

QUARTER ENDING JUNE 30, 2021 INVESTMENT PERFORMANCE ANALYSIS

EASTERN MICHIGAN BOARD OF
REGENTS



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2021 SECOND QUARTER INSIGHTS FROM NEPC

Private Wealth

- [Taking Stock: Business Owners, Here's How to Make Your Portfolio Work for You](#)

Healthcare

- [NEPC's 2021 Healthcare Operating Funds Survey Results](#)

Taft-Hartley

- [Taking Stock: Taft-Hartley/ Multi-Employer Pension Plans Await ARPA 2.0](#)

Defined Benefit

- [Taking Stock: NEPC Q1 2021 Pension Monitor](#)
- [Taking Stock: NEPC April 2021 Pension Monitor](#)
- [Taking Stock: NEPC May 2021 Pension Monitor](#)

General Research

- [Quarterly Asset Class Review: Q1 2021](#)
- [Taking Stock: A Sneak Peek Into the 2021 NEPC \(Virtual\) Client Conference](#)
- [NEPC Market Outlook: Should Investors Be Bracing for a Tidal Wave of Inflation?](#)
- [Meeting You Where You Are: Client Input About the Future of Meetings](#)
- [11th Annual Investment Manager Webinar Replay](#)

Diversity, Equity, & Inclusion

- [Using Investing to Bring DEI Goals Within Reach](#)
- [NEPC's 2020 DEI Progress Report](#)



DIVERSITY, EQUITY AND INCLUSION AT NEPC

- This quarter, NEPC published our first annual [Diversity, Equity and Inclusion \(DEI\) Progress Report](#). We are happy to see that the Progress Report has sparked conversation, which you can read more about on [Institutional Investor](#) and [Banking Exchange](#).



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Manager Pages



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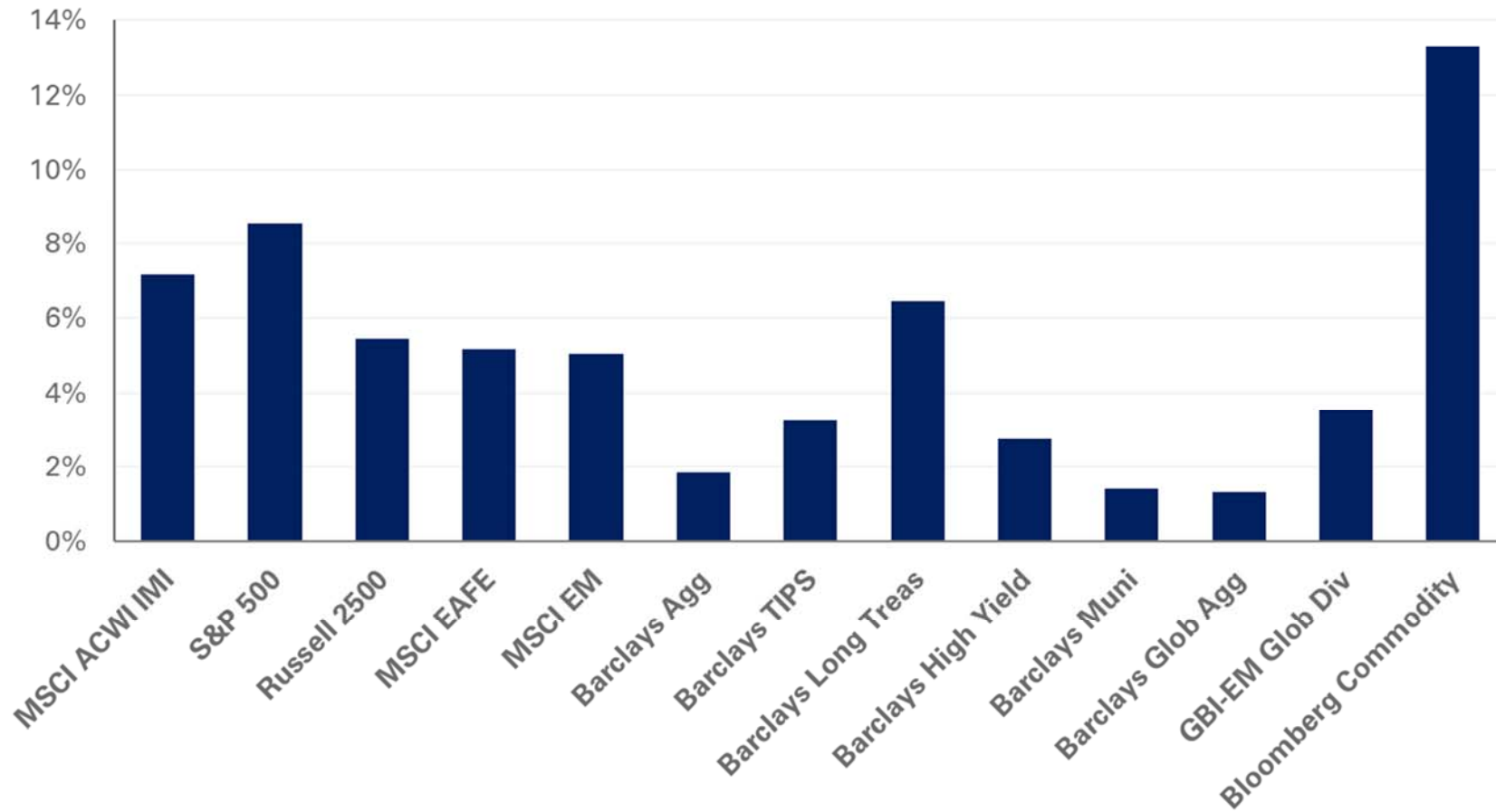
MARKET REVIEW & OUTLOOK



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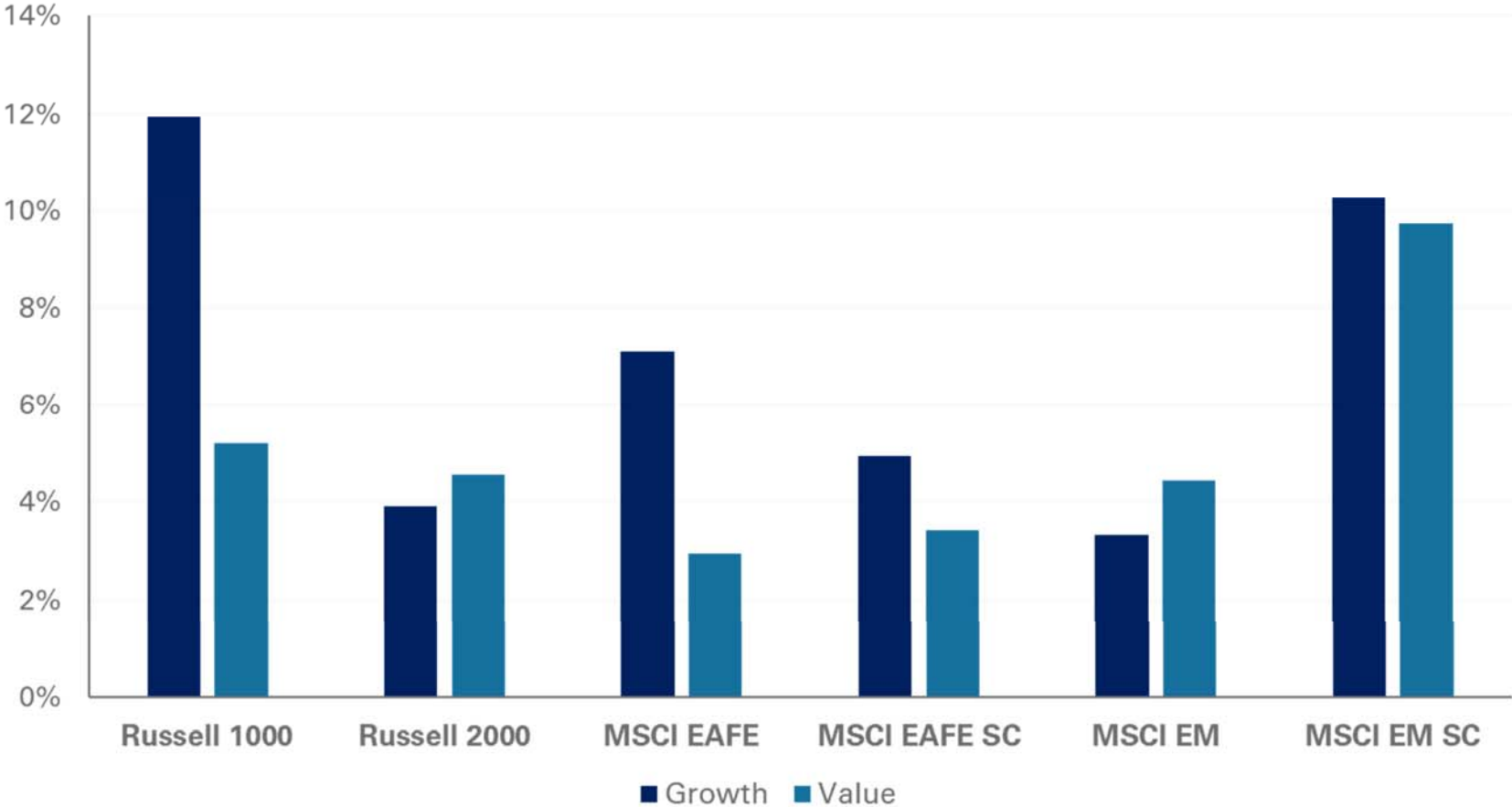
S&P 500 OUTPERFORMED

