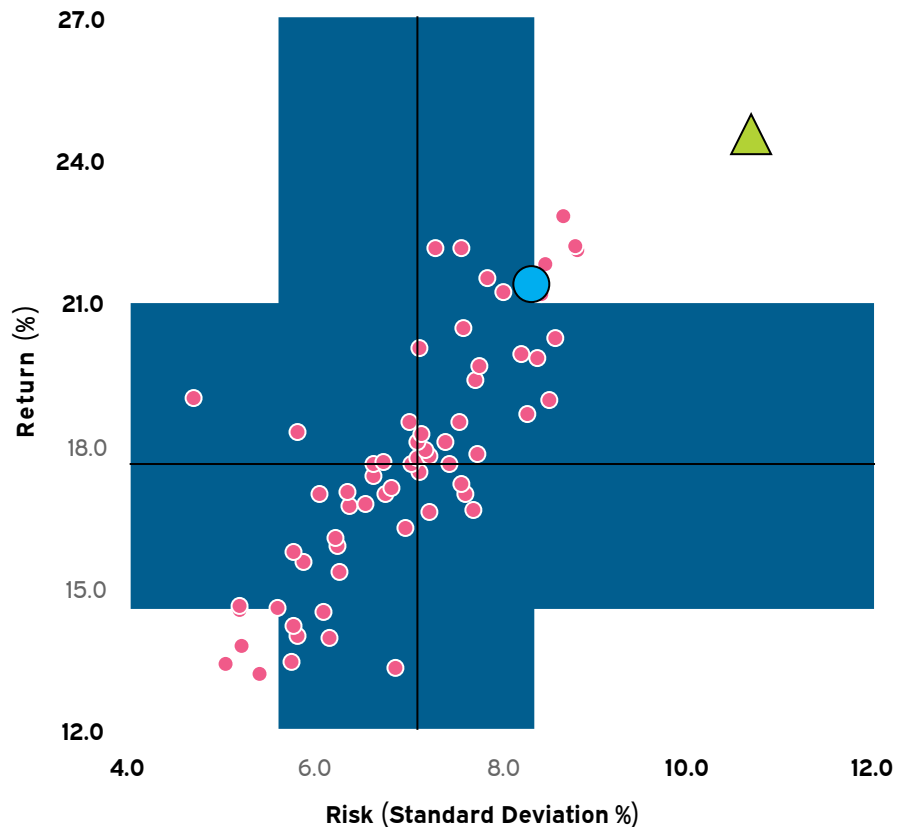
The Policy Benchmark includes the Real Assets Benchmark, which incorporates the MSCI Burgiss Infrastructure Funds Benchmark as of 7/1/2024. The MSCI Burgiss Infrastructure Funds index is released quarterly, with returns lagging by one quarter.

