Board of Retirement Special Meeting

Sacramento County Employees' Retirement System

Agenda Item 3

MEETING DATE: **January 29, 2021**

SUBJECT: **Global Markets Outlook**

SUBMITTED FOR: ___ **Consent** ____ **Deliberation and Action** _X_ **Receive and File**

RECOMMENDATION

Staff recommends that the Board receive and file the education presentations provided by several of SCERS' investment managers: (1) AllianceBernstein (global equities); (2) TCW (fixed income); Grosvenor Capital Management (absolute return); and, (4) Brookfield Asset Management (real assets). The presentations summarize the macroeconomic environment and global investment outlook across several key assets classes within SCERS' investment portfolio.

PURPOSE

This item supports the upcoming 2021 Annual Investment Plan to provide education to Board members.

SUMMARY

The objective of this meeting is to provide the Board with a market update and outlook across a range of asset classes with which SCERS invests. The timing of the presentation is important on two fronts. First, with the extreme volatility and market movements in 2020, it will provide some context and perspective on what to expect going forward, broadly and within specific market segments. Second, with SCERS in the early stages of an asset liability modeling study, the manager presentations will provide the Board with some insight and perspective on the market and specific asset classes that will aid in evaluating potential asset allocation mixes that will be presented to the Board for consideration.

In creating the agenda for this meeting, Staff identified four asset classes that would serve as good discussion points, including public equities, fixed income, hedge funds, and real assets. Staff selected current SCERS investment managers that have broad coverage across geographies, sectors, and styles. Background on each manager is provided below, along with the types of mandate that SCERS is invested in with each manager.

The COVID-19 pandemic was the central theme that drove markets during 2020. The health and human toll of the pandemic has been devastating, and the economic impact has been dramatic. Financial markets experienced extreme volatility, and were down across the board early in the year. However, markets recovered during the remainder of 2020, driven by unprecedented monetary and fiscal policy stimulus, and the development and eventual distribution of an effective vaccine. Financial markets have recovered quicker than the real economy, and there has been significant divergence among sectors and participants in the economy.

Equities experienced severe market swings in 2020, down 20% in the first quarter, and ending the year up close to 20%, as represented by the S&P 500. Global equities experienced a significant divergence across geographies and styles. Within fixed income, credit followed a similar path as equities, while government bonds served as an anchor to safety during the first quarter. Hedge funds in general served their purpose of being down less than equity markets with lower volatility, and participated in the market upturn, but given the idiosyncratic nature of the segment, results were strategy and manager dependent. The broader real assets segments saw energy investments severely impacted by the collapse in energy prices, while infrastructure overall performed well.

AllianceBernstein:

AllianceBernstein (AB) is a leading global investment management and research firm with decades of investment experience across equities, fixed income, multi-asset, and alternative investments. AllianceBernstein has a global presence with 51 locations in 26 countries and jurisdictions. As of December 31, 2020, AllianceBernstein had $686 billion in assets under management, of which $270 billion was in equities.

AllianceBernstein manages $1.3 billion in passive large cap domestic equity exposure for SCERS, and has been managing assets for SCERS since 1989. A passive domestic equity strategy is a low cost strategy that aims to track the performance of a representative U.S. index, which in the case of AB's mandate is the Russell 1000 Index. SCERS' annualized return since inception is 10.6%, which tracks closely to the benchmark return of 10.48%.

Presenting for AllianceBernstein is Christopher Marx, Senior Investment Strategist for equities. Mr. Marx joined the firm in 1997 as a research analyst covering a variety of industries both domestically and internationally and became part of the portfolio management team in 2004. Prior to joining the firm, he was a consultant for Deloitte & Touche and Boston Consulting Group. Mr. Marx holds a BA in economics from Harvard University and an MBA from Stanford Graduate School of Business.

TCW:

TCW is a leading global asset management firm with nearly five decades of investment experience, with a broad range of products across fixed income, equities, emerging markets, and alternative investments. As of December 31, 2020, TCW had $248 billion in assets under management, of which $200 million are within TCW's Fixed Income Group.

TCW has managed a core plus fixed income mandate for SCERS since 2001. A core plus fixed income strategy invests across a broad range of fixed income sectors, including U.S Treasuries, government agency securities, and investment grade corporate credit. The 'plus' component of the mandate can invest up to 20% of the portfolio in 'plus' sectors, such as non-investment grade corporate credit and global fixed income securities. SCERS' core plus strategy is managed against the Bloomberg Barclays Aggregate Bond Index, and TCW has performed well managing the strategy. The annualized since inception return for SCERS is 5.9% net of management fees, compared the benchmark return of 4.7%.

Presenting for TCW is Bryan Whalen, Group Managing Director and a Generalist Portfolio Manager within TCW's Fixed Income Group. Mr. Whalen was a Partner at Metropolitan West Asset Management and Co-head of its Securitized products division. Prior to joining MetWest in 2004, he was a Director in the fixed income department at Credit Suisse First Boston in New York. Previously, he was a Vice President at Donaldson, Lufkin & Jenrette. Mr. Whalen earned a BA in Economics from Yale University. He is a CFA charterholder.

GCM Grosvenor:

GCM Grosvenor is a global independent alternative asset management firm that has been investing since 1971 and offers customizable portfolios. With approximately $59 billion assets under management, GCM Grosvenor specializes in alternative investments, such as absolute return strategies, private equity, credit, and infrastructure. GCM Grosvenor is headquartered in Chicago with offices in New York, Los Angeles, London, Tokyo, Hong Kong, and Seoul.

Grosvenor manages a customized absolute return Fund of Funds portfolio across both Growth and Diversifying segments for SCERS. SCERS' total Absolute Return portfolio is allocated between a combination of direct fund investments as well as the Grosvenor diversified fund of funds. As of September 30, 2020, Grosvenor has generated net returns since inception of 4.6% for the Growth segment and 2.6% for the Diversifying segment.

Presenting for Grosvenor is David Richter, Managing Director, and Wai Yee Cheng, Executive Director. Mr. Richter is Chair of the Absolute Return Strategies Investment Committee, Co-Head of Absolute Return Strategies and serves on the Global Investment Council and the ESG Committee. Prior to joining GCM Grosvenor, Mr. Richter was the Founder and Managing Partner of Waveland Capital Management, L.P. He graduated summa cum laude with his Bachelor of Science in Accountancy from the University of Illinois at Urbana-Champaign and is a Certified Public Accountant (CPA). Ms. Cheng serves as a Portfolio Manager for a number of multi-strategy portfolios and for other specialized strategies. Prior to joining GCM Grosvenor, Ms. Cheng was a Senior Portfolio Manager for Texas Treasury Safekeeping Trust Company. Ms. Cheng received her Bachelor of Arts in Economics from the University of Chicago and her Master of Business Administration from Tuck School of Business at Dartmouth College. She is also a CFA charterholder.

Brookfield:

Brookfield is a publicly-traded global alternative assets investment firm with a 100-year history of owning and operating real assets globally. Headquartered in Toronto and New York, Brookfield has over 100 offices in 30 countries and $575 billion in assets under management (AUM), of which $142 billion are in infrastructure and $208 billion in real estate.

SCERS is an investor in several of Brookfield's strategies:

- Brookfield Premier Real Estate Partners, a core plus open end U.S. real estate fund

- Brookfield Infrastructure Fund III and IV; closed end value add global infrastructure funds
- Brookfield Liquid Real Return, a custom separate account of publicly listed real asset securities

As of the last reporting period ending June 30, 2020, Brookfield has generated the following since inception net returns:

- Brookfield Premier Real Estate Partners: 6.2%
- Brookfield Infrastructure Fund III: 9.8%
- Brookfield Infrastructure Fund IV: 8.1%
- Brookfield Liquid Real Return: 2.1% (as of 11/30/20)

Presenting for Brookfield are Eduardo Salgado, Managing Partner in Brookfield's Infrastructure and Renewables Groups and Mike Botha, Managing Director and Chief Risk Officer in Brookfield's Infrastructure Group. Mr. Salgado oversees acquisitions and portfolio operations across Brookfield's infrastructure and renewables strategies, and prior to joining Brookfield, Mr. Salgado worked at Scotia Capital's power and infrastructure practice. Mr. Botha oversees risk management and asset management within Brookfield's Infrastructure Group in addition to managing activities for the Brookfield Super Core Infrastructure Fund, an open end global infrastructure fund. Prior to joining Brookfield in 2001, Mr. Botha worked for one of the big-four accounting firms.

ATTACHMENTS

Market outlook presentations by (1) AllianceBernstein; (2) TCW; (3) Grosvenor; and (4) Brookfield

Prepared by:	Reviewed by:
/S/	/S/
Steve Davis	Eric Stern
Chief Investment Officer	Chief Executive Officer

January 29, 2021

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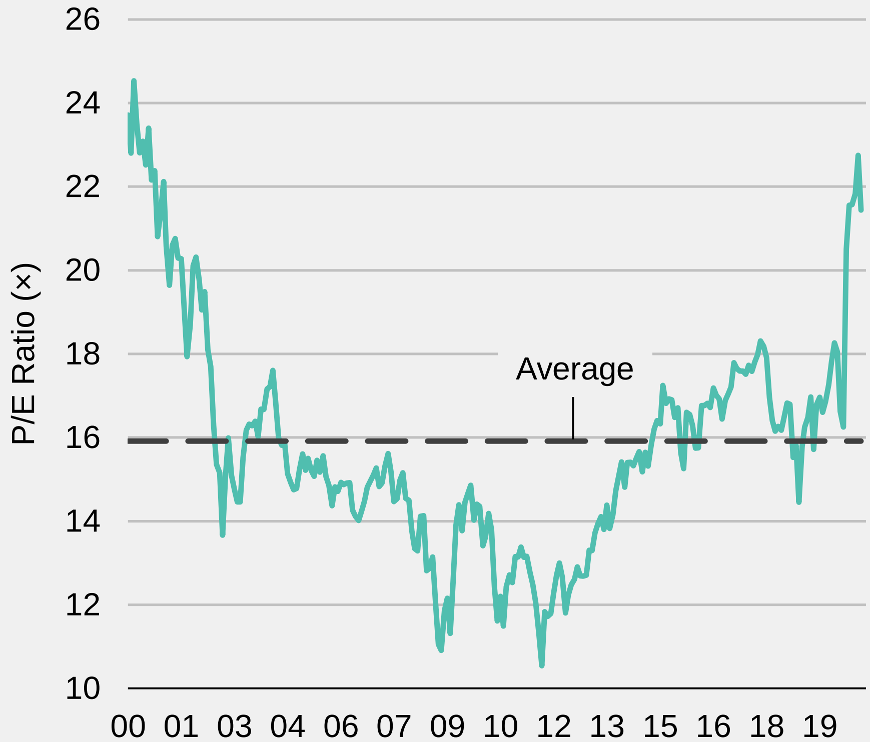
SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

