Callan

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Performance Summary

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Macroeconomic Environment

While it may feel like we are in a "higher forever" world with respect to stock prices or interest rates, we know this scenario is implausible, if not impossible. Amid a backdrop of low volatility mixed with investor enthusiasm (especially around anything to do with artificial intelligence) and better-than-expected economic news, the S&P 500 Index closed the quarter at a new high—its 22nd record high over the course of the quarter. A cut in the Fed Funds rate did not materialize as anticipated, and the Fed appears to be in no hurry to cut rates.

The U.S. economy grew at a healthy 3.4% annual rate in 4Q23, slightly up from the initial estimate of 3.2%. Consumer spending, especially in health care, was a key driver in the quarter's gain, as was federal and local government spending. First quarter GDP forecasts are mixed, with 2% being an average. The Atlanta Fed's GDPNow forecast was 2.3% as of quarter-end. The median projection from the Fed for full 2024 GDP growth is 2.1%, a notable increase from the 1.4% median expectation in December. As expected, the Fed held the Fed Funds rate at 5.25% – 5.50% at its March meeting. Its median expectation for year-end Fed Funds remained unchanged at 4.6%, implying roughly three cuts in 2024. Market expectations are similar at roughly three cuts, down sharply from the six expected just a few months ago. Statements from Chair Jerome Powell as well as Governor Christopher Waller indicated that they are in no hurry to cut rates and are willing to wait to see more evidence that inflation is waning. This is not a surprise given that we have not yet seen widespread evidence that the economy is weakening.

Consumers are also feeling pretty good about current conditions, according to the University of Michigan Index of Consumer Sentiment, which revealed a March print that was the highest since December 2020, beating expectations and up nearly 30% over the past year. However, the Conference Board's Consumer Confidence Index declined slightly in March, falling short of expectations. Inflation surprised to the upside in February; +3.2% year-over-year with services sectors being the key drivers over the past year. The Core measure was up 3.8%. Notably, after four consecutive months of declines, the energy index rose 2.3% in February (month-over-month). Gasoline prices were up 3.8% and WTI Crude closed the quarter at $83.20, up from $71.70 at year-end. The Personal Consumption Expenditures Price Index, the Fed's favored measure, rose slightly from 2.4% to 2.5% (year-over-year) while the Core PCE fell slightly from 2.9% to 2.8%, the lowest level in nearly three years. The labor market remained tight. Non-farm payroll gains were 275,000 in February and the three-month average was a robust 265,000 despite downward revisions in the first two months of the year. Unemployment was 3.9% and wage growth was 4.5%.

Competing views exist with enthusiasts for the soft-landing scenario and solid financial market returns highlighting robust earnings, a resilient consumer, strong labor market, and moderating inflation that will enable the Fed to gradually cut rates. The less sanguine view notes sticky inflation that calls rate cuts into question, commercial real estate woes, rising loan delinquencies, and stress in lower income brackets. Geopolitical worries and a growing deficit are cited by both sides as potential sources of volatility and uncertainty. As usual, Callan recommends adhering to a disciplined investment process that includes a well-defined long-term asset-allocation policy.

Global Equities

U.S. stocks rallied sharply in 1Q24 with the S&P 500 Index (+10.6%) closing the quarter at a record high for the 22nd time during the quarter. Communication Services (+15.8%), Energy (+13.7%), and Technology (+12.7%) were the top-performing sectors with Real Estate (-1.1%) being at the bottom and the only sector to deliver a negative return. The equal-weighted version of the Index gained a more modest 7.9% as the largest stocks continued to outperform. The top 10 holdings hit another high at 33.5% of the Index on a cap-weighted basis. Growth (Russell 1000 Growth: +11.4%) outperformed Value (Russell 1000 Value: +9.0%) and large cap (Russell 1000: +10.3%) outperformed small (Russell 2000: +5.2%). Of the "Magnificent Seven," only Apple (-10.8%) and Tesla (-29.2%) suffered losses. The seven were up 13% for the quarter, with the S&P 500 Index ex Mag 7 up 6%.