Total Portfolio Net Performance | As of September 30, 2024

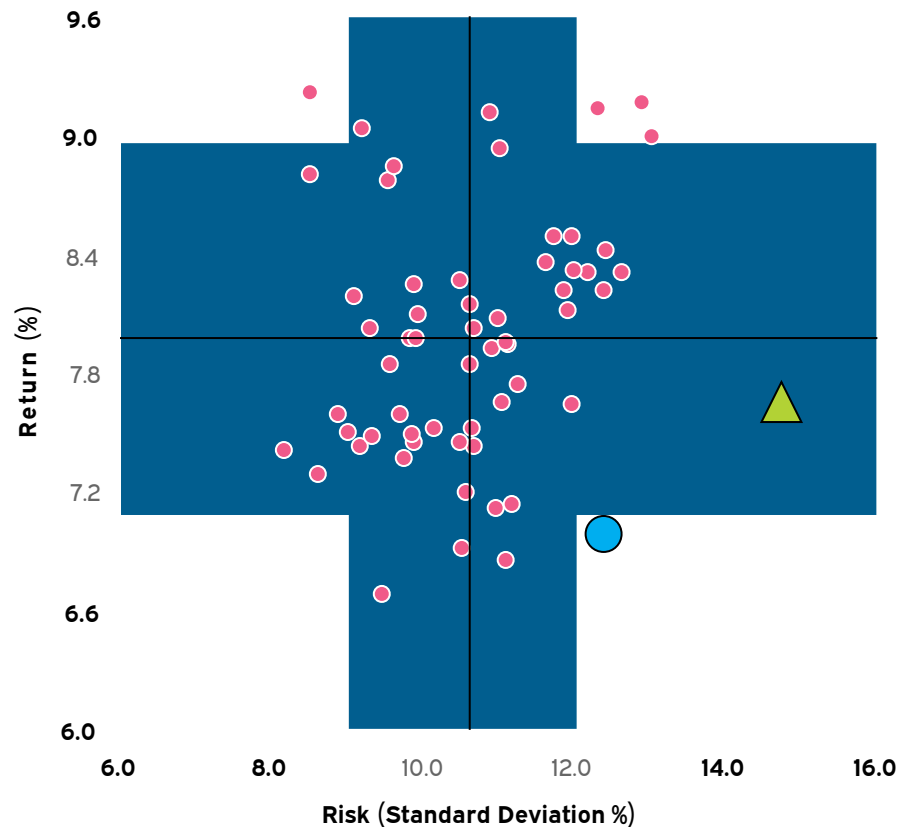
	Market Value \$	% of Portfolio	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Since Inception	Inception Date
Fixed Income	611,928,171		4.1	5.1	11.7	-1.7	-0.4	1.6	5.0	Feb-91
<i>Global Fixed Income Benchmark</i>			<i>5.2</i>	<i>1.9</i>	<i>10.1</i>	<i>-3.6</i>	<i>-1.2</i>	<i>0.9</i>	<i>4.7</i>	
US Treasuries	386,121,926		3.7	3.5	9.3	-2.4	-0.7	--	1.0	May-19
<i>Blmbg. U.S. Treasury Index</i>			<i>4.7</i>	<i>3.8</i>	<i>9.7</i>	<i>-1.8</i>	<i>-0.2</i>	<i>--</i>	<i>0.9</i>	
US Mortgages	76,269,668		5.4	5.3	12.9	-0.8	0.2	--	0.4	Aug-19
<i>Blmbg. U.S. Mortgage Backed Securities</i>			<i>5.5</i>	<i>4.5</i>	<i>12.3</i>	<i>-1.2</i>	<i>0.0</i>	<i>--</i>	<i>0.2</i>	
US Credit	149,536,577		4.6	9.8	19.3	0.1	2.2	--	2.7	Aug-19
<i>Blmbg. U.S. Credit Index</i>			<i>5.7</i>	<i>5.2</i>	<i>13.8</i>	<i>-1.1</i>	<i>1.1</i>	<i>--</i>	<i>1.5</i>	
Multi-Asset	155,440,189		8.1	16.9	28.4	6.8	8.5	6.1	6.4	Feb-14
<i>Multi-Asset Benchmark</i>			<i>6.8</i>	<i>12.5</i>	<i>23.6</i>	<i>3.6</i>	<i>6.9</i>	<i>5.9</i>	<i>6.0</i>	
Asset Allocation	102,690,229		5.8	12.3	22.6	4.8	--	--	9.2	May-20
<i>Multi-Asset Benchmark</i>			<i>6.8</i>	<i>12.5</i>	<i>23.6</i>	<i>3.6</i>	<i>--</i>	<i>--</i>	<i>9.6</i>	
Commodities & Other	52,749,960		13.0	27.1	41.5	13.0	--	--	9.7	Apr-20
<i>Bloomberg Commodity Index Total Return</i>			<i>0.7</i>	<i>5.9</i>	<i>1.0</i>	<i>3.7</i>	<i>--</i>	<i>--</i>	<i>14.2</i>	
Cash & Equivalents	212,156,231		1.3	4.0	5.4	3.6	2.3	--	--	Jul-17
<i>Blmbg. U.S. Treasury Bills: 1-3 Months</i>			<i>1.4</i>	<i>4.1</i>	<i>5.5</i>	<i>3.6</i>	<i>2.3</i>	<i>--</i>	<i>2.2</i>	
US Dollar Instruments	160,425,819		1.4	4.0	5.4	3.6	2.3	--	--	Jun-88
<i>Blmbg. U.S. Treasury Bills: 1-3 Months</i>			<i>1.4</i>	<i>4.1</i>	<i>5.5</i>	<i>3.6</i>	<i>2.3</i>	<i>1.6</i>	<i>--</i>	
Other Currencies	51,730,413		1.3	4.0	5.5	--	--	--	3.8	Dec-21
<i>Blmbg. U.S. Treasury Bills: 1-3 Months</i>			<i>1.4</i>	<i>4.1</i>	<i>5.5</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>3.8</i>	