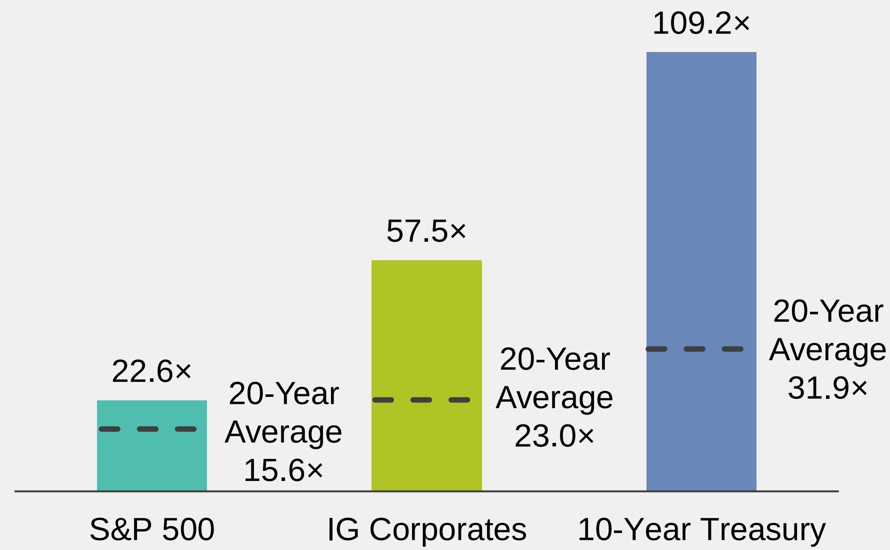
Christopher Marx Senior Investment Strategist—Equities

Valuations Remain Elevated, but Low Rates Still Supportive

S&P 500 Price to Forward Earnings Ratio*
Well Above the Long-Term Average



S&P 500 Price/Forward Earnings Ratio vs. Investment-Grade Credit and 10-Year Treasury Valuations†



Historical analysis and current forecasts do not guarantee future results.

*All data are for S&P 500. Earnings estimates are represented by Bloomberg consensus blended forward 12-month estimates.

†Treasury valuation is calculated as 100/0.92%, which estimates the price an investor pays for the income on the government bond. The same methodology using the Bloomberg Barclays US Aggregate Corporate yield to worst is utilized to estimate the price an investor pays for the income on Investment Grade Corporate bonds.

As of December 31, 2020

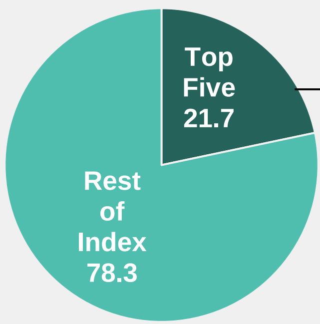
Source: Bloomberg, S&P and AB

The Surge of US Mega Caps Has Led to More Concentrated Indices

Not as Meaningful a Concern in Developed International Markets

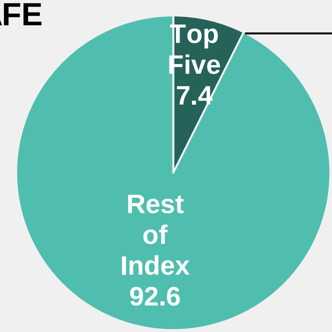
Comparative Index Weights
Percent

S&P 500



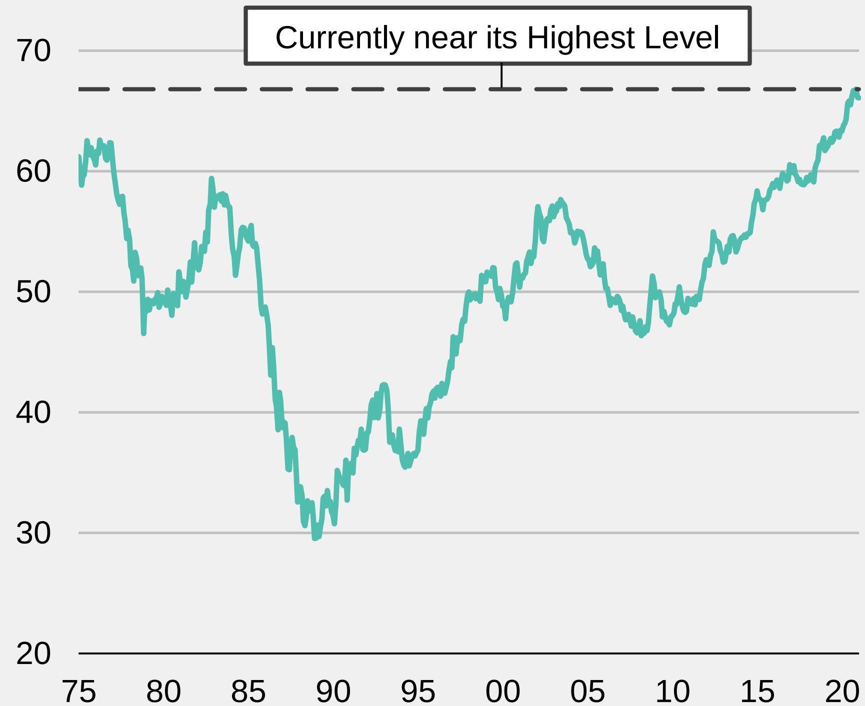
Apple	6.7%
Microsoft	5.3%
Amazon	4.4%
Alphabet Inc.	3.3%
Facebook	2.1%

MSCI EAFE



Nestle	2.1%
Roche	1.6%
Novartis	1.3%
ASML	1.3%
LVMH	1.1%

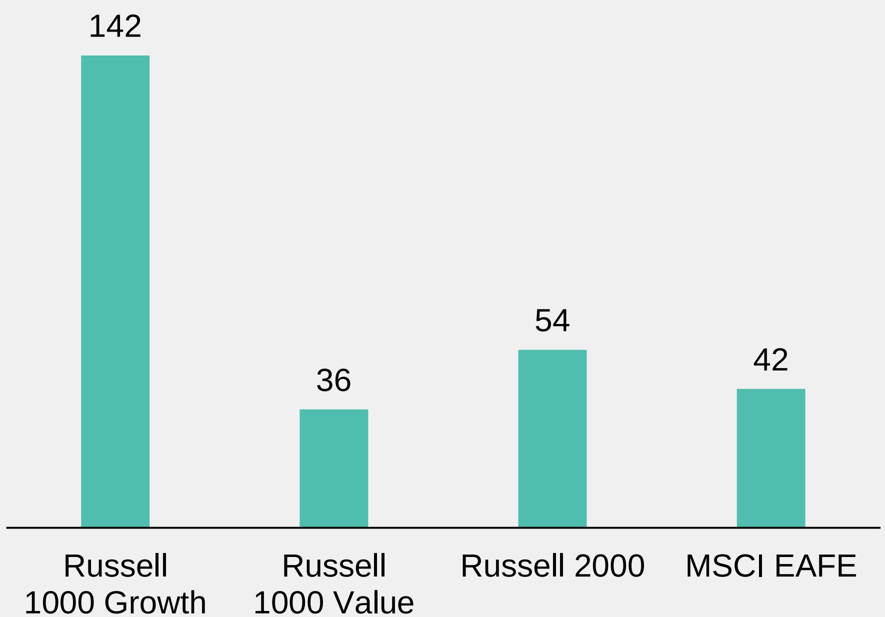
A Global Impact: US Stocks Weight in MSCI World
Percent



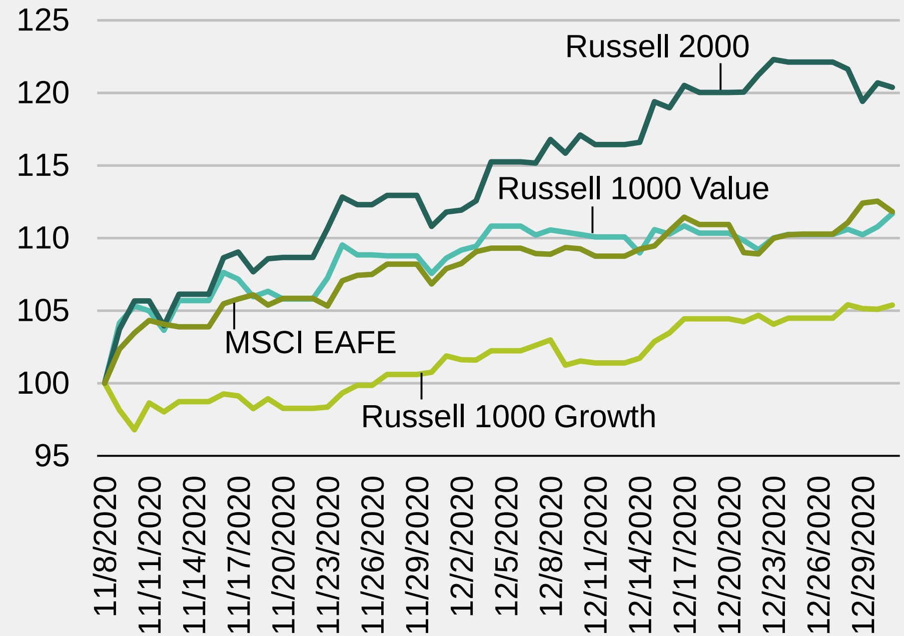
Past performance and current analysis do not guarantee future results.
As of December 31, 2020
Source: FactSet, MSCI, Russell Investments and AB

Pro-Cyclical Rotation Following Long Period of Growth Outperformance

Large Cap US Growth Dominant Since Last Period of Pro-Cyclical Outperformance
Cumulative Returns from 2017 to Present (Percent)