QUARTERLY RETURN



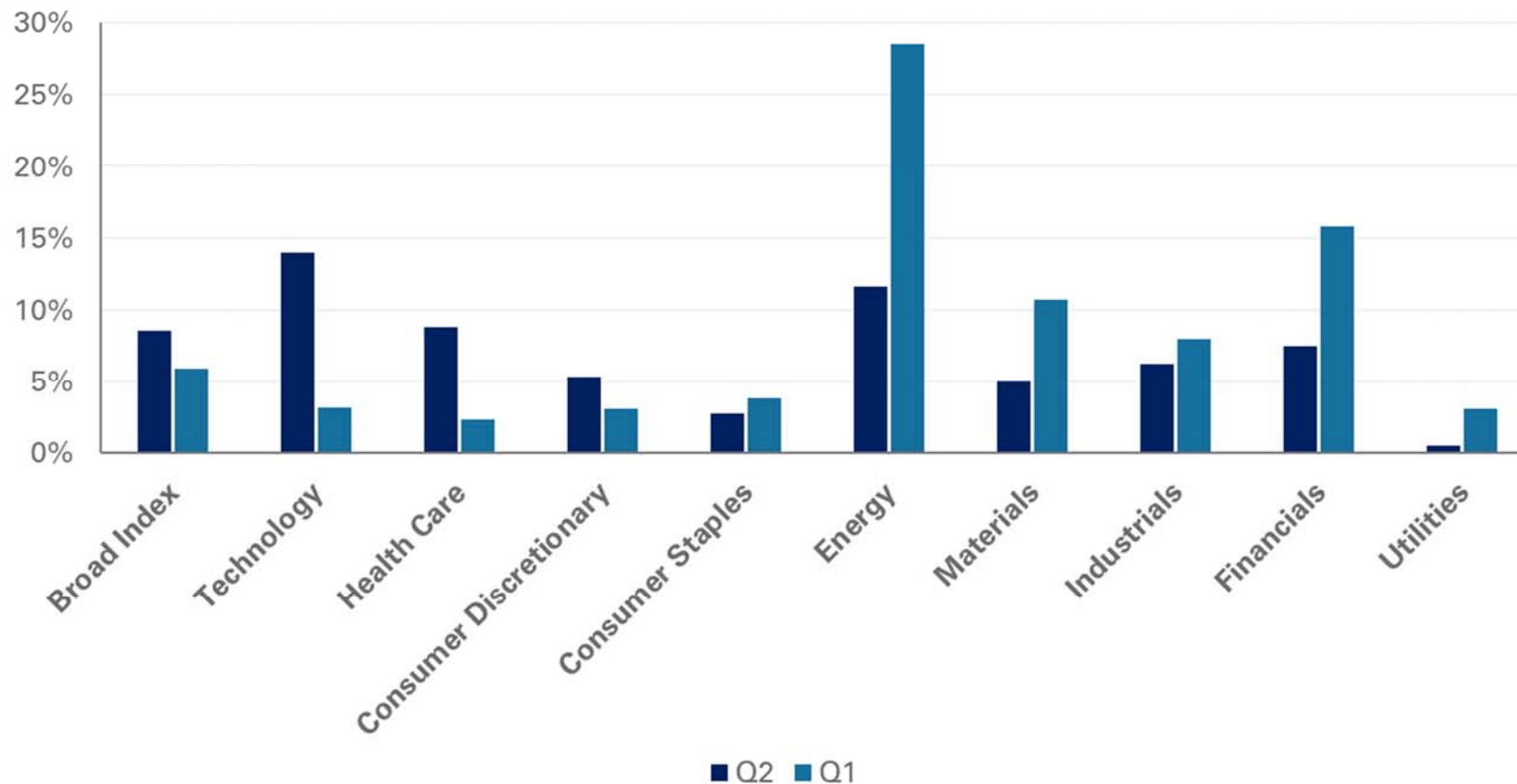
U.S. LARGE CAP GROWTH OUTPERFORMED

QUARTERLY RETURN



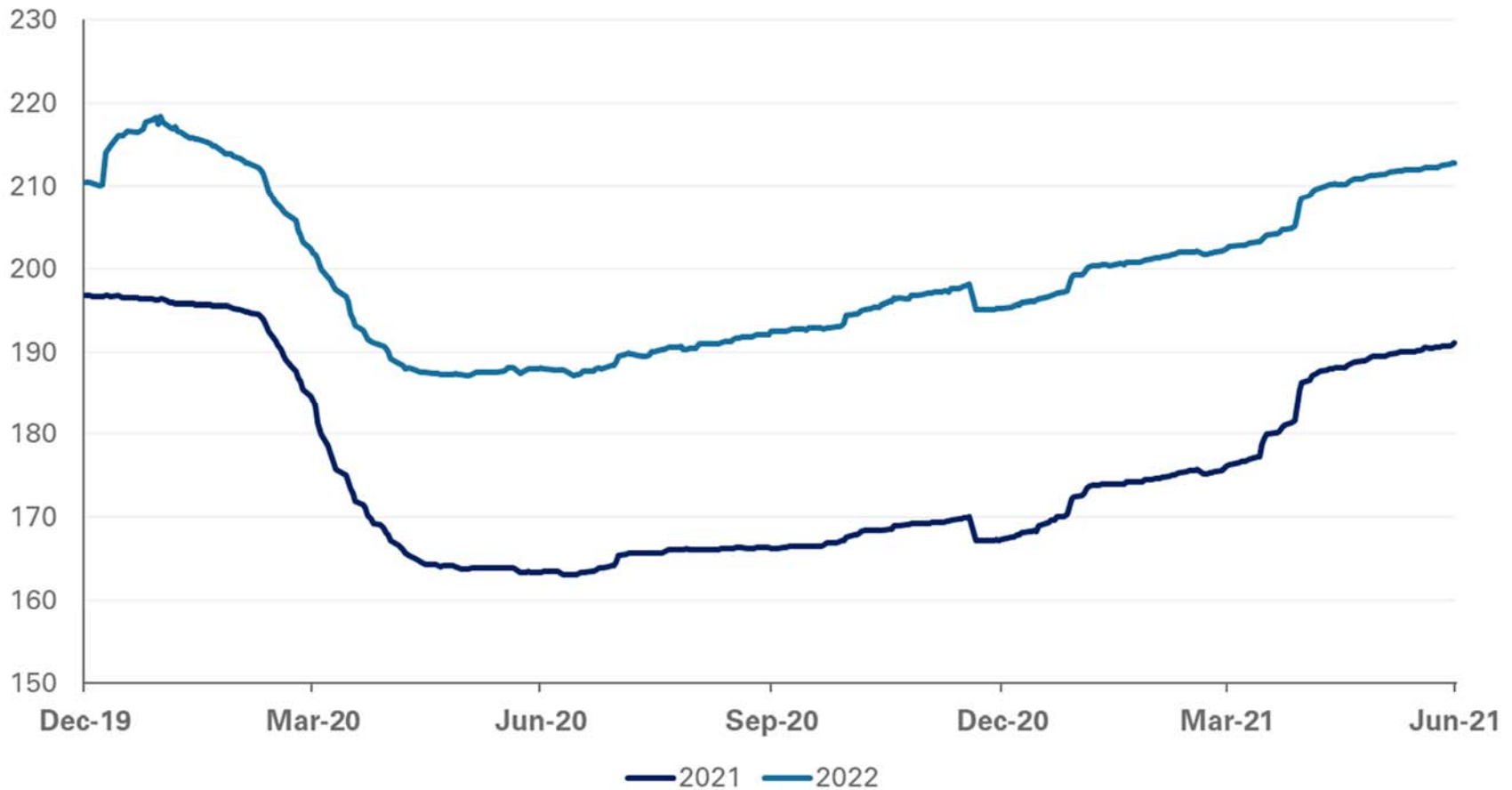
TECHNOLOGY OUTPERFORMED IN Q2

QUARTERLY RETURN