Total Fund | As of September 30, 2024

Annualized Return vs. Annualized Standard Deviation 1 Year Ending September 30, 2024



Annualized Return vs. Annualized Standard Deviation 5 Years Ending September 30, 2024



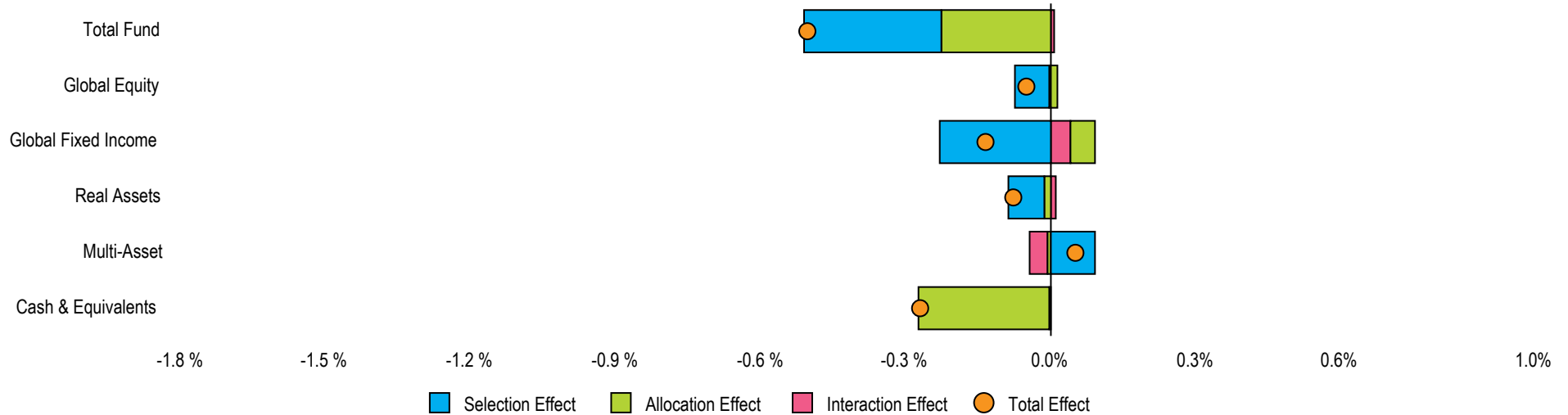
	Return	Standard Deviation
● Total Fund	21.4	8.3
▲ Policy Benchmark	24.6	10.7
— Median	17.6	7.1
■ 68% Confidence Interval		

	Return	Standard Deviation
● Total Fund	7.0	12.4
▲ Policy Benchmark	7.7	14.7
— Median	8.0	10.6
■ 68% Confidence Interval		

Peer Universe is InvMetrics All Public DB Plans \$1B - \$5B.