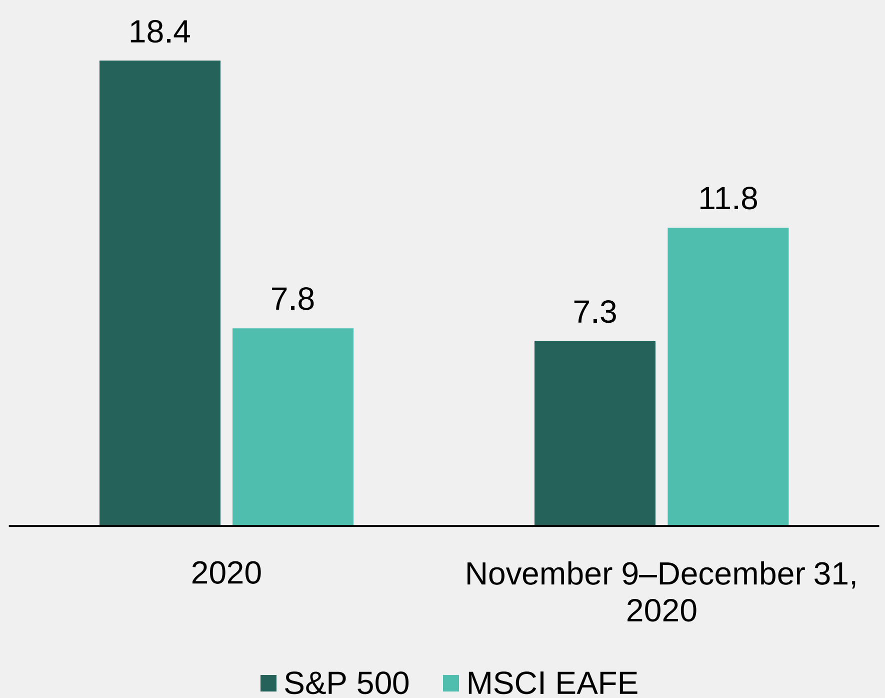
More Cyclical Asset Classes May Benefit Further from Economic Healing
Daily Returns November 8 = 100



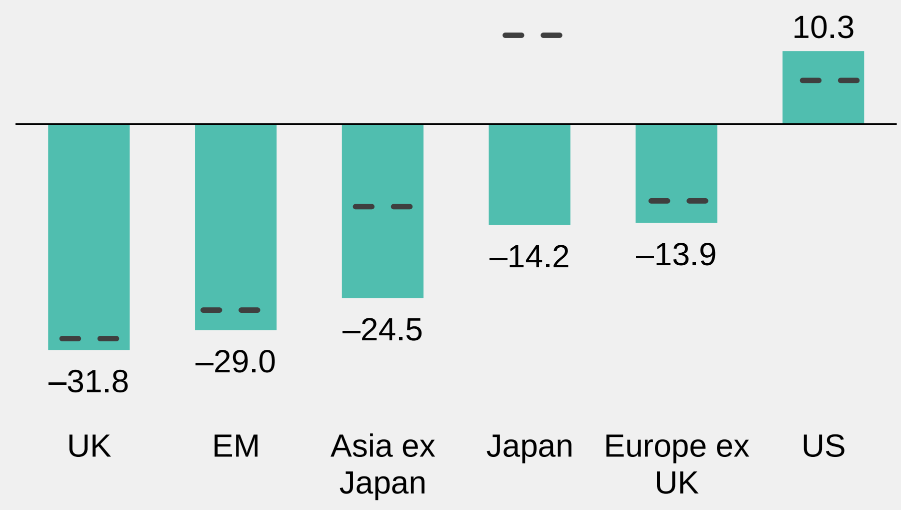
Past performance does not guarantee future results.
As of December 31, 2020
Source: FTSE Russell, Morningstar, MSCI and AB

A Reversal of Fortune Where Vast Opportunities Remain

Out-of-Favor Stocks Have Sprung to Life
US vs. Rest of World (Percent)



Regional Valuation vs. MSCI World Valuation
Price/Forward Earnings Discount/Premium (Percent)

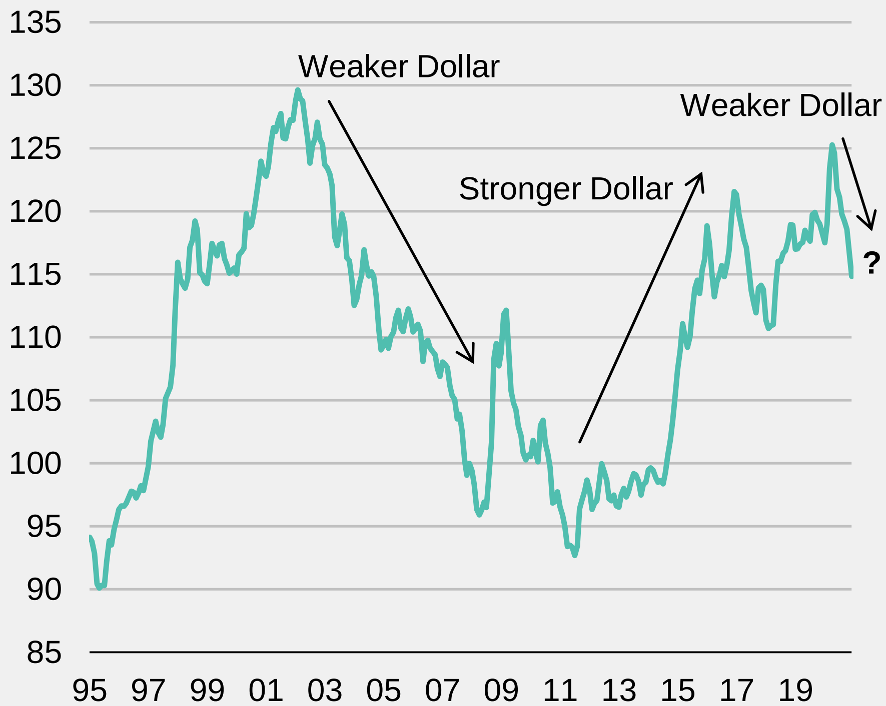


Price/ Forward Earnings	14.3×	14.9×	15.8×	18.0×	18.0×	23.1×

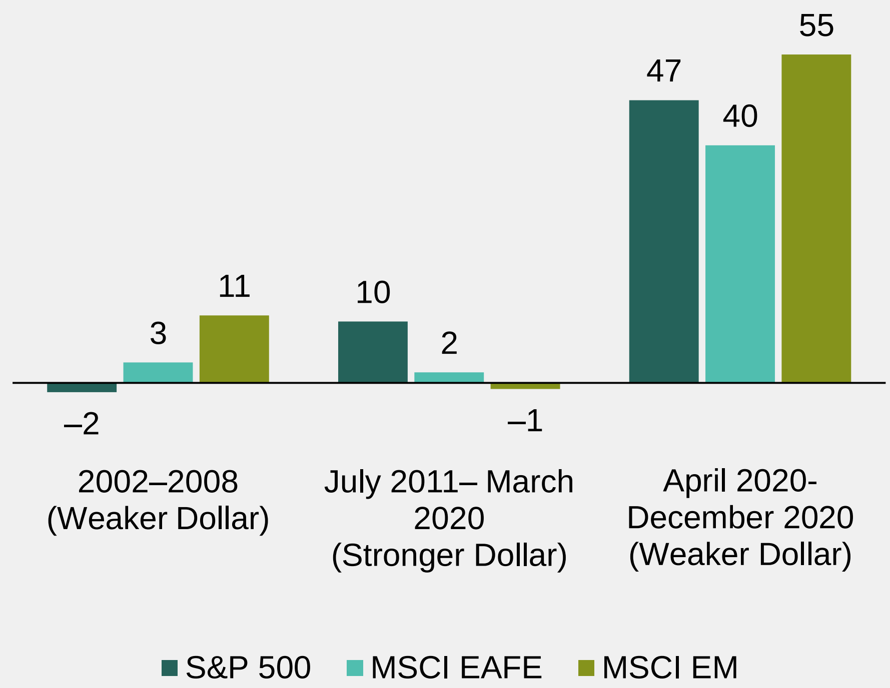
Past performance and current analysis do not guarantee future results.
Valuations based on forecast earnings for the next 12 months. UK represented by MSCI UK, emerging markets by MSCI Emerging Markets, Asia ex Japan by MSCI Asia ex Japan, Japan by MSCI Japan, Europe ex UK by MSCI Europe ex UK and US by MSCI USA.
As of December 31, 2020
Source: FactSet, FTSE, Morningstar, MSCI, S&P and AB

Currency: Elongated Cycles That Impact US Investor Returns

The Start Of A New Phase?
Daily Trade-Weighted Dollar Index 1997=100



Weaker Dollar Boosts International Equity Returns (Percent)
Annualized Asset Class Returns (in USD)



Past performance does not guarantee future results.
as of December 31, 2020
Source: Bloomberg, FRED, Morningstar and AB

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TCW

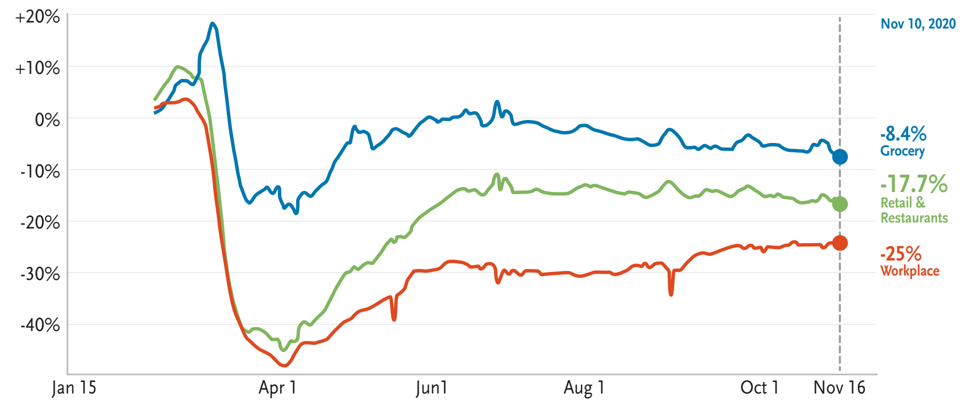
Market Outlook

FOURTH QUARTER 2020

“There are Decades When Nothing Happens and There are Weeks When Decades Happen” – Is the 2030 Economy Being Pulled Forward to 2021?