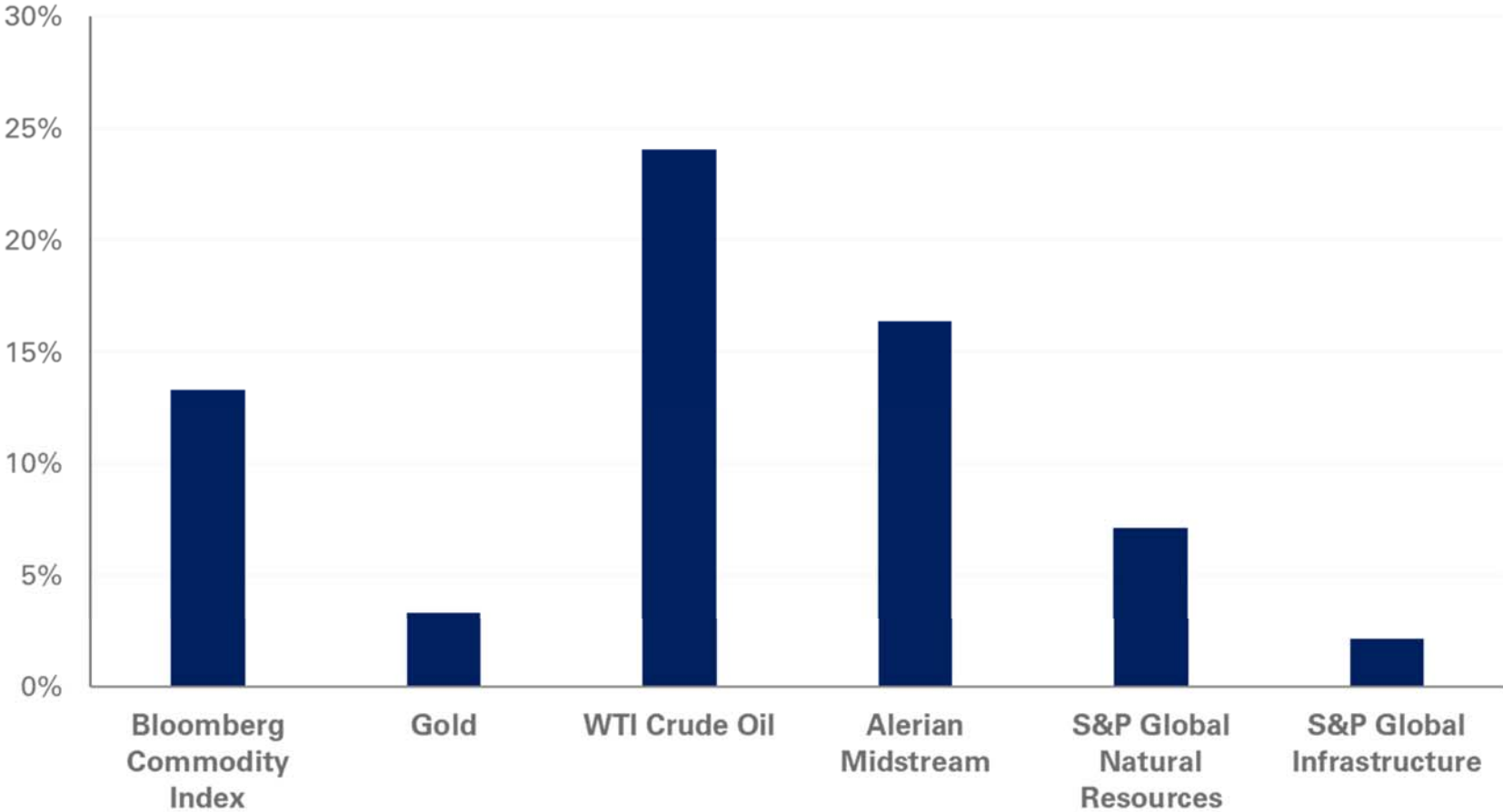
EPS FORECASTS RECOVERED TO PRE-COVID LEVELS

S&P 500 EARNINGS PER SHARE FORECASTS



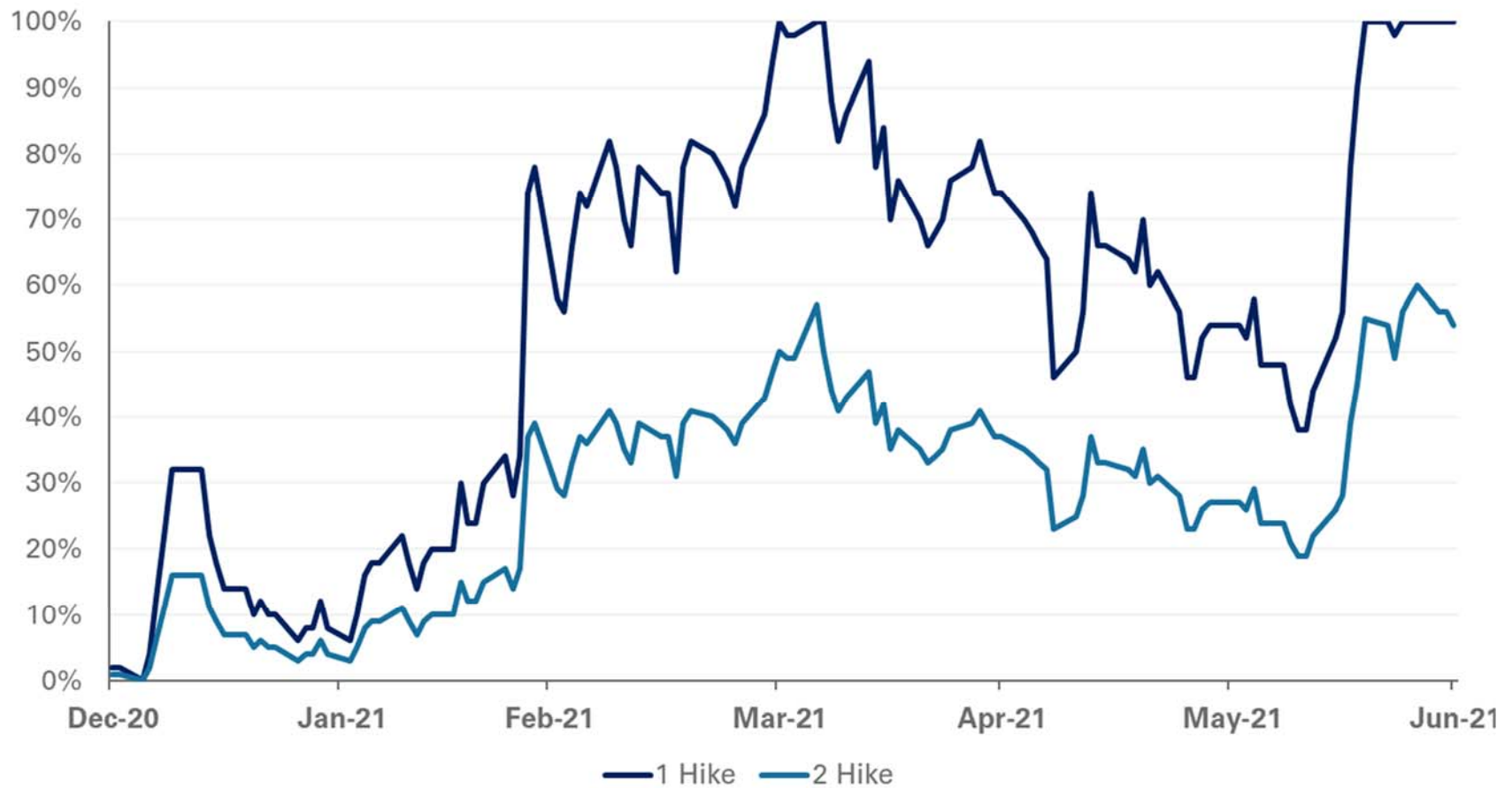
REBOUND IN OIL PRICES BOOSTED REAL ASSETS