Total Fund Attribution | 1 Quarter Ending September 30, 2024

Attribution Effects 1 Quarter Ending September 30, 2024

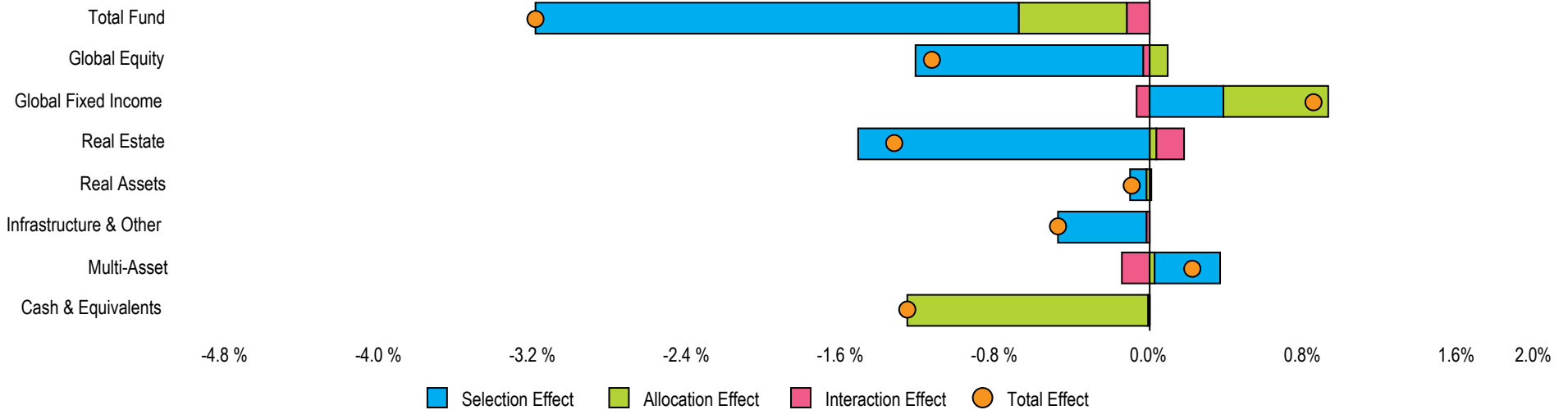


Attribution Summary 1 Quarter Ending September 30, 2024

	Wtd. Actual Return (%)	Wtd. Index Return (%)	Excess Return (%)	Selection Effect (%)	Allocation Effect (%)	Interaction Effect (%)	Total Effect (%)
Global Equity	6.7	6.8	-0.1	-0.1	0.0	0.0	-0.1
Global Fixed Income	4.1	5.2	-1.1	-0.2	0.1	0.0	-0.1
Real Assets	6.6	7.1	-0.5	-0.1	0.0	0.0	-0.1
Multi-Asset	8.1	6.8	1.3	0.1	0.0	0.0	0.0
Cash & Equivalents	1.3	1.4	0.0	0.0	-0.3	0.0	-0.3
Total Fund	6.0	6.5	-0.5	-0.3	-0.2	0.0	-0.5