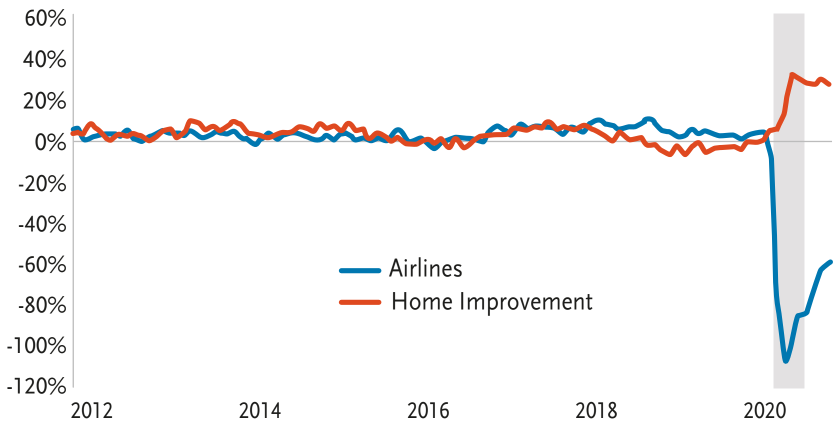
Patterns of Consumption Have Undergone “Warp Speed” Changes

Time Spent at Stores, Restaurants, and Workplace



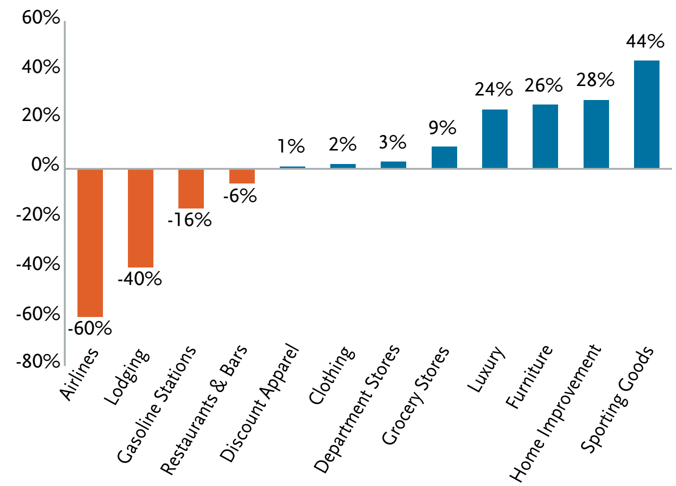
Source: tracktherecovery.org

Divergence Between Spending On Airlines and Home Improvement



*Based on Bank of America credit and debit card spending data (as of November 7, 2020)
Source: Bank of America

YoY Card Spending Growth by Sector*

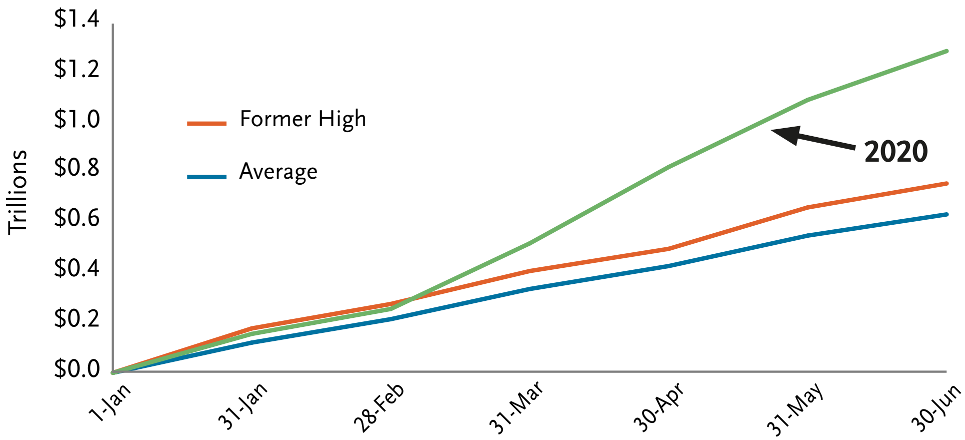


*Based on Bank of America credit and debit card spending data (as of November 7, 2020)
Source: Bank of America

TCW

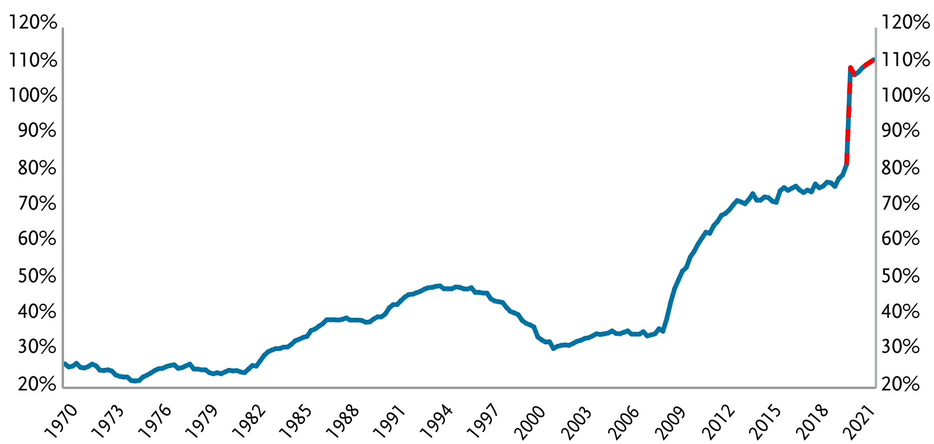
Best Cure for a Hangover? Hair of the Dog

U.S. IG Credit Gross Issuance



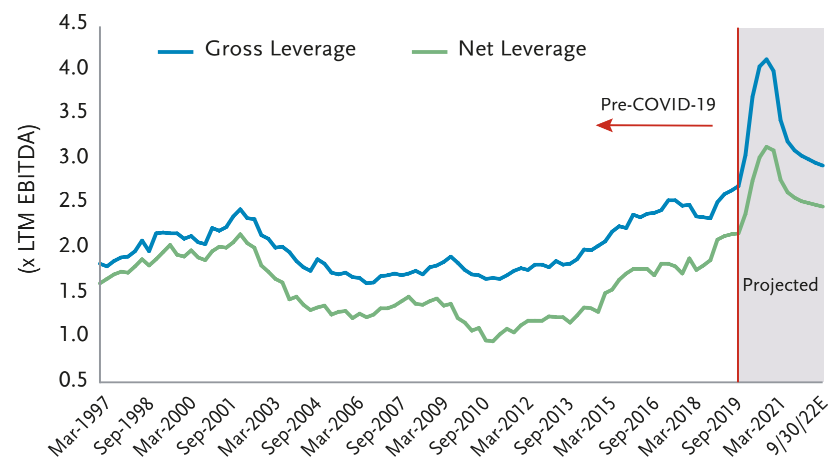
Source: Bloomberg

U.S. Federal Debt Held by the Public as Percent of GDP



Source: CBO, U.S. Treasury, TCW

COVID-19 Impact on IG (ex. Financials, Utilities) Balance Sheets



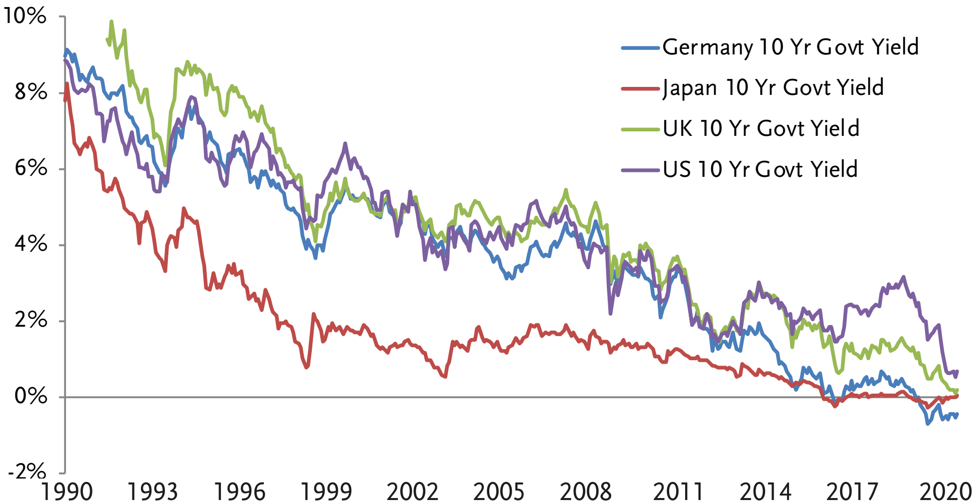
Note: Based on medians until 1Q20, and aggregate numbers thereafter
Source: BofA Global ResearchSource: BofA Global Research

→ So we plan for the best and hope it's not the worst?

Will the Fed Policy Regime Change?

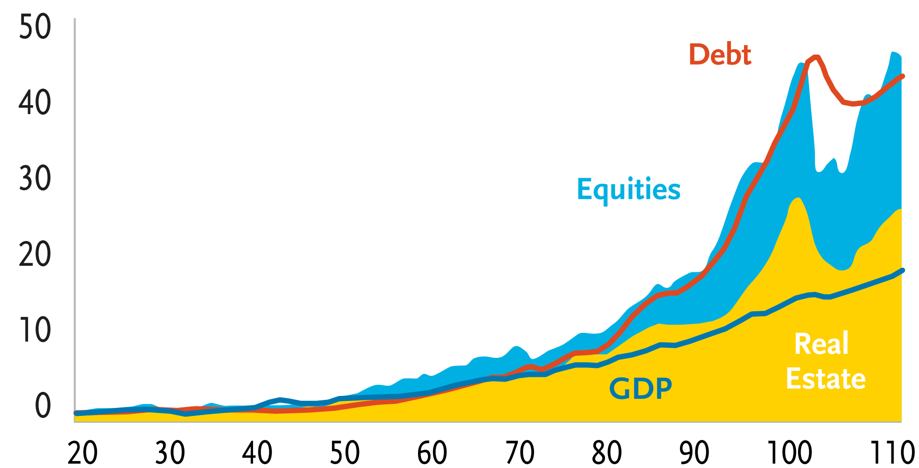
- Are you kidding?
  - Fed will not tolerate any increase in rates or erosion in asset prices
  - The economic pain of rising rates would be politically untenable
- But seriously, some day the Fed may have to choose between a broad based inflation/dollar debasement and policies that extend support to asset prices
  - Would foreign central banks sit idly by while their currencies appreciate?
  - Asymmetric policies/low rates incentivize leverage, and raise asset prices, by suppressing "capitalization rates"

Zeroed Rates: "Natural" or Central Bank "Artifice"?