QUARTERLY RETURN



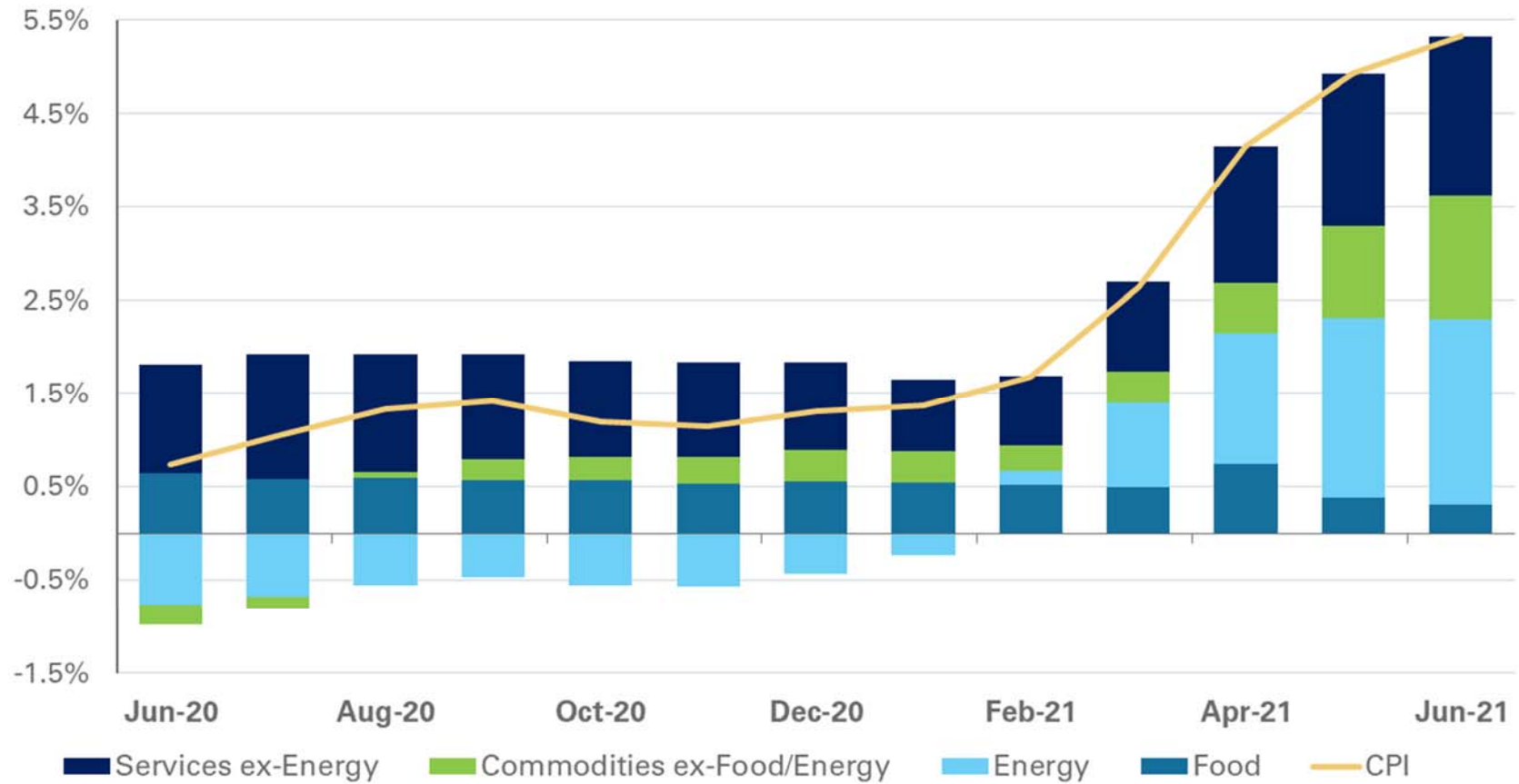
MARKET PRICED RATE HIKE IN 2022

PROBABILITY OF FED FUNDS HIKE BY THE END OF 2022



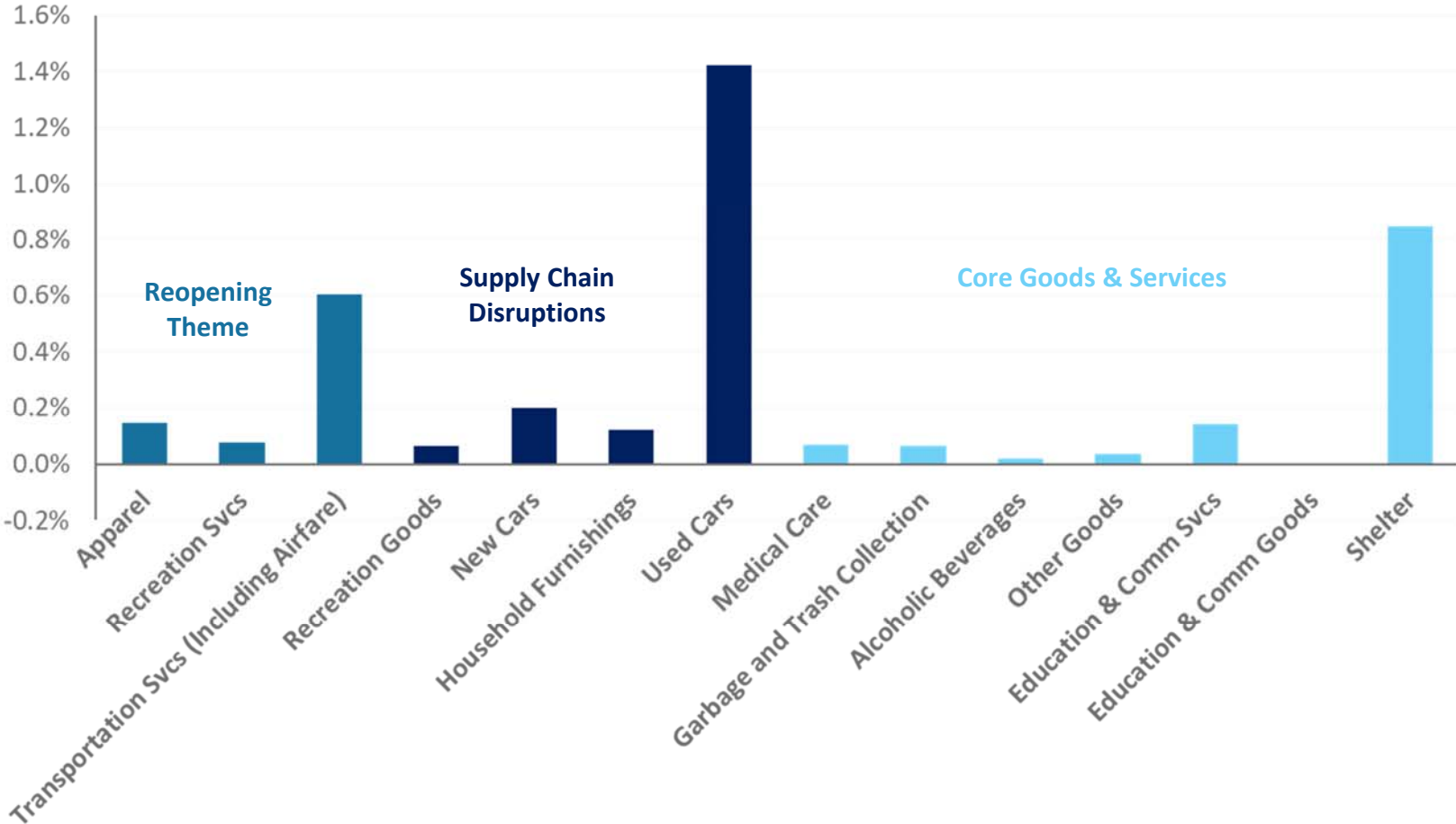
REALIZED INFLATION ACCELERATED

MAJOR COMPONENTS OF YEAR-OVER-YEAR U.S. CPI



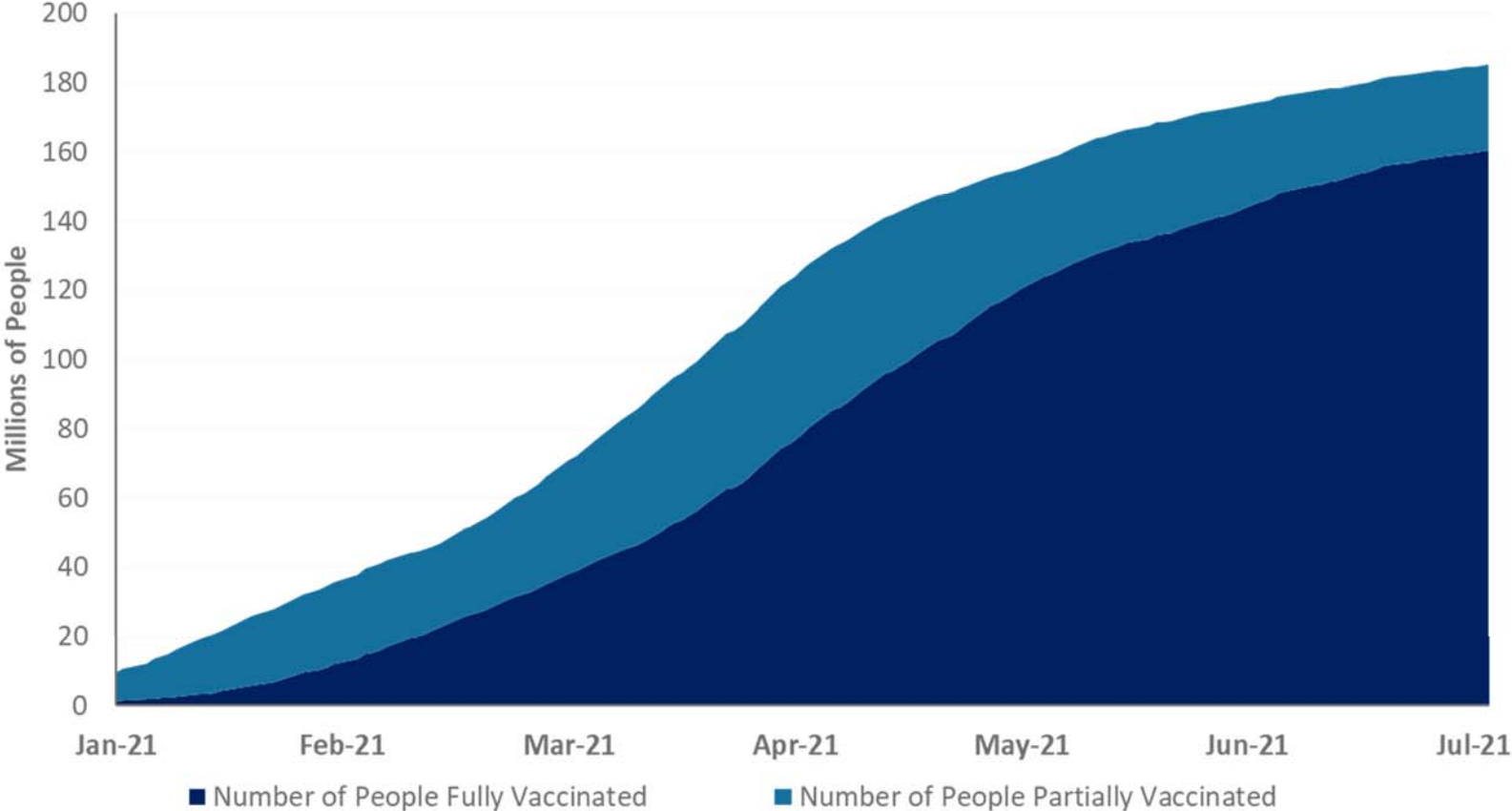
UNUSUALLY HIGH INFLATION ACTIVITY

CONTRIBUTION TO YEAR-OVER-YEAR U.S. CPI-U



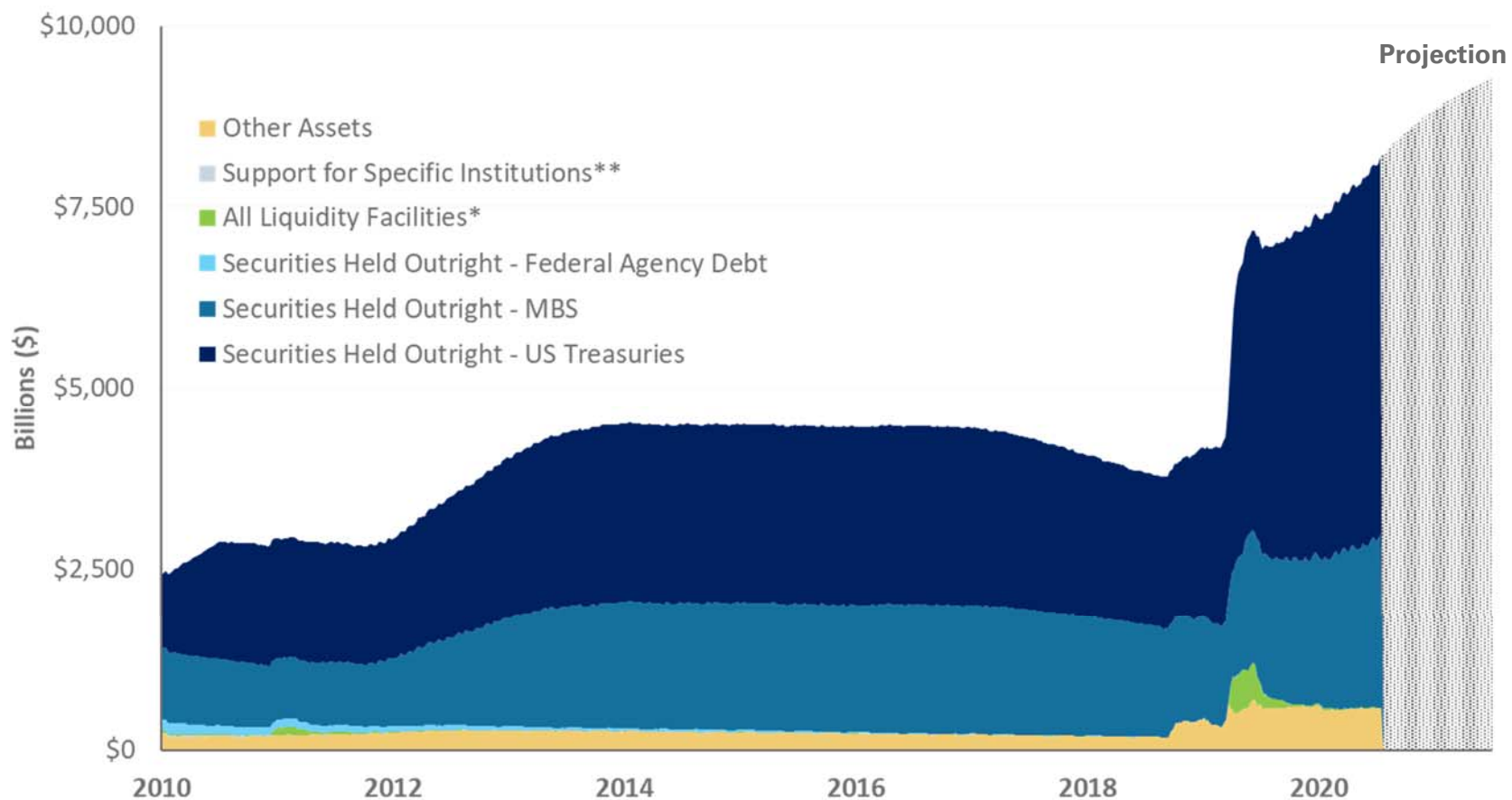
KEY MARKET THEME: VIRUS TRAJECTORY

U.S. COVID-19 VACCINATIONS (MILLIONS)



ELEVATED PERMANENT INTERVENTIONS

FEDERAL RESERVE BALANCE SHEET COMPOSITION



STRATEGIC ASSET ALLOCATION OUTLOOK

Permanent Interventions **sustains positive risk asset sentiment** and boosts our return outlook for equity

Consider **higher strategic equity targets** as the long-term forward return differential relative to fixed income remains elevated

Maintain adequate portfolio liquidity levels as market stress can inject bouts of illiquidity across public assets

NEPC's long-term inflation outlook is unchanged, but the path of inflation over the next several years could be volatile

Maintain a **strategic allocation to Treasuries** to serve as a source of liquidity and to provide downside protection

Q2 2021 PERFORMANCE SUMMARY



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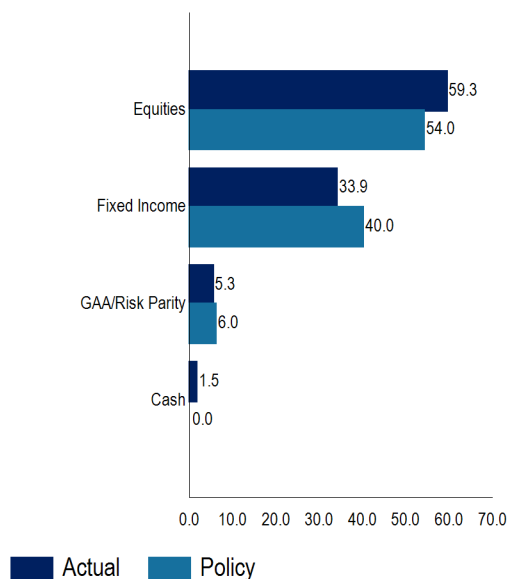
Eastern Michigan University - Board of Regents

TOTAL FUND PERFORMANCE SUMMARY

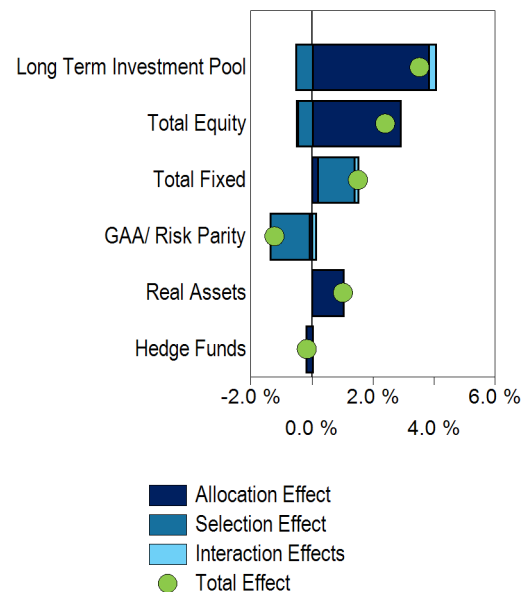
	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs
Board of Regents Total Composite	\$22,049,152	1.9%	2.6%	8.8%	3.7%	4.5%
<i>Allocation Index</i>		2.1%	2.8%	9.5%	6.6%	6.2%

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs
Long Term Investment Pool	\$10,836,763	4.9%	7.1%	23.8%	8.3%	8.0%
<i>Long Term Allocation Index</i>		5.2%	7.2%	24.8%	12.1%	10.4%
<i>Long Term Balanced Index</i>		5.0%	6.1%	20.1%	9.9%	9.1%