The U.S dollar strengthened against most currencies, most notably the Japanese yen (-7%). The MSCI ACWI ex USA Index trailed the U.S. with a 4.7% gain (Local: +8.2%). Technology (+10.7%) was the best-performing sector. Most countries delivered gains but from a regional perspective, Pacific ex-Japan (-1.7%) was hurt by weak performance from Hong Kong (-11.7%). In contrast, Japan (+11.0%) saw double-digit gains that were even better in local terms (+19.2%). Emerging Markets (MSCI EM: +2.4%) were up modestly, trailing developed markets. Latin America (-4.0%) was dragged down by poor results from Brazil (-7.4%) and Chile (-4.5%). China (-2.2%) also weighed on emerging market performance.

Global Fixed Income

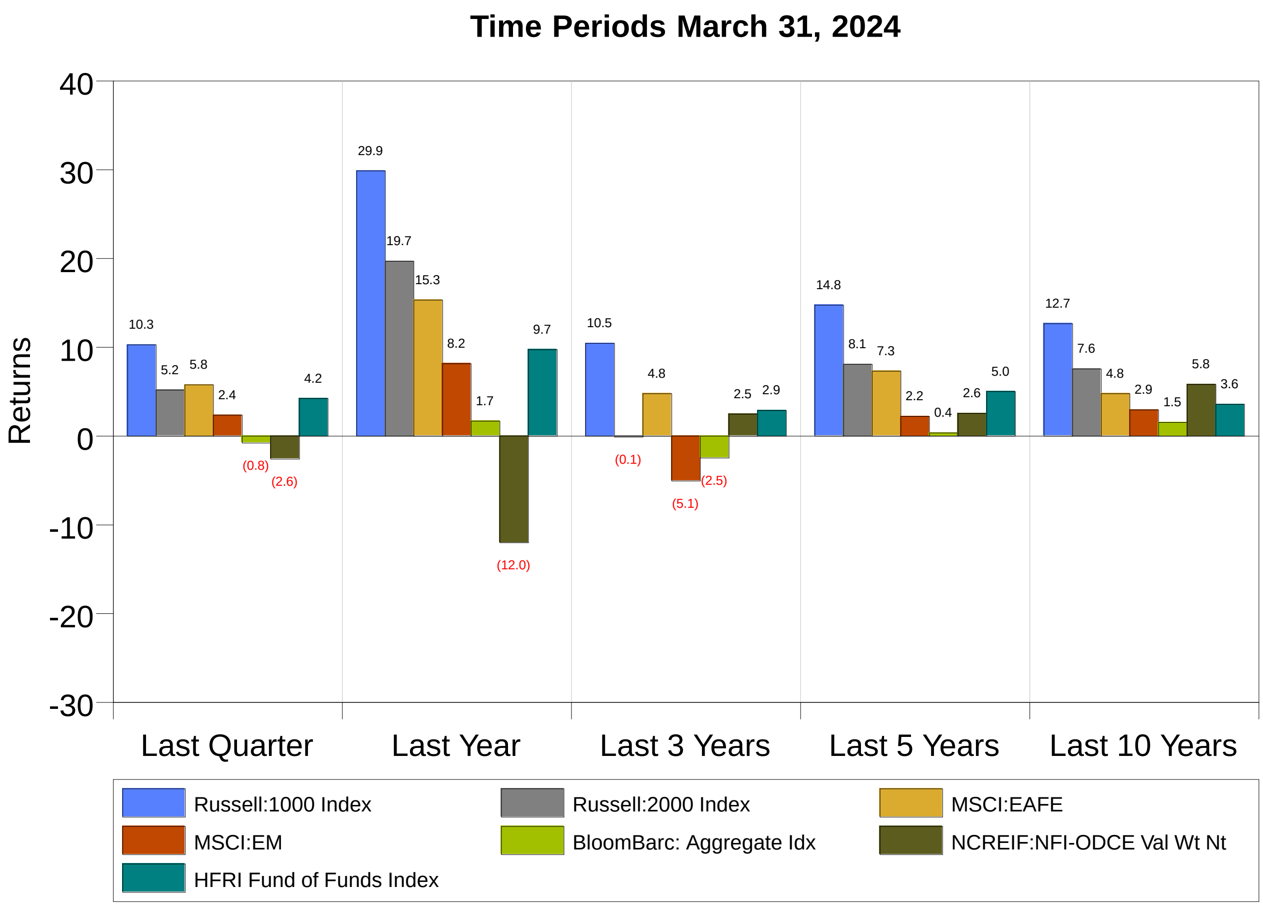
Bond yields rose modestly in 1Q as expectations dwindled for aggressive rate cuts amid stubbornly high inflation. The U.S. Treasury 10-year yield rose from 3.88% as of year-end 2023 to 4.20% at the end of 1Q24. The Bloomberg US Aggregate Bond Index fell 0.8% for the quarter. Ten-year breakeven spreads, a measure of the market's expectation for inflation over the next decade, rose from 2.16% to 2.32%. U.S. TIPS outperformed nominal U.S. Treasuries (Bloomberg US TIPS: -0.1%; Bloomberg US Treasury: -1.0%). Investment grade corporate bonds outperformed U.S. Treasuries by 89 bps on a duration-adjusted basis, fueled by strong demand that easily absorbed record supply for a first quarter and the second largest quarterly issuance ever. High yield corporates (Bloomberg HY: +1.5%) outperformed the investment grade market despite an uptick in the default rate to 5.7%, according to data from Barclays Research. Leveraged loans performed even better (S&P/LSTA Leveraged Loans: +2.5%).