Total Fund Attribution | 1 Year Ending September 30, 2024

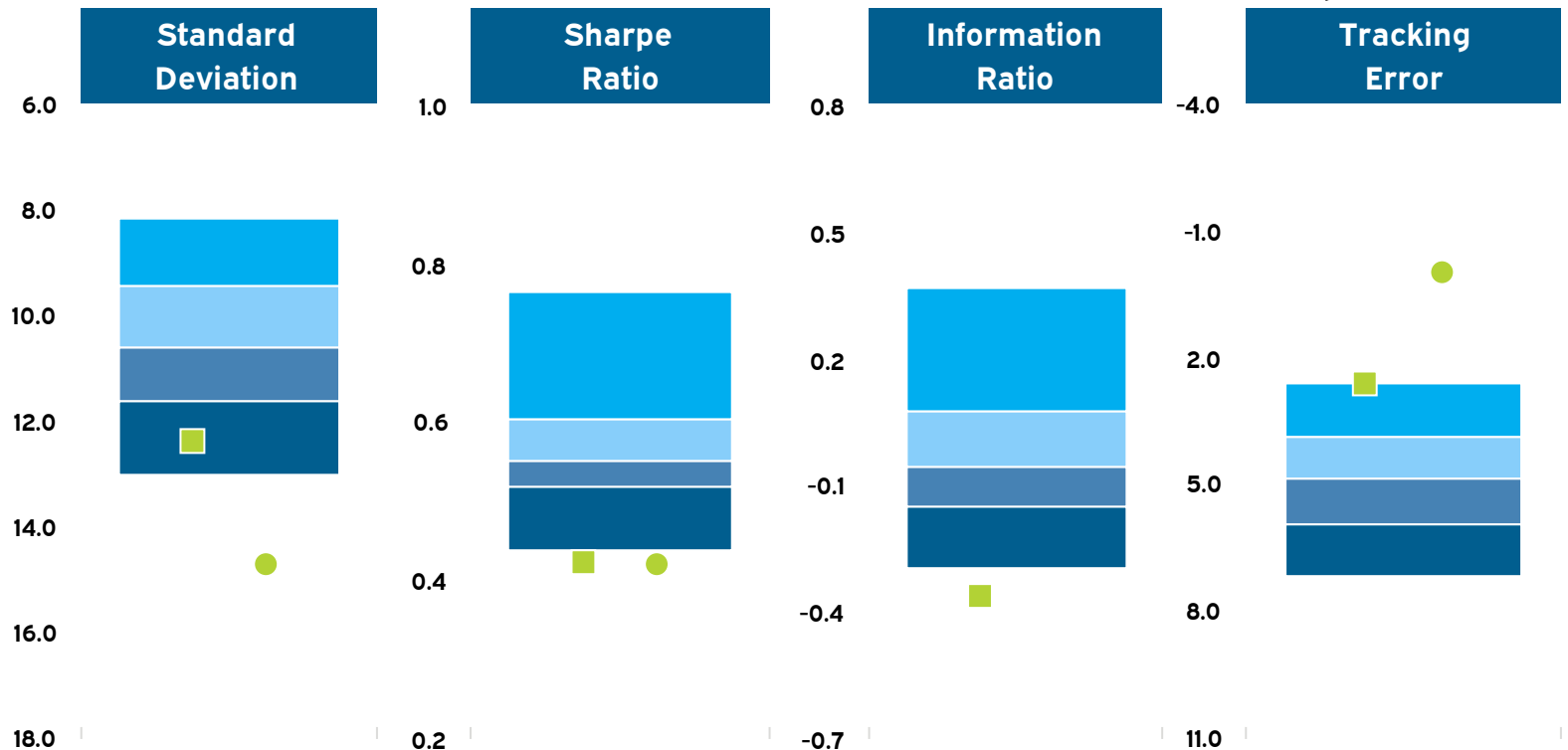
Attribution Effects
1 Year Ending September 30, 2024



Attribution Summary
1 Year Ending September 30, 2024

	Wtd. Actual Return (%)	Wtd. Index Return (%)	Excess Return (%)	Selection Effect (%)	Allocation Effect (%)	Interaction Effect (%)	Total Effect (%)
Global Equity	28.7	31.0	-2.2	-1.2	0.1	0.0	-1.1
Global Fixed Income	11.7	10.1	1.6	0.4	0.5	-0.1	0.9
Real Estate	2.8	16.1	-13.3	-1.5	0.0	0.1	-1.3
Real Assets	6.6	7.1	-0.5	-0.1	0.0	0.0	-0.1
Infrastructure & Other	6.3	14.6	-8.2	-0.5	0.0	0.0	-0.5
Multi-Asset	28.4	23.6	4.8	0.3	0.0	-0.1	0.2
Cash & Equivalents	5.4	5.5	-0.1	0.0	-1.2	0.0	-1.3
Total Fund	21.4	24.6	-3.2	-2.5	-0.6	-0.1	-3.2