Long Term Investment Pool Actual vs. Target Allocation



Long Term Investment Pool Attribution Effects 1 Year Ending June 30, 2021



Year to Date

	Anlzd Ret	Anlzd Std Dev	Sharpe Ratio
Board of Regents Total Composite	2.59%	1.47%	1.75
Allocation Index	2.85%	1.23%	2.31

Composite Performance

- The Total Composite earned +1.9% in Q2, finishing close to par relative to its benchmark index
- The Long Term Investment Pool earned almost 5% over the same period, a strong performance over the quarter

Allocation Index

- Despite an equity style rotation of growth assets over value and yields falling from increased levels seen in Q1, the portfolio continues to keep pace with global markets

Active Management

- New manager changes were implemented in May 2021, following recently approved asset allocation targets, please see next slide for more information
- Acadian Emerging Markets Equity, an active EM equity strategy, continues to perform well, earning +6.6% over the quarter
- The Board of Regents' fixed income sleeve continues to outpace US bond markets for the year



RECENT REBALANCING

Manager	Trades (\$)
Equities	
SEG Baxter	(925,000)*
Vanguard VIPERs	135,000
Fixed Income	
Blackrock SIO	(140,000)
Baird - Core Bond	305,000
Vanguard Intermediate-Term Treasury ETF	398,000
Fidelity Inflation-Protected Bond Index Fund	398,000
Multi-Asset	
William Blair Macro Allocation	(736,675)**
PIMCO All Asset	565,000

Asset Class	Revised
US Large-Cap Equity	32.0
Global Equity	0
Emerging Market Equity	9.0
Non-US Developed Equity	13.0
Equity	54.0
US TIPS	5.0
US Treasury Bond	5.0
US Aggregate Bond	20.0
Absolute Return Fixed Income	10.0
Rates/Credit	40.0
Real Assets	0
PIMCO All Asset	6.0
Multi-Asset	6.0

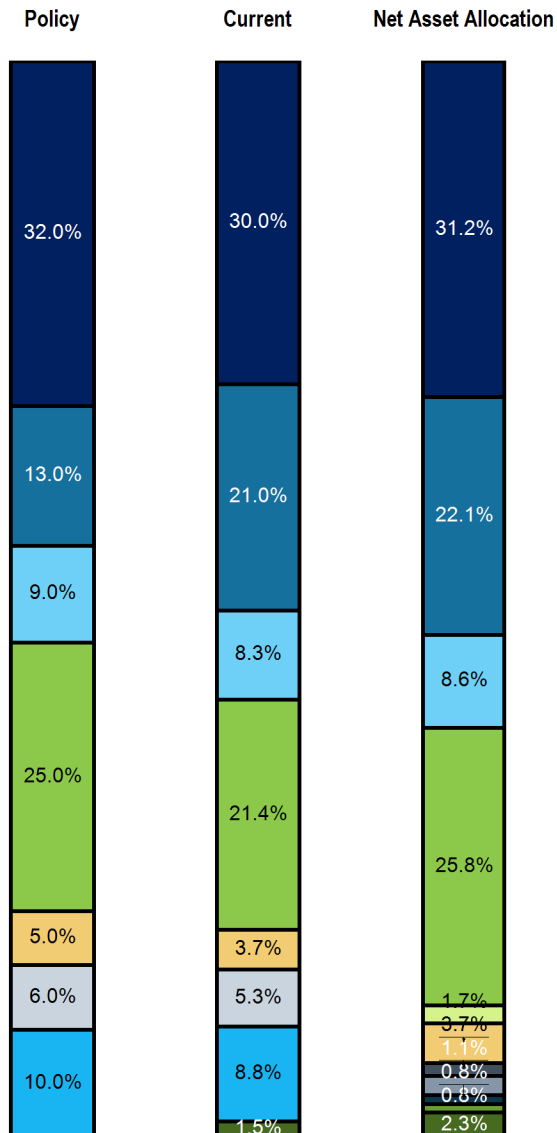
May 2021, EMU BoR implemented NEPC's recommended rebalancing trades to bring the portfolio closer to the revised targets