Source: Bloomberg, TCW

U.S. GDP and Private Non-Financial Debt vs. Equity Market Cap and Real Estate



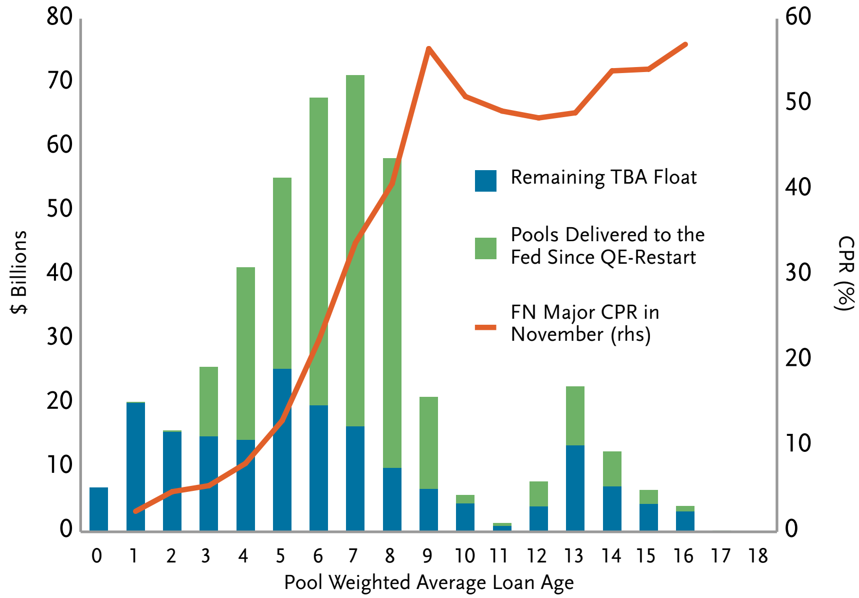
Source: Citi

→ The Fed "Successfully" Solved the Problem of Capital Market Volatility…For Now

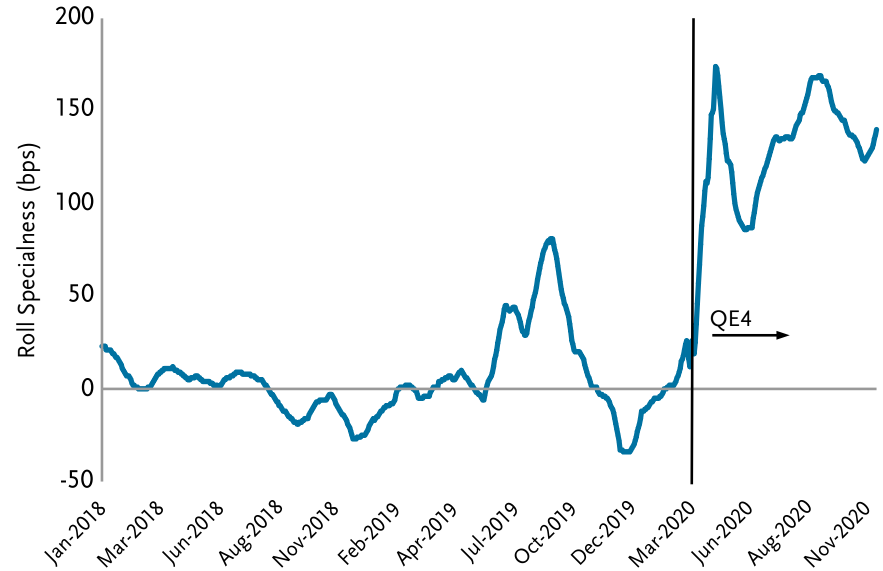
Agency MBS

Fed QE Buying has Cleaned Up the TBA Float and Contributed to Persistent Roll Specialness

Fed Buying has Substantially Improved the TBA Float
UMBS 2.5 Float



Production Coupon Roll Specialness
has Increased Significantly During QE4



- The Fed’s purchases of agency MBS “cleans up” the deliverable float in production coupons as they take down the worst-to-deliver pools. This will likely continue to enhance the carry of production coupon TBAs.

Source: TCW, Nomura, Citi

Corporate Credit

What is Temporary and What is Structural?

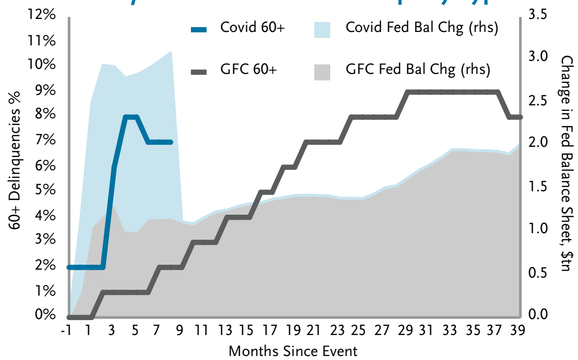
	Temporary	Long Term Supply / Demand Rebalance	Structural
'Haves'	• Pantry Loading / Shift to "Comfort Brands" • Personal Computers / Tablets • Home Improvement	• Suburban Economy • Housing	• Online Retail / Logistics • Technology • Streaming Content
Investment approach:	Hold / Reduce as prices rally	Hold / Reduce as prices rally	Long term hold
'Have Nots'	• Elective Surgeries • Leisure / Local Gaming • Personal Travel • Assisted Living	• Restaurants • Hotels • Airlines • Energy • Urban Economy	• Brick and Mortar Retail • Commercial Real Estate • Business Travel
Investment approach:	Add on weakness	Selective opportunities Extremely detailed analysis required	Avoid / cautious

CMBS

Going Forward – Expect Continued Bifurcation Trend ("K-shaped" Recovery)

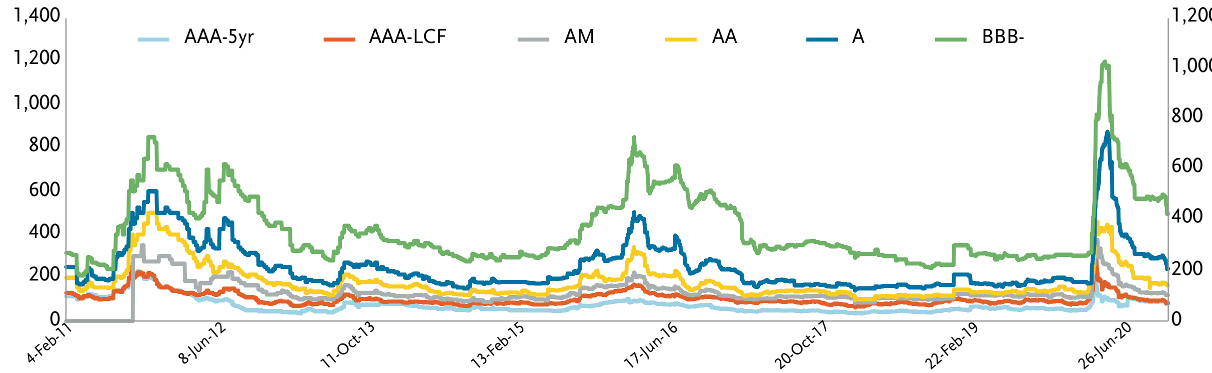
- **Investment Grade CMBS spreads largely remediated** due to the significant fiscal and monetary stimulus injected into the broader market. Meanwhile, more vulnerable areas of the market, such as below-IG conduit CMBS and deals with higher exposure to weaker collateral, continue to trade wide to pre-COVID levels due to acute credit risk.
- **We expect modifications and appraisal reductions to increase in CMBS** as temporary forbearance periods expire. While most losses will be concentrated in weaker assets, identifiable pre-COVID, we recognize the pandemic introduced new secular tends, such as work-from-home (WFH) flexibility and reduced corporate travel.

Delinquencies Have Been Concentrated in Weaker and/or More Vulnerable Property Types



Source: Intex, BofA Global Research

On-the-Run CMBS Spreads



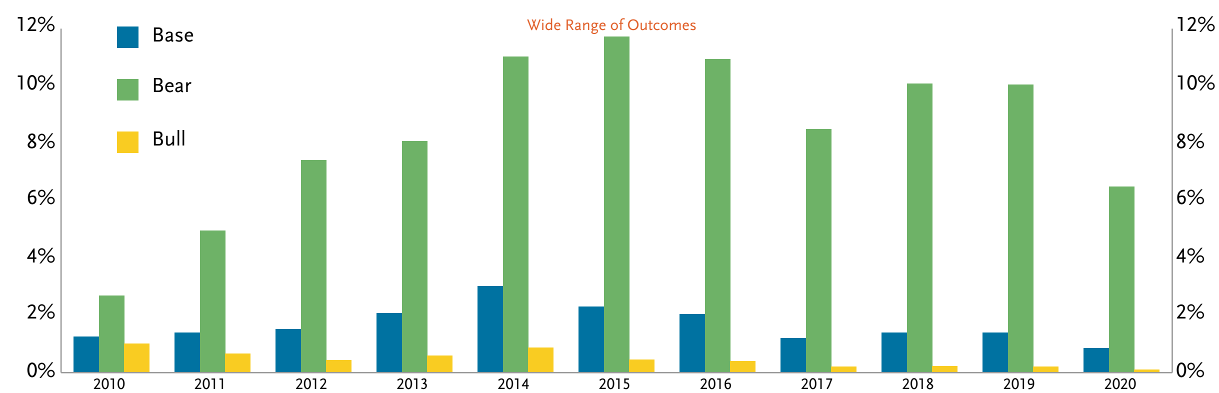
Source: Intex, BofA Global Research

Appraisal Change % Since March 1st

NCF Changes	Hotel	Retail	Multi-Family	Office	Other
20%+	-10%	-16%	0%	-5%	-25%
10 to 20%	-16%	-32%	0%	0%	-38%
0 to 10%	-29%	-35%	-22%	-27%	-24%
0 to -10%	-23%	-36%	0%	-20%	-20%
-10% to -20%	-28%	-46%	-31%	-20%	-31%
-20% or worse	-34%	-39%	-21%	-37%	-37%
2019-20 Vintage	-23%	-14%	+1%	+5%	-5%
Wtd Avg.	-26%	-35%	-18%	-28%	-23%
Balance, $bn	$3.50	$3.00	$0.60	$0.70	$1.40
% of Outstanding	7%	3%	2%	1%	2%

Source: Intex, Deutsche Bank

Projected CMBS Losses Vary Significantly Across Base/Bear/Bull Scenarios



Source: Intex, MS Research

TCW

Key TCW Investment Themes

- Durations are underweight relative to benchmarks as global rates have rallied toward all-time lows
- Overweight Agency MBS as spreads are still at attractive levels and the Fed “back stop” mitigates high prepayment and origination levels
- Underweight corporate credit as spreads are back to all-time lows
- Capitalize on economic transformation when opportunities present themselves but keep plenty of powder dry
- Non-Agency RMBS allocation remains steady but have rotated into longer duration securities
- We will continue to be a (well-paid) liquidity provider during bouts of volatility

Biography

Bryan T. Whalen, CFA
Group Managing Director
Generalist Portfolio Manager

Mr. Whalen is a Generalist Portfolio Manager in TCW's Fixed Income Group, a team that oversees over $200 billion in fixed income assets including the nearly $90 billion MetWest Total Return Bond Fund, one of the largest actively managed bond funds in the world. Prior to joining TCW, Mr. Whalen was a Partner at Metropolitan West Asset Management and Co-head of its Securitized Products division. Prior to joining MetWest in 2004, he was a Director in the Fixed Income department at Credit Suisse First Boston in New York. Previously, he was a Vice President at Donaldson, Lufkin & Jenrette. Mr. Whalen earned a BA in Economics from Yale University. He is a CFA charterholder.