Rates rose in most developed markets and U.S. dollar strength eroded returns for unhedged investors (Bloomberg Global Aggregate ex US: -3.2%; Hedged: +0.6%). Emerging market debt performed relatively well, especially high yield. The JP Morgan EMBI Global Diversified Index rose 2.0% with the high yield component up 4.9%. Conversely, the local debt GBI-EM Global Diversified Index sank 2.1%. Currency depreciation vs. the U.S. dollar hurt returns; the local currency return for the Index was +0.7%. Most currencies were down versus the dollar for the quarter.

Real Estate

Private real estate indices saw gains from income, but negative appreciation returns set them back. Office continued to be hindered and was the worst-performing sector in the quarter. The NCREIF Open-End Diversified Core Equity (ODCE) Index, representing equity ownership positions in U.S. core real estate, fell 2.6% during 1Q. The FTSE EPRA Nareit Developed REIT Index, a measure of global real estate securities, declined 1.1% during 1Q24. U.S. REITs, as measured by the FTSE Nareit Equity REITs Index, fell 0.2%.

First Quarter 2024 Market Performance



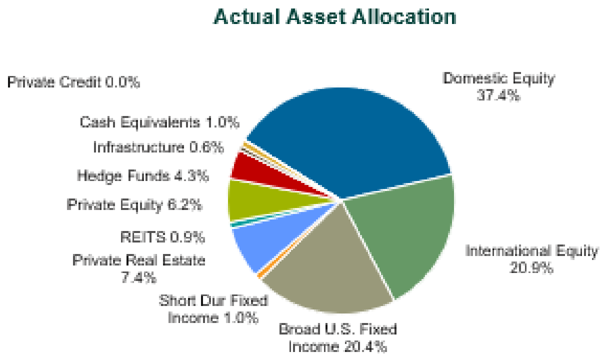
The Callan Periodic Table of Investment Returns
First Quarter 2024