* partial trim, settles July 2021
 ** full position redemption

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ASSET ALLOCATION VS. POLICY TARGETS



Asset Allocation vs. Target				
	Current	Policy	Current	Net Asset Allocation
Domestic Equity	\$3,250,498	32.0%	30.0%	31.2%
International Equity	\$2,276,797	13.0%	21.0%	22.1%
Emerging Markets Equity	\$900,405	9.0%	8.3%	8.6%
Core Fixed Income	\$2,319,828	25.0%	21.4%	25.8%
High Yield	--	--	--	1.7%
TIPS	\$400,138	5.0%	3.7%	3.7%
Non-US Developed Bonds	--	--	--	1.1%
Emerging Market Debt	--	--	--	1.8%
GAA/Risk Parity	\$574,250	6.0%	5.3%	--
Hedge Funds	--	--	--	0.8%
Absolute Return	\$953,838	10.0%	8.8%	--
Real Assets	--	--	--	0.8%
Cash	\$161,009	--	1.5%	2.3%
Total	\$10,836,763	100.0%	100.0%	100.0%

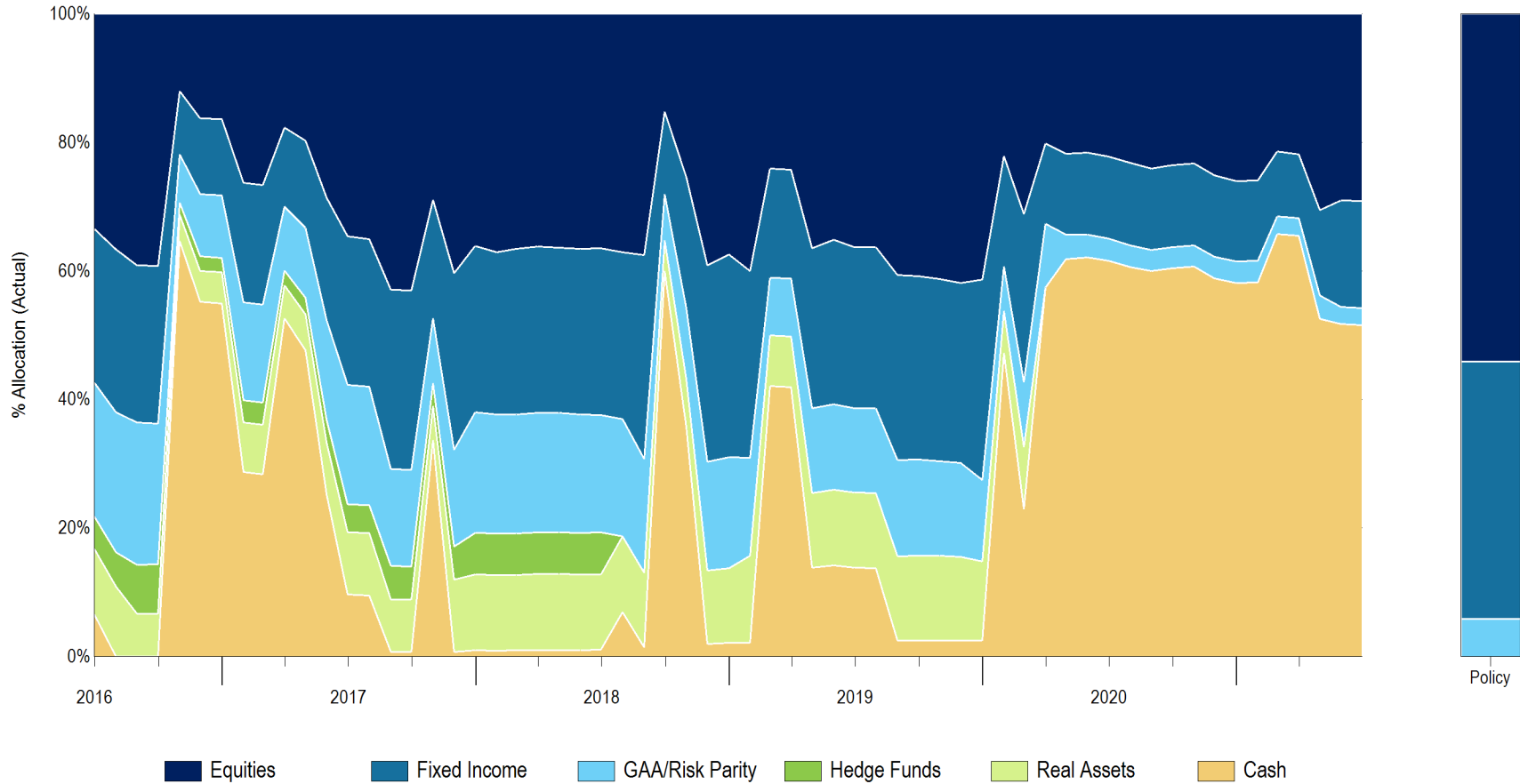
-Asset Allocation vs. Policy Targets analytics are based on the Long Term Investment Pool.



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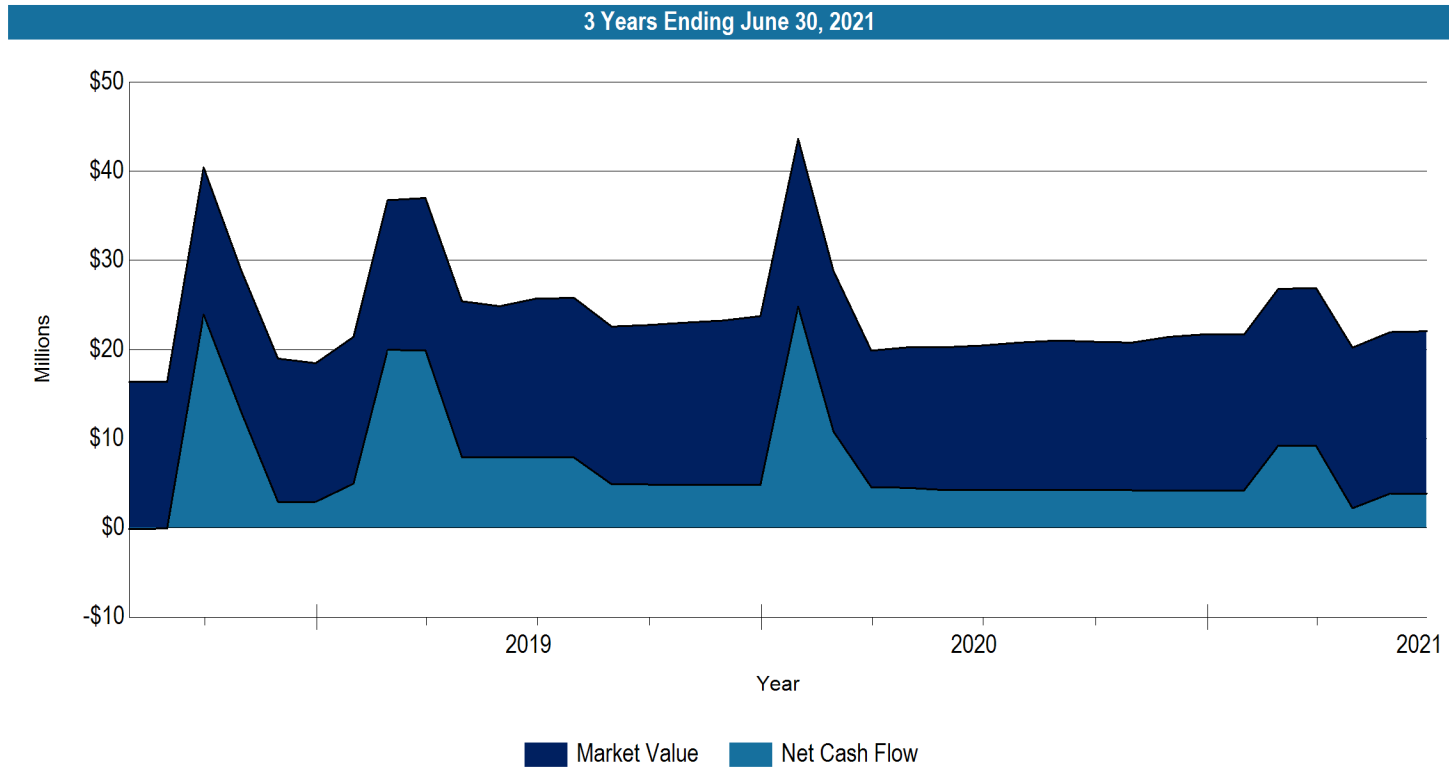
TOTAL FUND ASSET ALLOCATION HISTORY

Asset Allocation History



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TOTAL FUND ASSET GROWTH SUMMARY



