Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Performance Summary

March 31, 2024

Ann O'Bradovich
Senior Vice President

John Jackson, CFA
Senior Vice President

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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

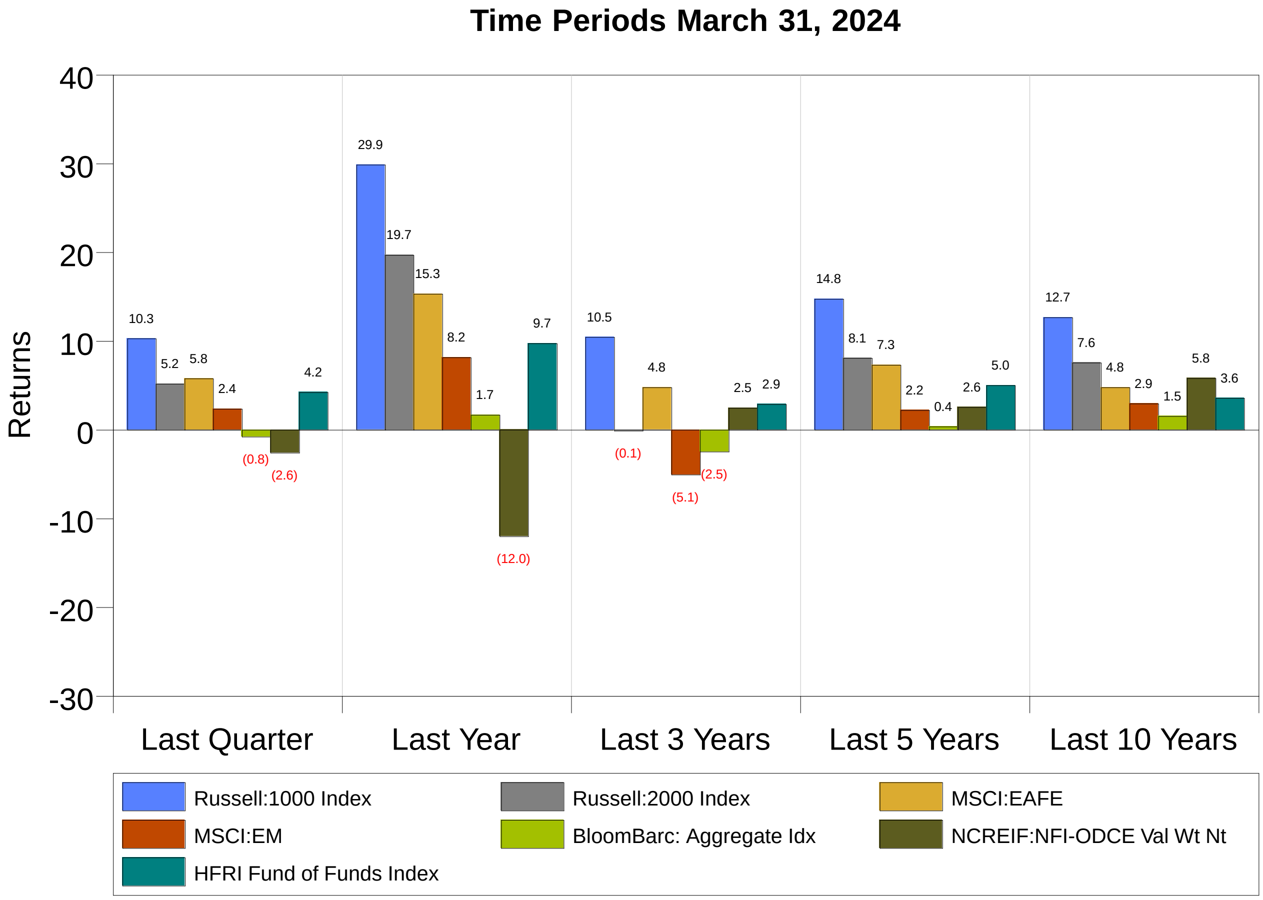
Bond yields rose modestly in 1Q as expectations dwindled for aggressive rate cuts amid stubbornly high inflation. The U.S. Treasury 10-year yield rose from 3.88% as of year-end 2023 to 4.20% at the end of 1Q24. The Bloomberg US Aggregate Bond Index fell 0.8% for the quarter. Ten-year breakeven spreads, 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