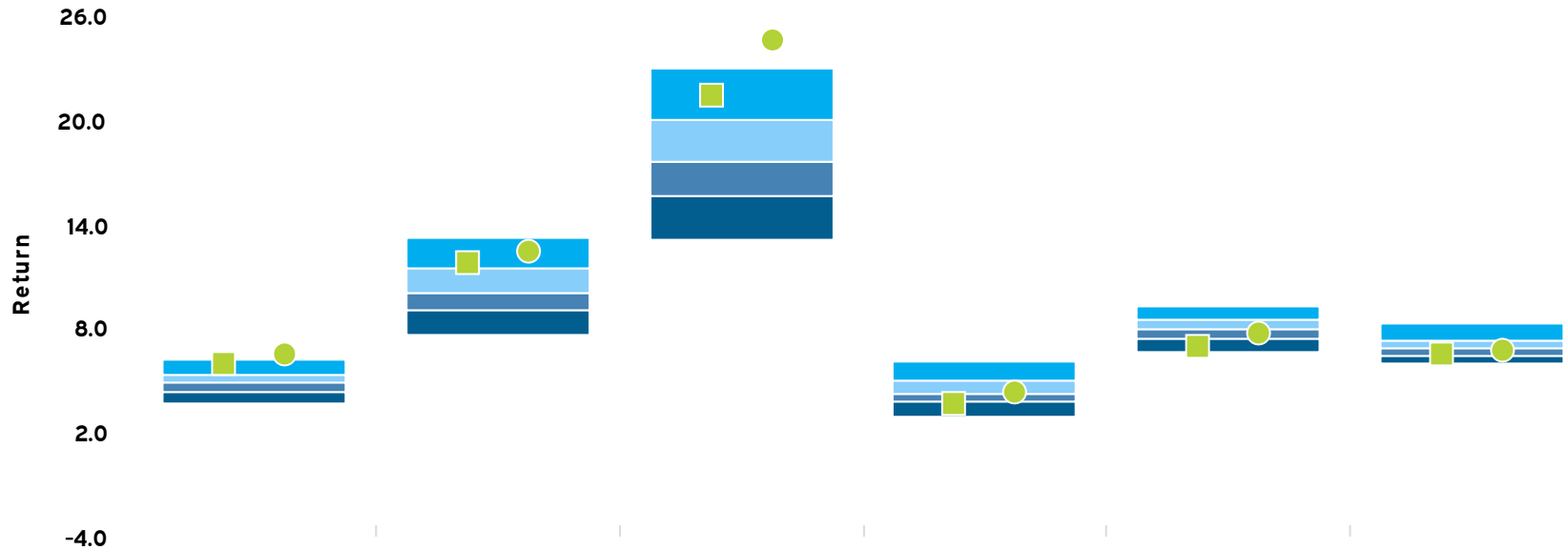
Total Fund Risk Statistics vs. Peer Universe | As of September 30, 2024



	5 Yrs (%)	5 Yrs (%)	5 Yrs (%)	5 Yrs (%)
■ Total Fund	12.4 (88)	0.4 (96)	-0.4 (98)	2.6 (4)
● Policy Benchmark	14.7 (100)	0.4 (97)	-	0.0 (1)
5th Percentile	8.2	0.8	0.4	2.6
1st Quartile	9.5	0.6	0.1	3.9
Median	10.6	0.6	-0.1	4.9
3rd Quartile	11.7	0.5	-0.1	6.0
95th Percentile	13.0	0.4	-0.3	7.2

Parentheses contain percentile rankings. Calculation based on monthly periodicity. Peer Universe is InvMetrics All Public DB Plans \$1B - \$5B.

InvMetrics All Public DB Plans \$1B - \$5B Net



	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
■ Total Fund	6.0 (10)	11.8 (22)	21.4 (18)	3.7 (80)	7.0 (91)	6.5 (72)
● Policy Benchmark	6.5 (3)	12.4 (12)	24.6 (1)	4.3 (48)	7.7 (60)	6.7 (61)
5th Percentile	6.1	13.2	23.0	6.1	9.3	8.2
1st Quartile	5.3	11.4	20.0	5.0	8.5	7.3
Median	4.9	10.0	17.6	4.2	8.0	6.8
3rd Quartile	4.4	9.0	15.6	3.8	7.4	6.5
95th Percentile	3.7	7.6	13.1	2.8	6.7	5.9
Population	75	75	75	73	73	70

Parenttheses contain percentile rankings.
Calculation based on monthly periodicity.

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