	Last Three Months	Year-To-Date	One Year	Three Years
Beginning Market Value	\$26,912,557	\$21,717,375	\$20,455,158	\$16,253,086
Contributions	\$4,352,547	\$19,361,926	\$19,382,042	\$112,895,220
Withdrawals	-\$9,705,801	-\$19,723,762	-\$19,754,801	-\$109,032,813
Net Cash Flow	-\$5,353,255	-\$361,835	-\$372,759	\$3,862,406
Net Investment Change	\$489,849	\$693,612	\$1,966,752	\$1,933,659
Ending Market Value	\$22,049,152	\$22,049,152	\$22,049,152	\$22,049,152



INVESTMENT MANAGER - DUE DILIGENCE STATUS

Investment Options	Manager Changes/ Announcements	NEPC Due Diligence Committee Recommendations
Acadian Emerging Markets Equity	Other: Acadian Firm Changes 07/2021	2. Watch (Searches Ok)



INVESTMENT MANAGER - DUE DILIGENCE STATUS

Investment Options	Commentary	DD Status
Acadian Emerging Markets Equity	<p>After recent conversations with Brightsphere (BSIG) and Acadian and given the continued sale of affiliates at BSIG (ICM to William Blair in February 2021, Landmark to Ares in March 2021, and most recently TSW to Pental in May 2021) we are anticipating that Acadian will be sold at some point this year. Campbell Global, an investment firm focused on sustainable timberland and natural resources and Acadian are the two remaining affiliates currently under BSIG. We've been monitoring the sale of subsidiaries at BSIG and as a result we have reflected these factors into Acadian's firm rating. At this point, we are recommending putting Acadian on Watch as we wait and see their fate.</p>	2. Watch (Searches Ok)



TOTAL FUND SUMMARY



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TOTAL FUND PERFORMANCE DETAIL

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Inception (%)	Inception Date
Board of Regents Total Composite	22,049,152	100.0	1.9		2.6		8.8		3.7		4.5		4.0		4.8	Apr-09
<i>Allocation Index</i>			2.1	--	2.8	--	9.5	--	6.6	--	6.2	--	--	--	--	Apr-09
Short Term Investment Pool	11,212,389	50.9	0.0		0.0		0.0		0.9		0.7		0.4		0.3	Apr-09
<i>91 Day T-Bills</i>			0.0	--	0.0	--	0.1	--	1.2	--	1.1	--	0.6	--	0.5	Apr-09
Northern Inst Govt Select MMKT	11,212,389	50.9	0.0		0.0		0.0		0.5		0.4		0.2		0.2	Nov-09
<i>91 Day T-Bills</i>			0.0	--	0.0	--	0.1	--	1.2	--	1.1	--	0.6	--	0.5	Nov-09
Bank of Ann Arbor Trust Cash	0	0.0	0.0		0.0		0.0		1.0		0.7		0.3		0.3	Nov-09
<i>91 Day T-Bills</i>			0.0	--	0.0	--	0.1	--	1.2	--	1.1	--	0.6	--	0.5	Nov-09
Long Term Investment Pool	10,836,763	49.1	4.9		7.1		23.8		8.3		8.0		6.4		6.2	Apr-09
<i>Long Term Allocation Index</i>			5.2	--	7.2	--	24.8	--	12.1	--	10.4	--	--	--	--	Apr-09
<i>Long Term Balanced Index</i>			5.0	--	6.1	--	20.1	--	9.9	--	9.1	--	7.0	--	6.6	Apr-09
Total Equity	6,427,701	29.2	6.9	56	11.4	65	38.5	59	13.0	58	13.3	57	--	--	10.1	Jan-14
<i>MSCI ACWI</i>			7.4	48	12.3	56	39.3	55	14.6	48	14.6	48	9.9	54	9.9	Jan-14
<i>eV All Global Equity Net Median</i>			7.2		12.7		40.1		14.3		14.4		10.0		9.9	Jan-14
SEG Baxter	2,276,797	10.3	5.7	56	6.3	80	31.1	86	13.3	33	--	--	--	--	12.0	Jul-17
<i>MSCI ACWI ex USA</i>			5.5	60	9.2	55	35.7	71	9.4	67	11.1	69	5.4	84	8.9	Jul-17
<i>eV All ACWI ex-US Equity Net Median</i>			6.1		9.5		39.9		11.2		12.7		7.5		11.1	Jul-17
Acadian Emerging Markets Equity	900,405	4.1	6.6	33	14.2	21	45.6	38	11.5	49	13.4	46	--	--	7.1	Oct-14
<i>MSCI Emerging Markets</i>			5.0	53	7.4	61	40.9	65	11.3	50	13.0	53	4.3	69	7.2	Oct-14
<i>eV Emg Mkts Equity Net Median</i>			5.2		8.9		43.8		11.2		13.1		4.9		7.7	Oct-14
Vanguard Total Stock Market VIPERs - VTI	3,250,498	14.7	7.8	35	14.5	63	42.3	63	17.8	38	--	--	--	--	17.4	Nov-16
<i>Russell 3000</i>			8.2	29	15.1	57	44.2	55	18.7	32	17.9	34	14.7	27	18.0	Nov-16
<i>eV All US Equity Net Median</i>			6.6		15.9		45.6		15.6		15.9		12.9		15.3	Nov-16

-Allocation Index: Used to measure the value add from active management. Calculated as the asset weight from the prior month end multiplied by the specified market index.

-Long-Term Balanced Index: (54% - MSCI ACWI)(30% - Barclays Aggregate)(5% - Barclays US TIPS TR)(5% - Barclays US Treasury TR)(6% - PIMCO All Asset Index) as of 3/1/2021.

-PIMCO All Asset Index: (40% - Barclays Aggregate)(30% - Barclays US TIPS 1-10 Yr)(10% - S&P 500)(10% - Barclays High Yield)(10% - JP Morgan EMBI+).



Eastern Michigan University - Board of Regents

TOTAL FUND PERFORMANCE DETAIL

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Inception (%)	Inception Date
Total Fixed	3,773,471	17.1	1.5	67	-0.4	52	3.5	80	4.3	74	4.0	59	--	--	3.4	Jan-14
<i>BBgBarc US Aggregate TR</i>			1.8	52	-1.6	72	-0.3	97	5.3	56	3.0	78	3.4	56	3.6	Jan-14
<i>eV All Global Fixed Inc Net Median</i>			1.9		-0.3		7.3		5.8		4.6		3.6		3.9	Jan-14
BlackRock Strategic Income Opportunities Fund - BSIX	953,838	4.3	0.9	99	1.2	4	8.4	1	5.6	83	4.8	15	--	--	3.7	Oct-14
<i>BBgBarc US Aggregate TR</i>			1.8	86	-1.6	96	-0.3	99	5.3	89	3.0	99	3.4	97	3.4	Oct-14
<i>eV US Core Plus Fixed Inc Net Median</i>			2.2		-0.6		3.1		6.2		4.0		4.3		4.0	Oct-14
Baird Core Bond - BAGIX	1,921,241	8.7	2.0	53	-1.5	60	0.6	53	5.9	30	3.6	32	--	--	3.7	Dec-14
<i>BBgBarc US Aggregate TR</i>			1.8	78	-1.6	72	-0.3	83	5.3	80	3.0	80	3.4	80	3.2	Dec-14
<i>eV US Core Fixed Inc Net Median</i>			2.0		-1.3		0.7		5.7		3.4		3.7		3.5	Dec-14
Vanguard Intermediate-Term Treasury ETF - VGIT	398,587	1.8	--	--	--	--	--	--	--	--	--	--	--	--	0.1	Jun-21
<i>BBgBarc US Treasury TR</i>			1.7	--	-2.6	--	-3.2	--	4.7	--	2.2	--	2.8	--	0.6	Jun-21
Fidelity Inflation-Protected Bond Index Fund - FIPDX	400,138	1.8	--	--	--	--	--	--	--	--	--	--	--	--	0.7	Jun-21
<i>BBgBarc US TIPS TR</i>			3.2	--	1.7	--	6.5	--	6.5	--	4.2	--	3.4	--	0.6	Jun-21
US Treasury	99,668	0.5														
GAA/ Risk Parity	635,591	2.9	2.7	80	3.2	80	7.4	94	-0.7	99	0.3	98	--	--	0.0	Dec-14
<i>60% MSCI World (Net) / 40% FTSE WGBI</i>			5.0	31	5.6	63	22.6	43	10.7	19	9.7	19	7.1	30	7.5	Dec-14
<i>eV Global TAA Net Median</i>			4.2		6.6		20.3		7.9		7.9		6.2		5.6	Dec-14
AQR Global Market and Alternative Premia Offshore Fund	61,341	0.3														
PIMCO All Asset - PAAIX	574,250	2.6	--	--	--	--	--	--	--	--	--	--	--	--	0.7	Jun-21
<i>PIMCO All Asset Index</i>			3.0	--	1.6	--	7.4	--	7.2	--	5.2	--	4.8	--	0.8	Jun-21

- AQR GMAP value represents a holdback.