GCM GROSVENOR

Sacramento County Employees' Retirement System

January 2021

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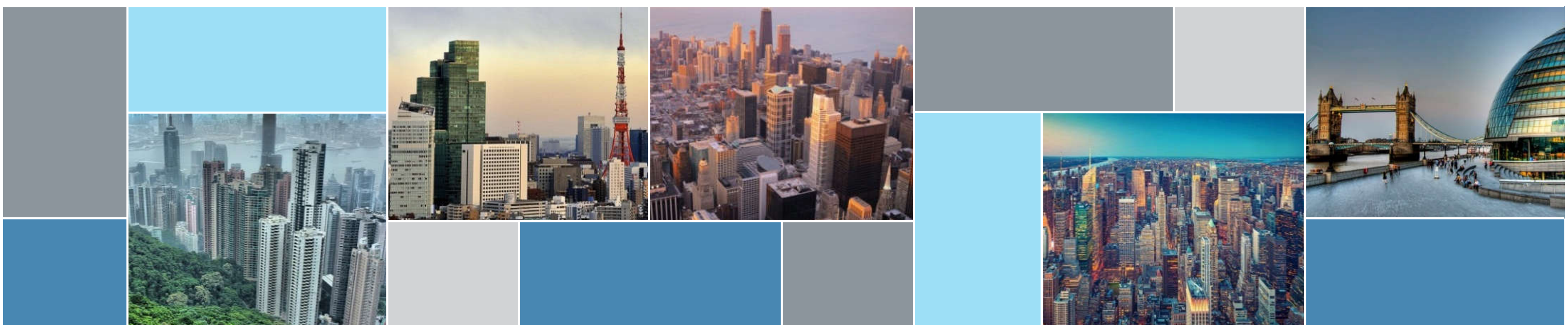


The Notes and Disclosures following this presentation are an integral part of this presentation and must be read in connection with your review of this presentation.

This presentation has been prepared by Grosvenor Capital Management, L.P. and GCM Customized Fund Investment Group, L.P.

Executive Summary

Strong 2020 for hedge funds

Investors continue to recognize the value of owning high quality hedge funds, which delivered meaningful Q1 loss mitigation and strong 2020 performance. Industry AUM is near an all-time high

Outlook for traditional passive investment model is challenged

High equity valuations and low rates present headwinds for beta driven returns, in our view. Moreover, macroeconomic and geopolitical risks remain elevated

Manager selection remains critical

The top hedge fund managers have significantly outperformed over trailing 1-, 3- and 5-year periods, both in terms of absolute and risk adjusted returns[1]

GCM Grosvenor's scale and relationships drive access to high quality hedge funds

89% of SCARF-D's portfolio (and 87% of SCARF-G) is invested with persistent alpha[2] and/or closed managers

Hedged approach continues to benefit long-term investors

During a challenging and volatile year for risk assets, SCARF mitigated losses, captured upside and exhibited low correlation, representing a strong fit within an institutional portfolio

Strong forward opportunity set for hedge funds

Higher dispersion, heightened volatility and periods of dislocation have historically been tailwinds for hedge fund alpha and return generation

1 See slide titled "Manager Selection is Critical" for additional information.

2 Defined as managers that historically generated alpha above a threshold as determined by GCM Grosvenor in its sole discretion.

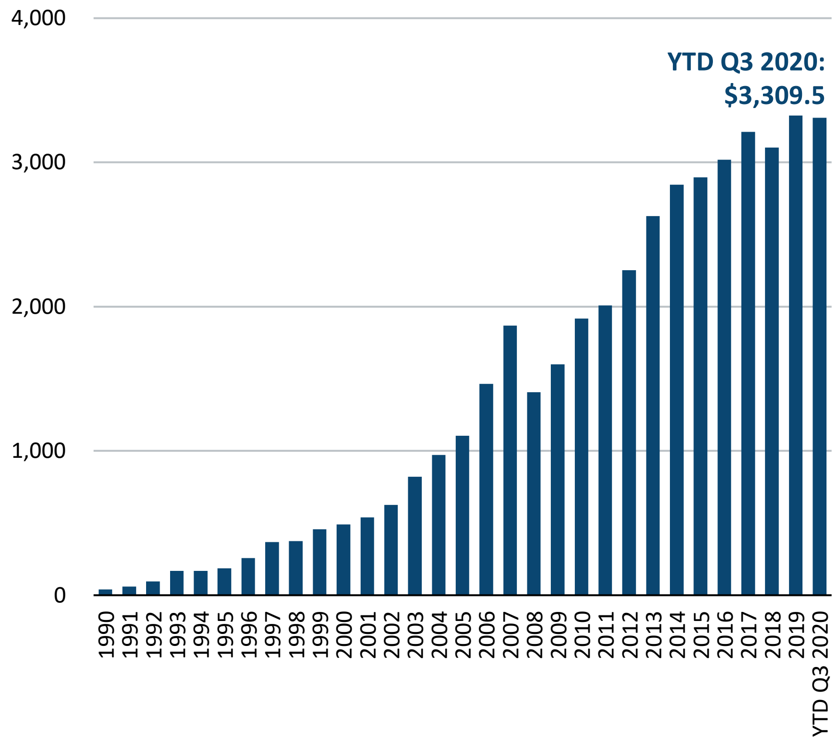
Unless apparent from context, all statements herein represent GCM Grosvenor's opinion. **Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses.**

Strong 2020 for Hedge Funds

Overall, investors continue to recognize the value proposition of owning hedge funds. With industry assets near all time highs, high performing firms continue to attract capital and generate returns, while underperformers exit the market.

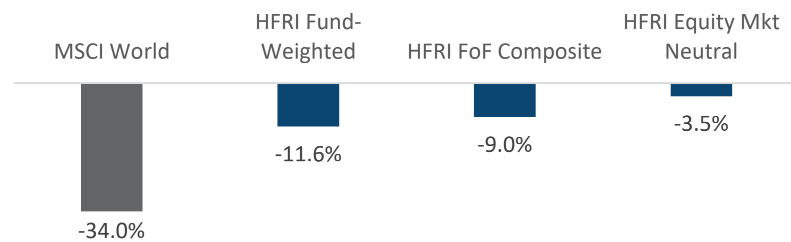
Estimated hedge fund industry AUM[1]

$ billions: January 1990 to September 2020



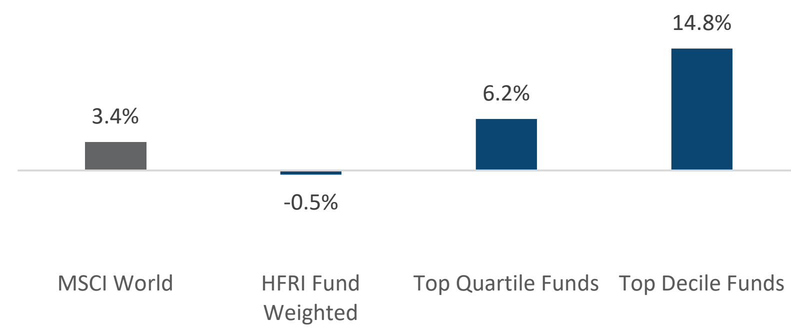
Hedge funds mitigated losses in Q1 2020, particularly market neutral strategies[2]

Peak to Trough Drawdown: January 2020 to March 2020



Top performing funds have been able to generate attractive returns in the current environment[2]

Trailing 12-month returns as of June 30, 2020



1 Data source: HFR Global Hedge Fund Industry Report – Third Quarter 2020 © HFR, Inc. 2020, www.hedgefundresearch.com.

2 Data source: Bloomberg Finance L.P.

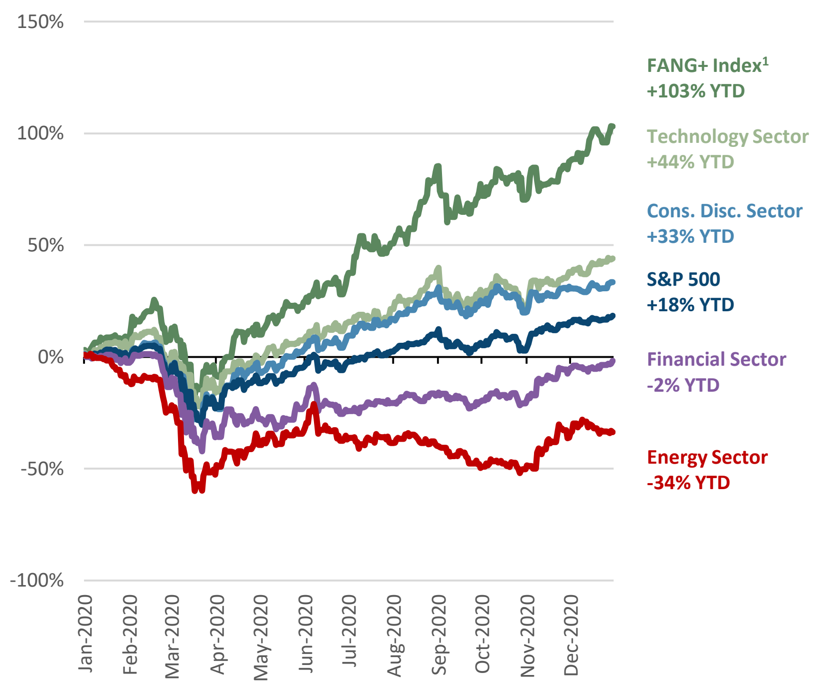
Past performance is not indicative of future results. Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Additional information available upon request. **No assurance can be given that any investment will achieve its objectives or avoid losses.**

High Valuations & Dispersion in Equities

We view rising valuations in equity markets as a headwind for beta driven returns; however, substantial dispersion within equity markets can provide a fruitful environment for alpha generation from stock selection.