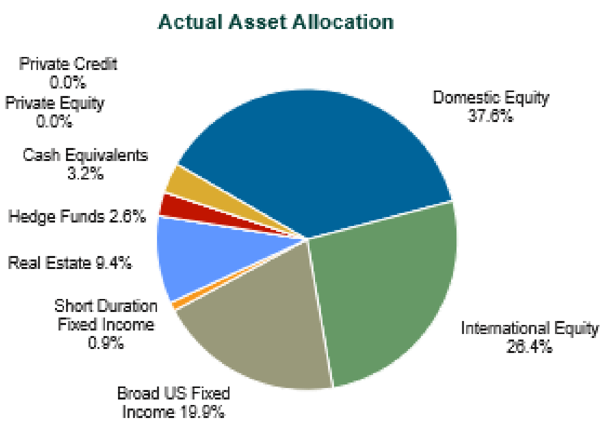
The Callan Periodic Table of Investment Returns
First Quarter 2024

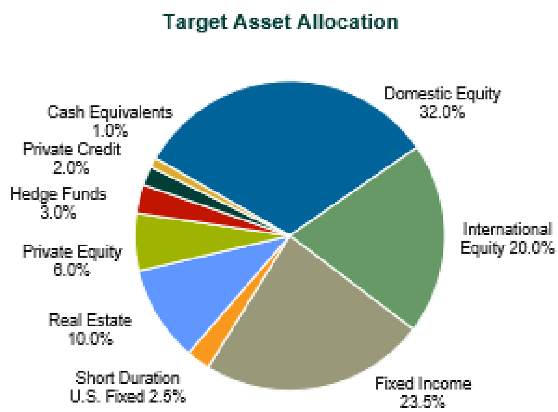
2015	2016	2017	2018	2019	2020	2021	2022	2023	1 Qtr. 2024
NCREIF:NFI-ODCE Val Wt Nt 14.0%	Russell:2000 Index 21.3%	MSCI:EM 37.3%	Cambridge:Gl PE & Cred 10.1%	Russell:1000 Index 31.4%	Cambridge:Gl PE & Cred 32.7%	Cambridge:Gl PE & Cred 38.4%	NCREIF:NFI-ODCE Val Wt Nt 6.5%	Russell:1000 Index 26.5%	Russell:1000 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%)	

Forest Preserve Pension Fund Commentary

Asset Allocation

The Total Fund ended March with a market value of $204.2 million, a $6.7 million increase from the prior quarter ending value of $197.5 million. The Fund experienced investment returns of approximately $9.7 million and net outflows of $3.0 million. The target asset allocation was approved in September 2023. The Total Fund benchmark will be modified in accordance with the actual implementation of new asset classes (private equity and credit). This process reflects the practical implementation of non-publicly traded investments. The allocation of the Fund is in line with expectations. The International Equity and Domestic Equity allocations exceed their target weights by 6.4% and 5.6%, respectively. These are largely offset by the underweights to Private Equity and Private Credit, which are yet to be implemented.





Asset Class	$000s Actual	Weight Actual	Min Target	Target	Max Target	Percent Difference	$000s Target	$000s Difference
Domestic Equity	76,703	37.6%	28.0%	32.0%	36.0%	5.6%	65,337.86	11,365
International Equity	53,811	26.4%	16.0%	20.0%	24.0%	6.4%	40,836.16	12,974
Broad US Fixed Income	40,654	19.9%	19.5%	23.5%	27.5%	(3.6%)	47,982.49	(7,329)
Short Duration Fixed Income	1,921	0.9%	0.0%	2.5%	4.5%	(1.6%)	5,104.52	(3,184)
Real Estate	19,251	9.4%	6.0%	10.0%	14.0%	(0.6%)	20,418.08	(1,167)
Private Equity	-	0.0%	0.0%	6.0%	10.0%	(6.0%)	12,250.85	(12,251)
Hedge Funds	5,260	2.6%	0.0%	3.0%	6.0%	(0.4%)	6,125.42	(865)
Private Credit	-	0.0%	0.0%	2.0%	4.0%	(2.0%)	4,083.62	(4,084)
Cash Equivalents	6,583	3.2%	0.0%	1.0%	5.0%	2.2%	2,041.81	4,541
Total	204,181	100.0%		100%				