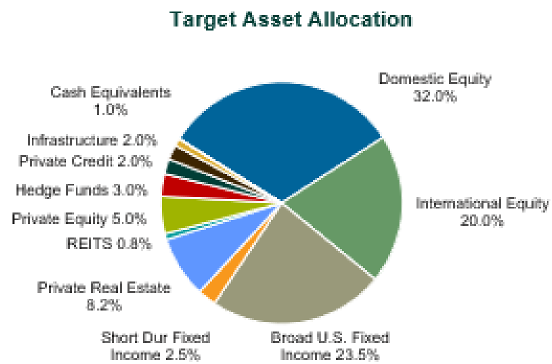
2015	2016	2017	2018	2019	2020	2021	2022	2023	1 Qtr. 2024
NCREIF:NFI-ODCE Val Wt Nt **14.0%**	Russell:2000 Index **21.3%**	MSCI:EM **37.3%**	Cambridge:Gl PE & Cred **10.1%**	Russell:1000 Index **31.4%**	Cambridge:Gl PE & Cred **32.7%**	Cambridge:Gl PE & Cred **38.4%**	NCREIF:NFI-ODCE Val Wt Nt **6.5%**	Russell:1000 Index **26.5%**	Russell:1000 Index **10.3%**
Cambridge:Gl PE & Cred **10.3%**	Russell:1000 Index **12.1%**	MSCI:EAFE **25.0%**	NCREIF:NFI-ODCE Val Wt Nt **7.4%**	Russell:2000 Index **25.5%**	Russell:1000 Index **21.0%**	Russell:1000 Index **26.5%**	HFRI Fund of Funds Index (5.3%)	MSCI:EAFE **18.2%**	MSCI:EAFE **5.8%**
Russell:1000 Index **0.9%**	MSCI:EM **11.2%**	Russell:1000 Index **21.7%**	BC Aggregate **0.0%**	MSCI:EAFE **22.0%**	Russell:2000 Index **20.0%**	NCREIF:NFI-ODCE Val Wt Nt **21.0%**	Cambridge:Gl PE & Cred **(9.6%)**	Russell:2000 Index **16.9%**	Russell:2000 Index **5.2%**
BC Aggregate **0.5%**	Cambridge:Gl PE & Cred **9.6%**	Cambridge:Gl PE & Cred **20.0%**	HFRI Fund of Funds Index (4.0%)	MSCI:EM **18.4%**	MSCI:EM **18.3%**	Russell:2000 Index **14.8%**	BC Aggregate **(13.0%)**	MSCI:EM **9.8%**	HFRI Fund of Funds Index 4.2%
HFRI Fund of Funds Index (0.3%)	NCREIF:NFI-ODCE Val Wt Nt **7.8%**	Russell:2000 Index **14.6%**	Russell:1000 Index **(4.8%)**	Cambridge:Gl PE & Cred **17.5%**	HFRI Fund of Funds Index 10.9%	MSCI:EAFE **11.3%**	MSCI:EAFE **(14.5%)**	HFRI Fund of Funds Index 6.1%	MSCI:EM **2.4%**
MSCI:EAFE **(0.8%)**	BC Aggregate **2.6%**	HFRI Fund of Funds Index 7.8%	Russell:2000 Index **(11.0%)**	BC Aggregate **8.7%**	MSCI:EAFE **7.8%**	HFRI Fund of Funds Index 6.2%	Russell:1000 Index **(19.1%)**	BC Aggregate **5.5%**	BC Aggregate **(0.8%)**
Russell:2000 Index **(4.4%)**	MSCI:EAFE **1.0%**	NCREIF:NFI-ODCE Val Wt Nt **6.7%**	MSCI:EAFE **(13.8%)**	HFRI Fund of Funds Index 8.4%	BC Aggregate **7.5%**	BC Aggregate **(1.5%)**	MSCI:EM **(20.1%)**	Cambridge:Gl PE & Cred **5.0%**	NCREIF:NFI-ODCE Val Wt Nt **(2.6%)**
MSCI:EM **(14.9%)**	HFRI Fund of Funds Index 0.5%	BC Aggregate **3.5%**	MSCI:EM **(14.6%)**	NCREIF:NFI-ODCE Val Wt Nt **4.4%**	NCREIF:NFI-ODCE Val Wt Nt **0.3%**	MSCI:EM **(2.5%)**	Russell:2000 Index **(20.4%)**	NCREIF:NFI-ODCE Val Wt Nt **(12.7%)**	**PE Idx Not Yet Reported**

Cook County Pension Fund Commentary

Asset Allocation

The Cook County Fund ("Fund") Fund ended March with a market value of $13.2 billion, a $482 million increase from the prior quarter ending value of $12.8 billion. The fund experienced investment returns of $567 million and net outflows of $84.7 million during the quarter. The target asset allocation was established in June 2022; however, the benchmark will be modified in accordance with the actual implementation of new asset classes (private infrastructure and credit). The allocation of the Fund is in line with expectations. The Domestic Equity allocation exceeds its target weight by 5.4%, due in large part to the Infrastructure and Private Credit underweights, which are yet to be fully implemented.