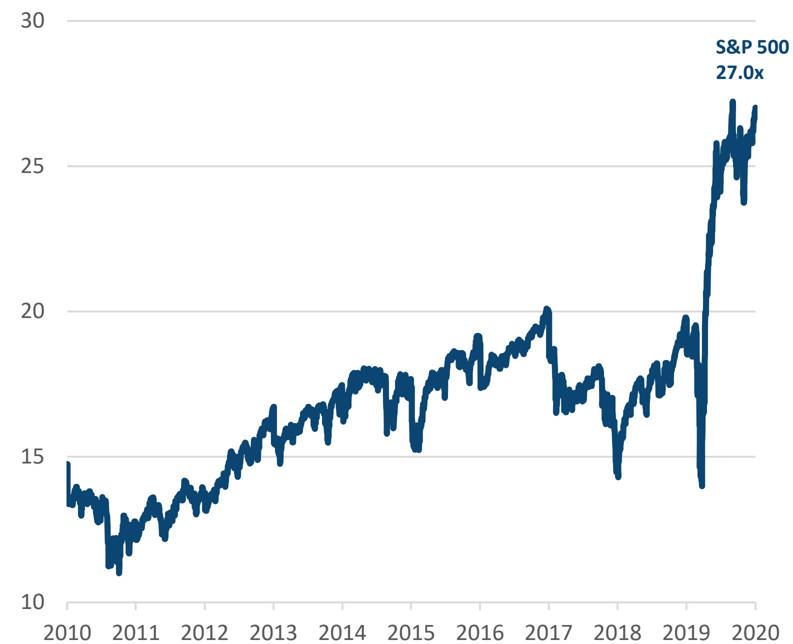
Underneath the market's surface there has been substantial dispersion across sectors in 2020

December 31, 2019 to December 31, 2020



Elevated valuations are a headwind for beta-driven returns in equities going forward

Price/Earnings Ratio: December 31, 2010 to December 31, 2020



1 Equal weighted index of top 10 performing mega-cap technology and consumer equities: Netflix, Twitter, NVIDIA, Amazon, Alibaba, Apple, Facebook, Alphabet, Baidu and Tesla.

Data sources: Bloomberg Finance L.P.; Goldman Sachs.

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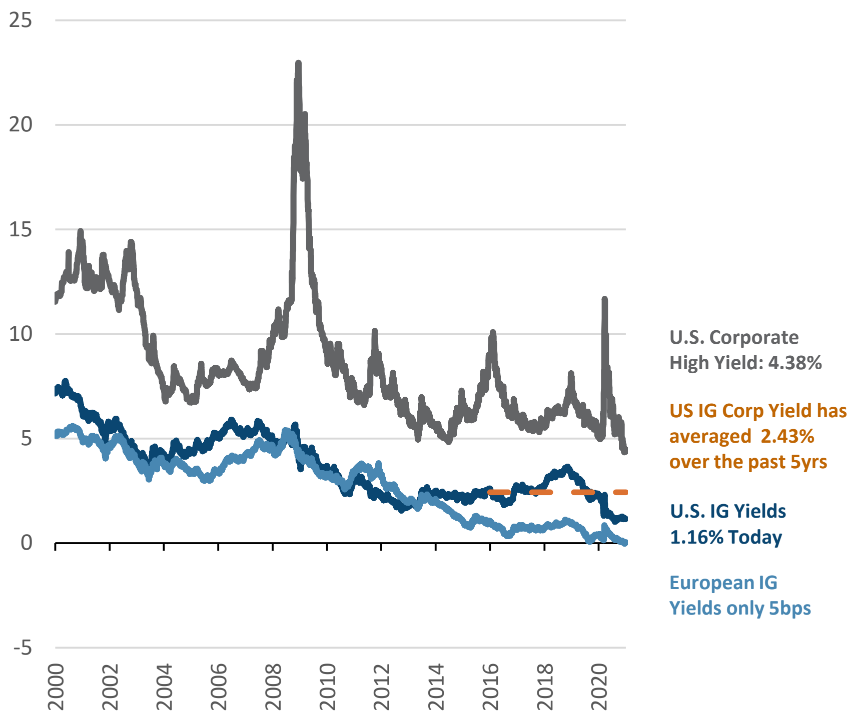
Low Rates Drive Negative Asymmetry in Credit

With interest rates at historic lows, yield starved investors have compressed spreads across most credit asset classes. This low spread and negligible yield environment can constrain forward-looking absolute returns in fixed income and is a source of risk should rates rise in the coming years.

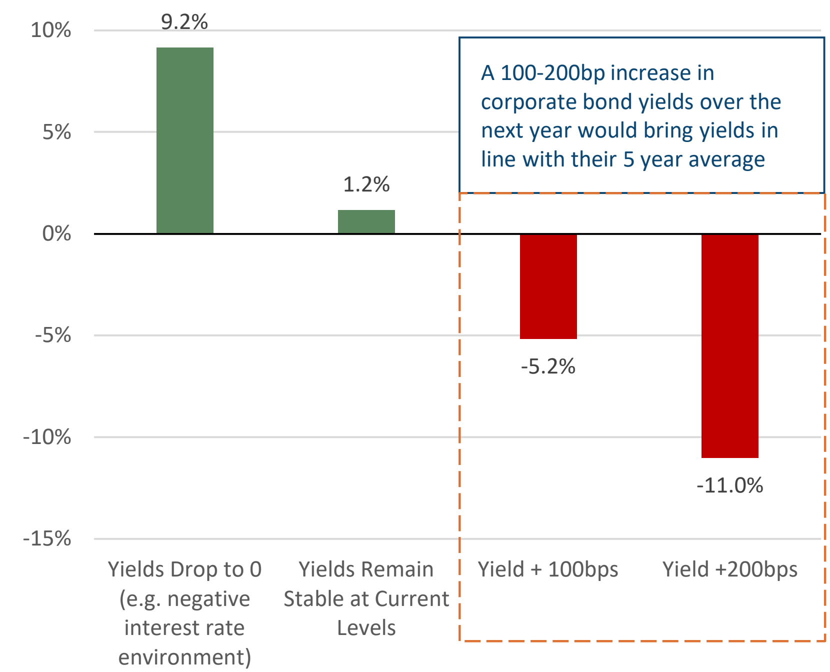
Low rates in fixed income constrain return potential in long-only credit strategies

Corporate bond yields: January 1990 to September 30, 2020



'Safe' credit securities present asymmetric downside if rates normalize, and limited upside even in a '0%' interest rate environment

Implied 1-year total returns for U.S. Corporate Bonds[1]



Data source: Bloomberg Finance L.P.

1 Total returns based on U.S. Aggregate Bond Index level characteristics as of December 28, 2020.

Benefits of a Hedged Approach

Select risks include: *Manager risk, macroeconomic risk, interest rate risk, strategy risk, mark-to-market risk and liquidity risks. Additional risks that result in losses may be present.*

Today's Investor's Dilemma

- Fixed income investments currently offer insufficient expected returns
- Beta-driven returns will be challenged
- Equities trade at historically high valuations, and are prone to extreme volatility
- Geopolitical uncertainties remain elevated amid an ongoing pandemic and other factors
- The economy is in recession and appears to have structurally slowed

A Hedged Solution

We believe that a hedged portfolio is as important today as it's ever been.

- Today's market is characterized by higher dispersion, heightened volatility and periods of dislocation
- These factors have historically been tailwinds for hedge fund alpha and return generation
- A small group of elite global hedge fund managers represent the best investments available globally, in our view

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Investment Focus

Select risks include: *Manager risk, macroeconomic risk, interest rate risk, strategy risk, mark-to-market risk and liquidity risks. Additional risks that result in losses may be present.*

CREDIT STRATEGIES	EQUITY STRATEGIES	DIVERSIFYING STRATEGIES

Market Background

Low rates can benefit all borrowers	Accelerated disruption	Economic imbalances
More distressed opportunities	Elevated dispersion	Stable funding environment
Elevated refinancing needs	Active capital markets	Attractive skew

Our Focus

Corporate stress/ distress	**Access proven, elite talent**	**Secure capacity with experienced funds**
Specialty finance	**Identify sector expertise**	**Premium for low beta**

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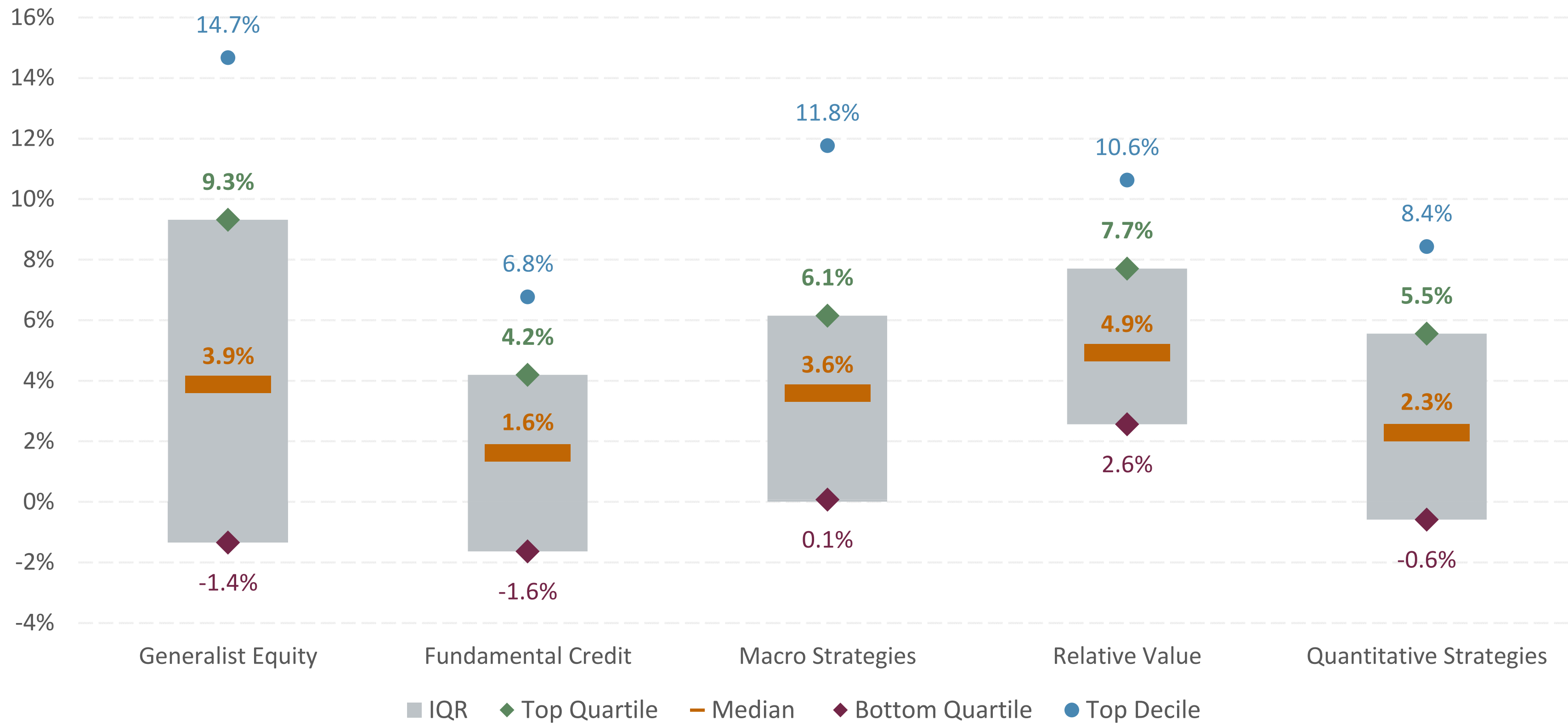
Manager Selection is Critical

Robust quantitative and qualitative processes help us identify top managers.