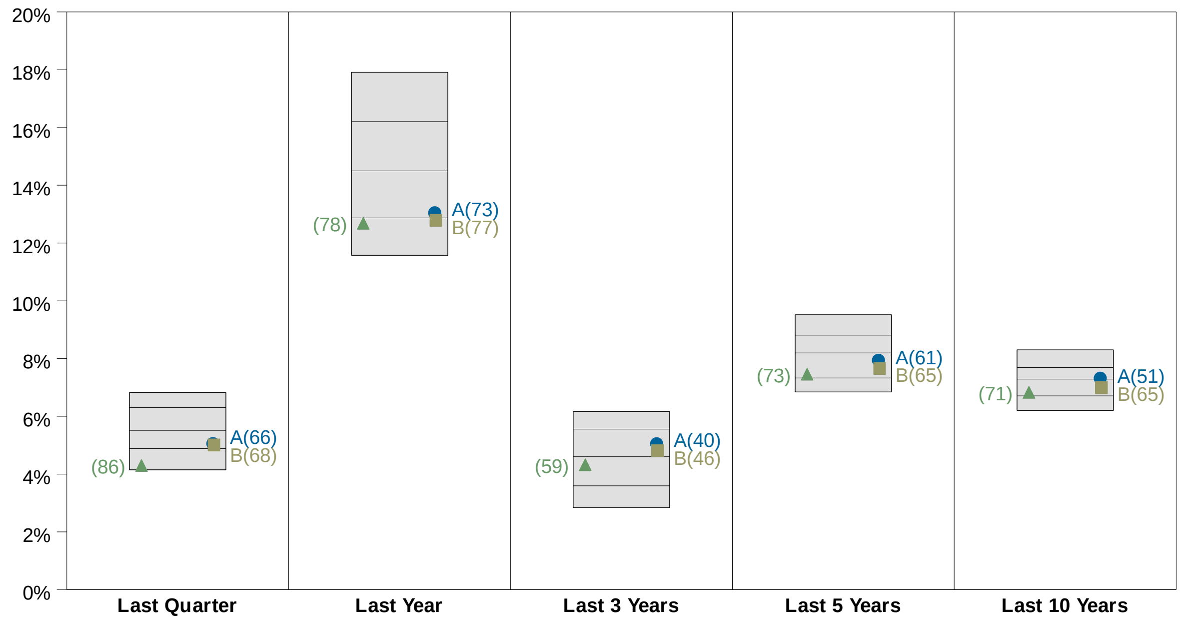
Forest Preserve Pension Fund Performance vs. Target

In the first quarter, the Total Fund returned 5.01% net of fees (NOF) and outperformed the benchmark return of 4.30%. Over the trailing year, the Total Fund returned 12.79% return versus the benchmark return of 12.69%. Over the trailing three-year period, the Total Fund returned 4.81% (NOF) and outperformed the benchmark return of 4.32%. The Total Fund returned 7.66% (NOF) over the last five years and outperformed the benchmark return of 7.46%. Over the last ten years, the Total Fund returned 6.99% (NOF) and outperformed the benchmark return of 6.83%.

On a gross of fee basis (GOF), the Fund's three-year return ranks in the 40th percentile among peers. Over the last five and ten years, the Fund ranks in the 61st and 51st percentiles, respectively.

Table 1.0

Performance vs Callan Public Fund Spons- Mid (100M-1B) (Gross)



		Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile		6.82	17.91	6.17	9.52	8.30
25th Percentile		6.31	16.21	5.56	8.81	7.69
Median		5.51	14.50	4.60	8.19	7.29
75th Percentile		4.88	12.87	3.60	7.33	6.71
90th Percentile		4.15	11.57	2.84	6.85	6.20
Total Forest (Gross)	● A	5.02	13.01	5.01	7.90	7.28
Total Forest (Net)	■ B	5.01	12.79	4.81	7.66	6.99
Total Forest Preserve Benchmark	▲	4.30	12.69	4.32	7.46	6.83