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TOTAL FUND ASSET GROWTH SUMMARY

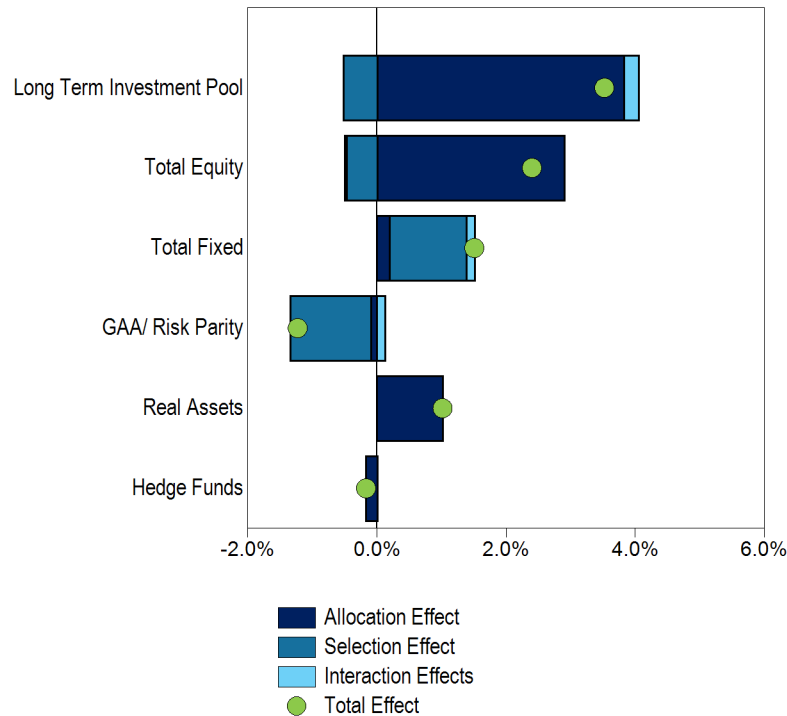
	Quarter Ending June 30, 2021					Ending Market Value
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	
Acadian Emerging Markets Equity	\$844,223	\$0	-\$1,573	-\$1,573	\$57,755	\$900,405
AQR Global Market and Alternative Premia Offshore Fund	\$61,341	\$0	\$0	\$0	\$0	\$61,341
Baird Core Bond - BAGIX	\$1,582,649	\$305,000	\$0	\$305,000	\$33,591	\$1,921,241
Bank of Ann Arbor Trust Cash	\$0	\$0	\$0	\$0	\$0	\$0
BlackRock Strategic Income Opportunities Fund - BSIX	\$1,083,908	\$0	-\$140,000	-\$140,000	\$9,930	\$953,838
Fidelity Inflation-Protected Bond Index Fund - FIPDX	--	\$398,000	\$0	\$398,000	\$2,138	\$400,138
Northern Inst Govt Select MMKT	\$17,464,084	\$2,550,804	-\$8,803,472	-\$6,252,668	\$973	\$11,212,389
PIMCO All Asset - PAAIX	--	\$565,000	\$0	\$565,000	\$9,250	\$574,250
SEG Baxter	\$2,153,359	\$0	\$0	\$0	\$123,438	\$2,276,797
US Treasury	\$99,685	\$0	\$0	\$0	-\$18	\$99,668
Vanguard Intermediate-Term Treasury ETF - VGIT	--	\$398,881	\$0	\$398,881	-\$294	\$398,587
Vanguard Total Stock Market VIPERs - VTI	\$2,886,633	\$134,862	\$0	\$134,862	\$229,004	\$3,250,498
Z Terminated - William Blair Macro Allocation Fund - WMCIX	\$736,675	\$0	-\$745,461	-\$745,461	\$8,786	--
Total	\$26,912,557	\$4,352,547	-\$9,690,506	-\$5,337,959	\$474,554	\$22,049,152



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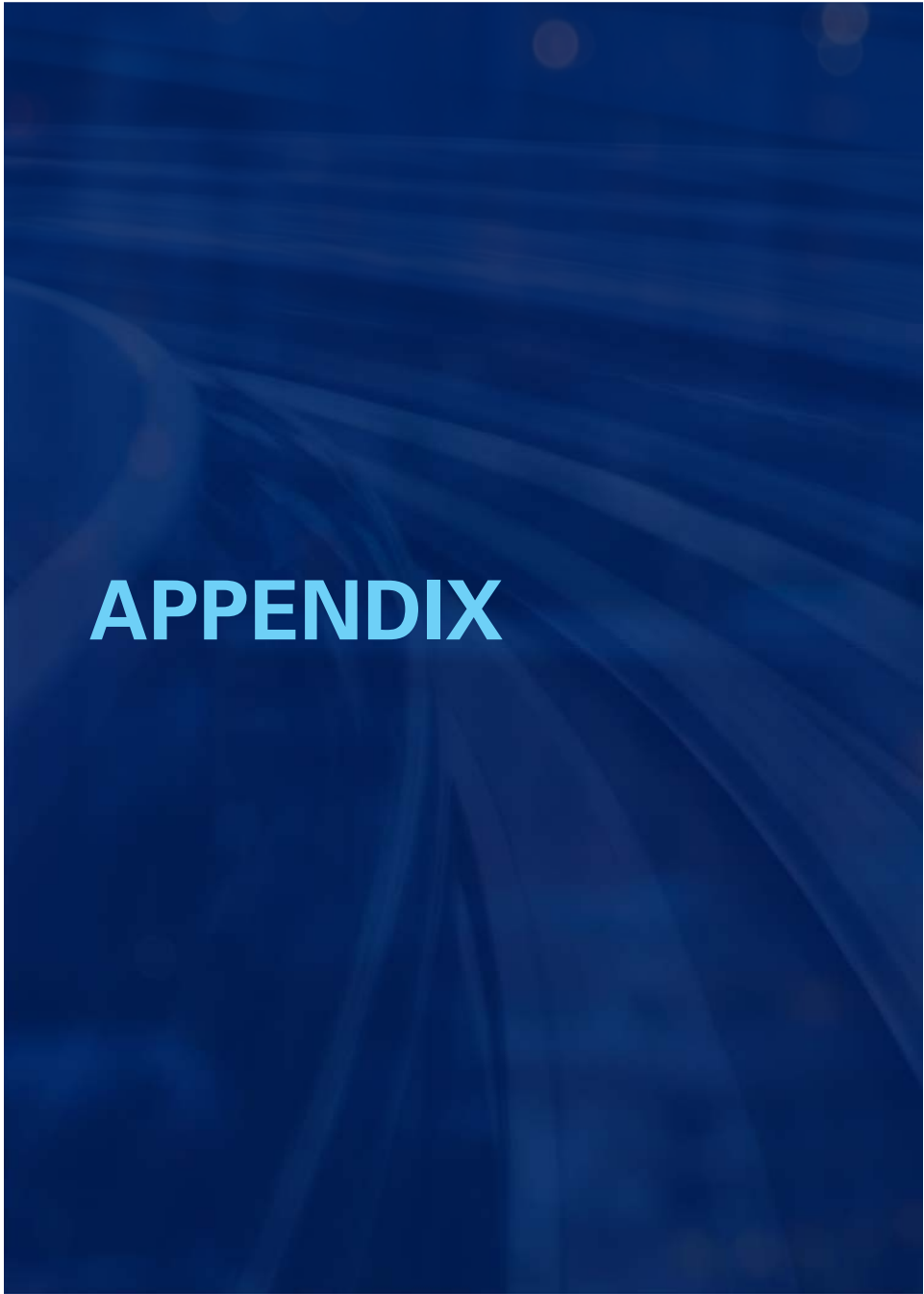
LONG TERM INVESTMENT POOL

Attribution Effects
1 Year Ending June 30, 2021



Attribution Summary
1 Year Ending June 30, 2021

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Total Equity	38.5%	39.3%	-0.7%	-0.5%	2.9%	0.0%	2.4%
Total Fixed	3.5%	-0.1%	3.5%	1.2%	0.2%	0.1%	1.5%
GAA/ Risk Parity	7.4%	18.7%	-11.3%	-1.2%	-0.1%	0.1%	-1.2%
Real Assets	--	--	--	--	1.0%	--	--
Hedge Funds	--	--	--	--	-0.2%	--	--
Total	23.7%	20.1%	3.5%	-0.5%	3.9%	0.2%	3.5%



APPENDIX



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DUE DILIGENCE MONITOR

NEPC Due Diligence Status Key	
No Action	Informational items have surfaced; no action is recommended.
Watch	Issues have surfaced to be concerned over; manager can participate in future searches, but current and prospective clients must be made aware of the issues.
Hold	Serious issues have surfaced to be concerned over; manager cannot be in future searches unless a client specifically requests, but current and prospective clients must be made aware of the issues.
Client Review	Very serious issues have surfaced with a manager; manager cannot be in future searches unless a client specifically requests. Current clients must be advised to review the manager.
Terminate	We have lost all confidence in the product; manager would not be recommended for searches and clients would be discouraged from using. The manager cannot be in future searches unless a client specifically requests. Current clients must be advised to replace the manager.

NEPC Due Diligence Rating Key	
1	A high conviction investment product. Product has a clear and economically-grounded investment thesis, and is managed by an investment team that is sufficiently resourced and incented to execute on the thesis.
2	NEPC has a positive view of the strategy. Strategy has a compelling and sound investment thesis. The manager is sufficiently resourced and incented to execute on the thesis. Strengths outweigh the weaknesses, but the strategy does not meet all requirements for a 1 rating.
3	A satisfactory investment product. The strategy lacks a compelling investment thesis, however there are no significant concerns around the manager's viability.
4	The strategy may have an unclear or ambiguous investment thesis or the manager may lack the ability to execute on the stated thesis. The strategy likely has strengths and weaknesses and the weaknesses may outweigh the strengths.
5	A strategy that lacks an investment thesis or NEPC has no confidence in the manager's ability to execute on the thesis, and/or the investment firm may not be viable. Serious issues have been identified with an investment manager or product. This rating aligns with a Terminate Due Diligence status for client-owned products.
NR	Due diligence has not been sufficiently completed on the product or manager.



DISCLAIMERS

Past performance is no guarantee of future results.

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.

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