Asset Class	$000s Actual	Weight Actual	Min Target	Target	Max Target	Percent Difference	$000s Difference
Domestic Equity	4,957,680	37.4%	28.0%	32.0%	36.0%	5.4%	719,454
International Equity	2,774,232	20.9%	16.0%	20.0%	24.0%	0.9%	125,341
Broad U.S. Fixed Income	2,704,673	20.4%	19.5%	23.5%	27.5%	(3.1%)	(407,774)
Short Dur Fixed Income	126,714	1.0%	0.0%	2.5%	5.0%	(1.5%)	(204,397)
Private Real Estate	974,589	7.4%	5.0%	8.2%	13.0%	(0.8%)	(111,456)
REITS	120,895	0.9%	0.0%	0.8%	2.6%	0.1%	14,939
Private Equity	816,348	6.2%	1.0%	5.0%	9.0%	1.2%	154,125
Hedge Funds	563,884	4.3%	0.0%	3.0%	6.0%	1.3%	166,550
Private Credit	-	0.0%	0.0%	2.0%	4.0%	(2.0%)	(264,889)
Infrastructure	76,865	0.6%	0.0%	2.0%	4.0%	(1.4%)	(188,024)
Cash Equivalents	128,115	1.0%	0.0%	1.0%	5.0%	(0.0%)	(4,330)
Miscellaneous Assets	461	0.0%	0.0%	0.0%	0.0%	0.0%	461
Total	13,244,456	100.0%		100.0%		0.0%	-

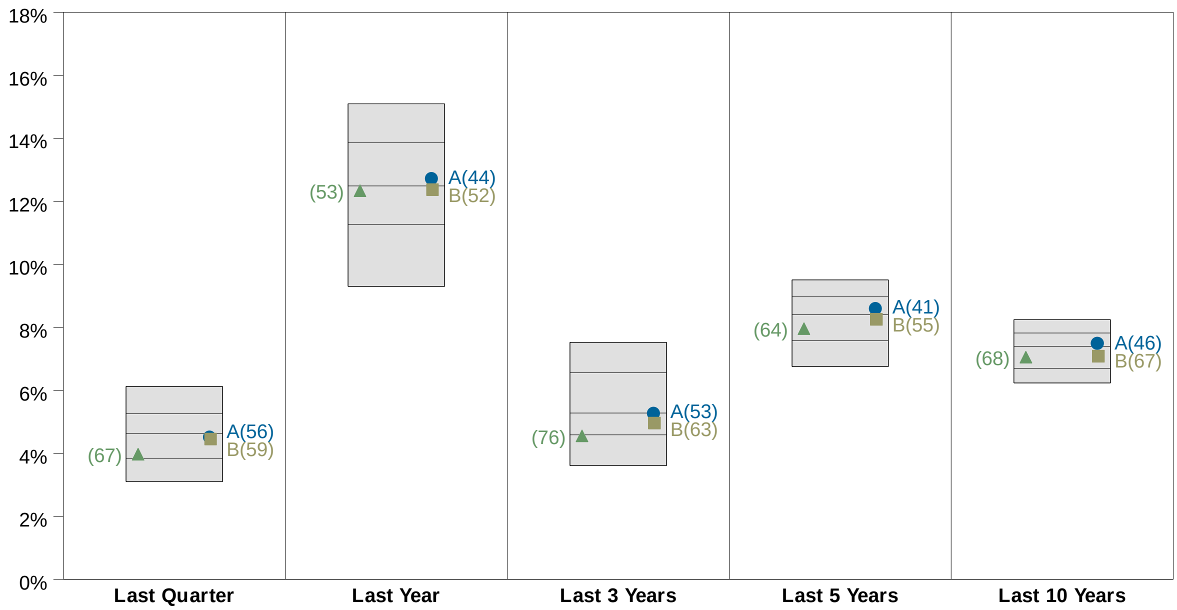
Cook County Performance vs. Target

In the first quarter, the Total Fund returned 4.45% net of fees (NOF) and outperformed the benchmark return of 3.97%. Over the trailing year, the Total Fund returned 12.37% versus the benchmark return of 12.34%. Over the trailing three-year period, the Total Fund returned 4.96% (NOF) and outpaced the benchmark return of 4.55%. The Total Fund returned 8.25% (NOF) over the last five years and outperformed the benchmark return of 7.96%. Over the last ten years, the Total Fund returned 7.08% (NOF) and edged the benchmark return of 7.05%.