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	**$76,702,601**	**37.57%**	**9.99%**	**28.18%**	**9.50%**	**13.84%**	**11.93%**
Domestic Equity Benchmark (2)	-	-	10.02%	29.29%	9.78%	14.34%	12.24%
International Equity	**$53,810,565**	**26.35%**	**5.50%**	**15.13%**	**3.19%**	**6.67%**	**5.66%**
International Equity Bnmk (4)	-	-	4.69%	13.26%	1.94%	5.97%	4.25%
Fixed Income	**$42,574,137**	**20.85%**	**(0.75%)**	**1.65%**	**(1.60%)**	**0.81%**	**1.71%**
Fixed Income Benchmark (3)	-	-	(0.68%)	1.85%	(2.17%)	0.53%	1.63%
****Real Estate**	**$19,250,563**	**9.43%**	**0.00%**	**(11.97%)**	**4.24%**	**3.90%**	**5.60%**
NFI-ODCE Value Weight Net	-	-	(2.58%)	(12.00%)	2.47%	2.56%	5.82%
****Hedge Funds**	**$5,260,237**	**2.58%**	**2.36%**	**8.01%**	**6.47%**	**5.33%**	**4.87%**
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%
Cash Equivalents	**$6,583,220**	**3.22%**	**1.33%**	**5.45%**	**2.73%**	**2.10%**	**1.60%**
3-month Treasury Bill	-	-	1.29%	5.24%	2.58%	2.02%	1.38%
Total Forest Preserve Fund	**$204,181,323**	**100.00%**	**5.01%**	**12.79%**	**4.81%**	**7.66%**	**6.99%**
Total Fund Benchmark (1)	-	-	4.30%	12.69%	4.32%	7.46%	6.83%

**Represents trailing data.

Definitions for custom benchmarks can be found on the back page

Table 1.1 illustrates the Forest Preserve Pension Fund's asset class performance against associated benchmarks.

Domestic Equity returned 9.99% for the quarter and underperformed the benchmark return of 10.02%. Over the last year, Domestic Equity returned 28.18% and trailed the benchmark (29.29%). Domestic Equity has modestly underperformed over longer periods.

International Equity returned 5.50% for the quarter and outperformed the benchmark return of 4.69%. Over the last year, International Equity finished with a return of 15.13% and outperformed the benchmark (13.26%). Over longer periods, International Equity outperformed the benchmark with positive contributions from active managers.

Fixed Income declined 0.75% in the quarter, narrowly behind the benchmark return of 0.68%. Over the last year, Fixed Income returned 1.65% and lagged the benchmark return (1.85%). The allocation has outperformed the benchmark over longer periods.

Real Estate returned 0.00% for the quarter, ahead of the benchmark return of -2.58%. Over the last year, Real Estate declined 11.97% but fared slightly better than the benchmark, which was down 12.00%. Real Estate outperformed the benchmark over the trailing three- and five-year periods.

Hedge Funds returned 2.36% in the quarter and led the absolute return benchmark of 2.31%. Over the last year, Hedge Funds returned 8.01% and trailed the target return (9.32%). The allocation trails its benchmark across long-term periods.

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Benchmarks

1. **Total Fund Benchmark:** Blend of asset class benchmarks at policy weights. The target allocation was approved in September 2023; however, the benchmark will be modified in accordance with the actual implementation. This process reflects the practical implementation of non-publicly traded investments.

	Policy Benchmark
Domestic Equity	35.0%
International Equity	25.0
Broad US Fixed Income	23.0
Short Duration Fixed Income	2.0
Real Estate	10.0
Private Equity*	0.0
Hedge Funds	4.0
Private Credit*	0.0
Cash (90 day T-Bill)	1.0
Total Target	**100.0%**

2. **Domestic Equity Benchmark:** Russell 3000 Index; Prior to 6/30/2016 Blend of 70% S&P 500 and 30% Russell 2500 Index; Prior to 12/31/2012 Blend of 55.6% S&P 500, 11.0% Russell 2000 Value, 16.7% Russell 1000 Growth, and 16.7% Russell 1000 Value.
3. **Fixed Income Benchmark:** Blend of 90% Bloomberg Aggregate Index, and 10% Bloomberg Gov/Credit 1-3 Year Index; Prior to 12/31/2019 BloomBarc Aggregate Index; Prior to 12/31/2012 Blend of 75% Bloomberg Aggregate Index, and 25% Bloomberg Gov/Credit Intermediate Index.
4. **International Equity Benchmark:** MSCI ACWI ex U.S.
5. **Hedge Funds Benchmark:** (1) 90-Day Average SOFR + 4% (prior to 12/31/2022 - LIBOR + 4%; (2) HFRI Fund of Funds Composite Index (returns lagged one month)
6. **Real Estate Benchmark:** NCREIF NFI-ODCE Val Wt Nt

*Private Equity and Private Credit investment approved by the Board in September 2023 to be implemented at a future date. The appropriate benchmark will be determined at that time.