**AIMSE 2022 Fall Conference**

**Wednesday, September 28**

**9:10 – 10:00 AM**

**Allocator Perspectives: Strategic Allocation Considerations for Asset Owners in 2022**

**Speakers:** Tyler Dann, Morningstar; Rod June, LACERS; Matt Zenz, Hill Investment Group

**Moderator:** Ryan Walter, NEPC

**Strategic vs. Tactical Asset Allocation
*Rod – LACERS***

* Investment Committee agreed staff needs more discretion and has delegated some authority to staff
* Increased ability to be somewhat opportunistic and rebalance – allocation does not need to be “so strategic” all the time
* More leeway to be tactical – believe they will be leaving “alpha on the table” if not rebalancing
* Strategic asset allocation remains a good road map and works best in “normal” market conditions

***Matt – Hill***

* Do not believe they are able to time the markets
* No tactical timing or rebalancing
* Systematically stay within +/- 5% bands
* Will take tax impacts into consideration

***Tyler – Morningstar***

* Investment approach is strategic and long-term
* Do think about regime change of lower growth and higher rates
* Think about asset mix in terms of quadrants and will make incremental changes
* 200+ measures to assess if sufficiently contrarian opportunity
* Balance long term with planning of different scenarios

**Denominator Effect – private market valuations lagging – how does this influence your asset allocation decisions**

***Rod – LACERS***

* Watch this closely as public equities decline
* 13.5% PE/VC allocation – no upper limit set on privates
* Believe in reversion to the mean and want to avoid selling in the secondary market
* Avoid being underallocated – board sees the allocation 2x/month
* Private Equity consultant they use doesn’t dwell too much on the denominator effect
* Will do peer research and use this as a reference point
* $1.3B in commitments planned, cut back 10% but now for 2023 will look to do only half as much
* About 24 private market allocations across 20 larger funds and 4-5 emerging – will make cuts from the larger ones

***Tyler – Morningstar***

* We will look at Alts – predominantly secondary markets – will think about effective leverage – price discovery is important

**ESG / DEI**

***Matt – Hill***

* Various client views on ESG
* 95% of clients don’t care and some made their money in oil
* Perception that you pay more for lower returns
* Will only look at ESG strategies at a client’s request

***Tyler – Morningstar***

* We have an obvious relationship with Sustainalytics as their owner at the corporate level
* At the Investment Management level, we do have a unique ESG allocation strategy that has 4 pillars
	+ Absolute Value
	+ Relative Value
	+ Forward Risk (material adverse impact)
	+ Contrarian Opportunity

***Rod – LACERS***

* Small/emerging manager effort is something we begain 20 years ago
* ESG started to be a focus by the then Board President and wanted LACERS to become a UNPRI signatory in 2017-18
* DEI is a new terms and become a buzzword in 2020 across their whole organization
* Emerging managers are the “S” in ESG and DEI = S + G
* Website sets out their ESG risk framework and PRI action plan

**2023 Outlook**

***Rod – LACERS***

* 2024 is the timing of their next asset allocation study
* Thinks about recession, supply chain hangovers, high rates, inflation à Doom & Gloom will continue
* Potential for US to revisit stagflation of Japan in the ‘80s