The Fund’s performance ranks in the top half of peers on a gross of fee basis (GOF) for the last one-, five-, and ten-year periods.

Table 1.0

Performance vs Callan Public Fund Spons - Large (>1B) (Gross)



		Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile		6.12	15.09	7.52	9.51	8.24
25th Percentile		5.26	13.86	6.56	8.97	7.82
Median		4.63	12.49	5.28	8.40	7.40
75th Percentile		3.83	11.26	4.59	7.58	6.70
90th Percentile		3.10	9.30	3.61	6.76	6.24
Total Cook (Gross)	● A	4.48	12.69	5.24	8.56	7.46
Total Cook County (Net)	■ B	4.45	12.37	4.96	8.25	7.08
Total Fund Benchmark	▲	3.97	12.34	4.55	7.96	7.05

County Employees' and Officers' Annuity & Benefit Fund of Cook County
Performance Evaluation Executive Summary
First Quarter 2024

Table 1.1
Asset Class Performance vs. Target (Net of Fees)

	Market Value $(Dollars)	Ending Weight	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Domestic Equity	**$4,957,679,660**	**37.43%**	**10.08%**	**27.97%**	**9.66%**	**13.93%**	**11.50%**
Domestic Equity Benchmark (2)	-	-	10.02%	29.29%	9.78%	14.34%	12.33%
International Equity	**$2,774,231,666**	**20.95%**	**3.65%**	**11.57%**	**0.48%**	**5.13%**	**4.39%**
International Equity Benchmark (3)	-	-	4.33%	13.20%	1.72%	6.00%	4.20%
Fixed Income	**$2,831,386,998**	**21.38%**	**(0.40%)**	**2.70%**	**(2.19%)**	**0.41%**	**1.54%**
Fixed Income Benchmark (4)	-	-	(0.66%)	1.89%	(2.18%)	0.52%	1.63%
REITS	**$120,894,943**	**0.91%**	**0.63%**	**12.94%**	**4.97%**	**5.33%**	**6.82%**
NAREIT Equity Index	-	-	(0.20%)	10.54%	4.14%	4.15%	6.61%
****Private Real Estate**	**$974,588,511**	**7.36%**	**(0.49%)**	**(10.12%)**	**7.11%**	**5.93%**	**7.61%**
NFI-ODCE Value Weight Net	-	-	(2.58%)	(12.00%)	2.47%	2.56%	5.82%
****Private Equity**	**$816,348,353**	**6.16%**	**1.26%**	**4.99%**	**15.75%**	**22.49%**	**14.23%**
****Hedge Funds**	**$563,883,667**	**4.26%**	**2.04%**	**7.95%**	**5.87%**	**5.20%**	**4.40%**
90-Day Average SOFR + 4% (5)	-	-	2.31%	9.32%	6.88%	6.24%	5.66%
HFRI Fund of Funds Index (6)	-	-	4.66%	7.16%	2.28%	4.85%	3.36%
****Infrastructure**	**$76,864,879**	**0.58%**	**-**	**-**	**-**	**-**	**-**
FTSE Dev Core Inf 50/50 N	-	-	0.66%	1.62%	2.53%	3.32%	5.48%
***Private Credit**	**$0**	**0.00%**					
Cash Equivalents	**$128,115,336**	**0.97%**	**1.34%**	**5.43%**	**2.78%**	**2.15%**	**1.58%**
3-month Treasury Bill	-	-	1.29%	5.24%	2.58%	2.02%	1.38%
Total Cook County Fund	**$13,244,454,787**	**100.00%**	**4.45%**	**12.37%**	**4.96%**	**8.25%**	**7.08%**
Total Fund Benchmark (1)	-	-	3.97%	12.34%	4.55%	7.96%	7.05%

**Represents trailing data.
Footnotes found on the back page

Table 1.1 illustrates the Cook County Fund's asset class performance against associated benchmarks.