High dispersion between top & bottom performing funds across strategies

Trailing 3-year performance of GCM Grosvenor defined strategy peer groups: July 1, 2017 to June 30, 2020



Data source: GCM Grosvenor. Strategy peer groups consist of all funds tracked by GCM Grosvenor with available returns for the period 6/30/2017- 6/30/2020; strategy classification is determined on a discretionary basis by GCM Grosvenor's Absolute Return Strategies Research Department. Additional information is available upon request.

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Appendix

Notes and Disclosures

Data Sources

Notes and Disclosures

Bloomberg Finance L.P.

Credit Suisse.

Preqin.

Hedge Fund Research (HFR).

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Brookfield Infrastructure Presentation for Sacramento County Employees’ Retirement System

JANUARY 29, 2021

Brookfield

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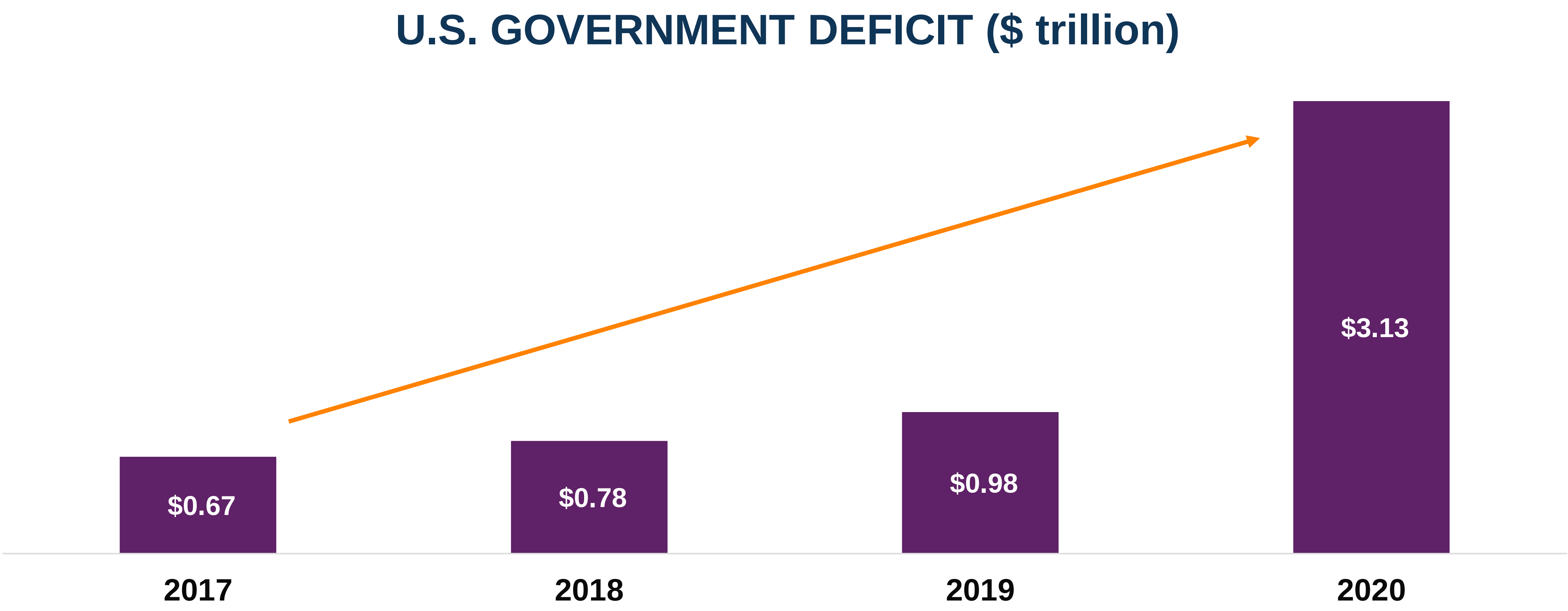
Market Trends are Creating Good Value Opportunities[1]

- Government **indebtedness**
- A one in **100-year data infrastructure** investment opportunity
- **Global decarbonization** initiatives
- Midstream sector **cycling out of assets**
- Transport sector **negative sentiment**

Please refer to endnotes on page 9.

Government Indebtedness

Private investors are essential to address a growing global funding gap[1]



Please refer to endnotes on page 9.

A One in 100-Year Data Investment Upgrade Opportunity

Aging data infrastructure struggling to keep up with growing global technology demand

Networks are being replaced by **faster and leaner** fiber infrastructure and preparing to support 5G

Upgrades are estimated to require **over $1 trillion**[1] of capital globally over the next five years

Please refer to endnotes on page 9.

The Sun is Shining on the Renewables Sector

Renewable power opportunities driven by global decarbonization efforts[1]

1 Costs of renewables are coming down

2 Global carbon reduction targets are increasing

Please refer to endnotes on page 9.

Midstream Assets are Out of Favor[1]

ENERGY MARKET ENVIRONMENT

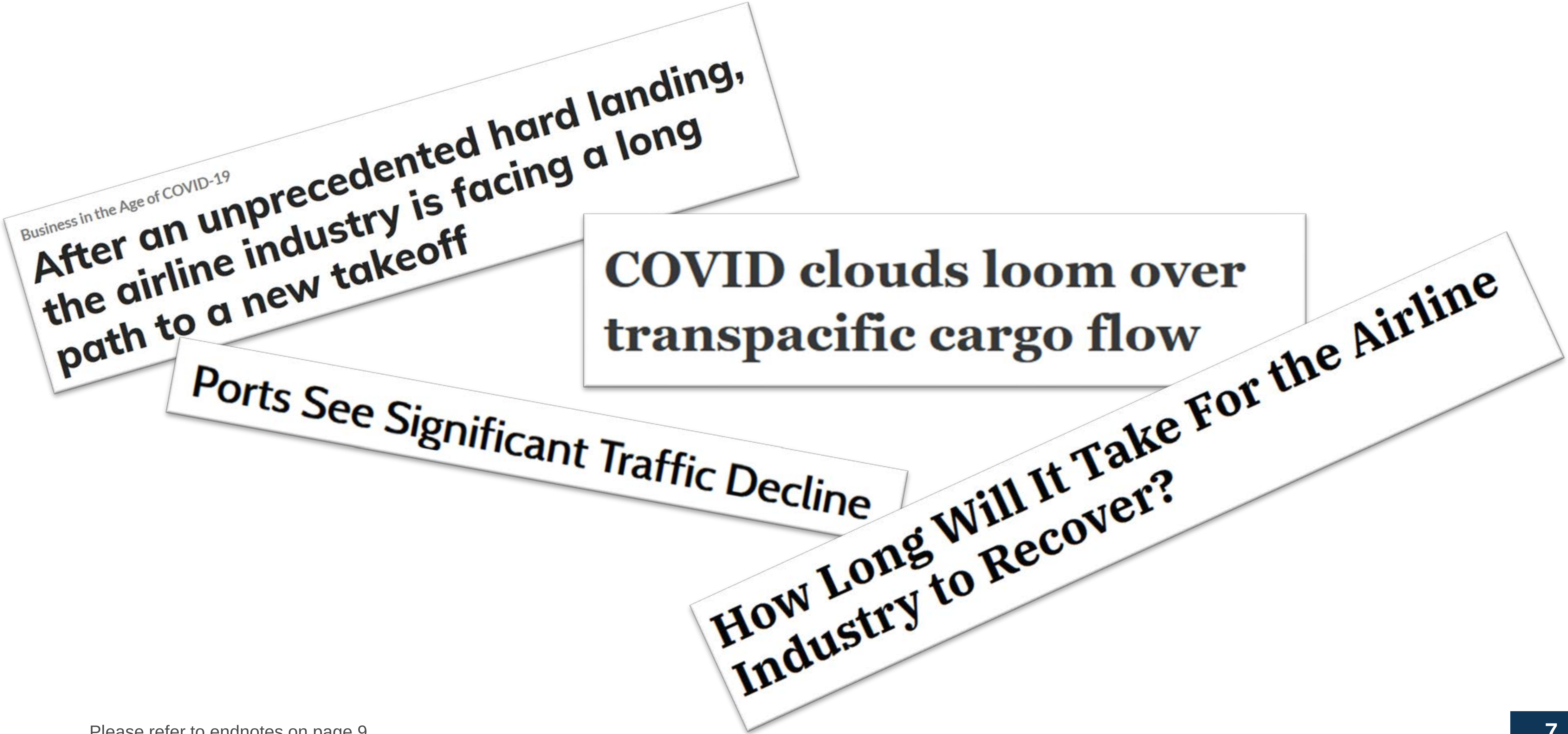
- **Volatile** energy prices
- Current **low demand** for fossil fuels
- MLP structure out of favor
- Oil majors **selling assets** to redeploy in core businesses and renewables

ATTRACTIVE CHARACTERISTICS

- Significant **scarcity value**
- **Highly contracted** revenue profiles
- Large capital requirement
- **Attractive** entry point

Please refer to endnotes on page 9.

Contrarian Opportunities in Transport Due to Negative Sentiment[1]


Business in the Age of COVID-19

After an unprecedented hard landing, the airline industry is facing a long path to a new takeoff

COVID clouds loom over transpacific cargo flow

Ports See Significant Traffic Decline

How Long Will It Take For the Airline Industry to Recover?

Please refer to endnotes on page 9.

Key Takeaways

- Infrastructure as an asset class has demonstrated its resiliency
- Infrastructure continues to attract growing allocation from investors
- We are in the early stages of a long-term trend of infrastructure moving into private hands
- Not all infrastructure is created equal
- Core infrastructure's characteristics are highly resilient across market cycles

Endnotes

Page 2, 5, 6

1) Based on Brookfield internal research. The information provided herein reflects Brookfield's perspectives and beliefs. Any conclusions provided herein are based on various assumptions, any of which may prove to be incorrect. Investors should consult with their advisors prior to making an investment in any fund, including a Brookfield-sponsored fund. Please refer to the Notice to Recipients for additional information related to Brookfield's internal research.

Page 3

1) U.S. Department of the treasury, congressional budget office.

Page 4

1) Source: The GSMA, “The Mobile Economy 2020”.

Page 7

1) Sources: MarketWatch, “After an unprecedented hard landing, the airline industry is facing a long path to a new takeoff”; BIV, “COVID clouds loom over transpacific cargo flow”; LA Business Journal, “Ports See Significant Traffic Decline”; TheStreet “How Long Will It Take For the Airline Industry to Recover?”.

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