Domestic Equity returned 10.08% for the quarter versus the benchmark return of 10.02%. Over the last year, Domestic Equity (27.97%) underperformed the benchmark return (29.29%). Domestic Equity has modestly underperformed the benchmark over longer periods.

International Equity gained 3.65% for the quarter and trailed the benchmark return of 4.33%. Over the last year, International Equity (11.57%) lagged the benchmark return (13.20%). The International Equity composite has outperformed the benchmark over the last ten years.

Fixed Income declined 0.40% for the quarter and outperformed the benchmark return of -0.66%. Over the last year, Fixed Income (2.70%) outperformed the benchmark (1.89%). The composite modestly trailed the benchmark over the last five and ten years.

REITS returned 0.63% during the quarter and outperformed the benchmark return of -0.20%. Over the last year, REITS (12.94%) outperformed the benchmark return (10.54%). REITS lead the benchmark return over the last three-, five-, and ten-year periods.

Private Real Estate declined 0.49% for the quarter and outperformed the benchmark return of -2.58%. Over the last year, Private Real Estate (-10.12%) outperformed the benchmark return (-12.00%). Over longer periods, the allocation has added considerable value over the benchmark net of investment management fees.

Hedge Funds returned 2.04% for the quarter, lagging the benchmark return of 2.31%. Over the last year, Hedge Funds (7.95%) underperformed the benchmark (9.32%). The allocation trails its benchmark across long-term periods.

Private Equity advanced 1.26% for the quarter and finished with a 4.99% return for the past year. Over longer periods, the allocation generated significant double-digit returns.

Benchmarks

1. **Total Fund Benchmark (Target):** Blend of asset class benchmarks at policy weights. The target allocation was approved in June 2022; however, the benchmark will be modified in accordance with the actual implementation. This process reflects the practical implementation of non-publicly traded investments.

	Target
Domestic Equity	32.0%
International Equity	20.0
Broad US Fixed Income	23.5
Short Duration Fixed Income	2.5
Hedge Funds	3.0
Real Estate	9.0
Private Equity	5.0
Private Credit*	2.0
Infrastructure	2.0
Cash (90 day T-Bill)	1.0
Total Target	100.0%

2. **Domestic Equity Benchmark:** Russell 3000 Index; Prior to 9/31/2011 Blend of 40% S&P 500, 16% Russell 2000 Value, 16% Russell Mid Cap Growth, 14% Russell 1000 Growth, and 14% Russell 1000 Value.

3. **International Equity Benchmark**: MSCI ACWI ex-US IMI Index; Prior to 12/31/2017 MSCI ACWI ex-US Index; Prior to 12/31/2012 Blend of 85% MSCI ACWI ex-US, 15% Global ex US under $2 billion; Prior to 9/30/2011 Blend of 80% MSCI ACWI ex-US, 20% Global ex US under $2 billion.

4. **Fixed Income Benchmark:** Blend of 90% Bloomberg Aggregate Index and 10% Bloomberg Gov/Credit 1-3 Year Index; Prior to 12/31/2019 Bloomberg Aggregate Index; Prior to 12/31/2012 Blend of 62.5% Bloomberg Aggregate Index, 12.5% Bloomberg US TIPs Index, and 25% Bloomberg Gov/Credit Intermediate Index.
5. **Hedge Funds**: (1) 90-Day Average SOFR + 4% (prior to 12/31/2022 3-Month LIBOR + 4%); (2) HFRI Fund of Funds Composite Index (returns lagged one month)

6. **Real Estate Benchmark:** Returns are calculated by weighting the benchmark return for each asset class (i.e. Private RE and Public RE). The Private RE benchmark is the NCREIF NFI-ODCE Value Weight Net Index and the Public RE benchmark is the FTSE NAREIT Equity Index.

7. **Private Equity Benchmark:** is set equal to actual returns.

8. **Infrastructure Benchmark:** FTSE Developed Core Infrastructure 50/50 Net

*Private Credit investment approved by the Board in June 2022 to be implemented at a future date. The appropriate benchmark will be determined at that time.