MERCED CERA
Merced County Employees' Retirement Association

AGENDA
Retirement Board Education Meeting

Thursday, March 5, 2026, 9:30 A.M. – 1:00 P.M.

Location: Merced County Employees' Retirement Association
690 W 19th Street, Merced, CA
2nd Floor, Training Room

1. **Call to Order- 9:30 A.M.**

The Retirement Board may discuss and take action on the following:

2. **Roll Call**

3. **Public Comment**
   Members of the public may comment on any item under the Board's jurisdiction including items on the Board's agenda. Matters presented under this item will not be discussed or acted upon by the Board at this time. Persons addressing the Board will be limited to a maximum of five (5) minutes in total. Please state your name for the record.

4. **Meeting**
   Board Education
   Discussion on the following presentations:
   a. Risk Mitigating Strategies – Meketa
   b. Pension De-risking – L&G

5. **Information Sharing**

6. **Adjournment**

The Agenda and supporting documentation, including any material that was submitted to the Merced County Employees' Retirement Association Board after the distribution of the Agenda, are available online at www.mercedcera.com.

All supporting documentation for Agenda items, including any material that was submitted to the retirement board after the distribution of the Agenda, is also available for public inspection Monday through Friday from 8:00 a.m. to 5:00 p.m. at the administrative office for the Merced County Employees' Retirement Association located at 690 W 19th Street, Merced, California 95340.

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Merced County Employees' Retirement Association

Spanish and Hmong interpreters are available.

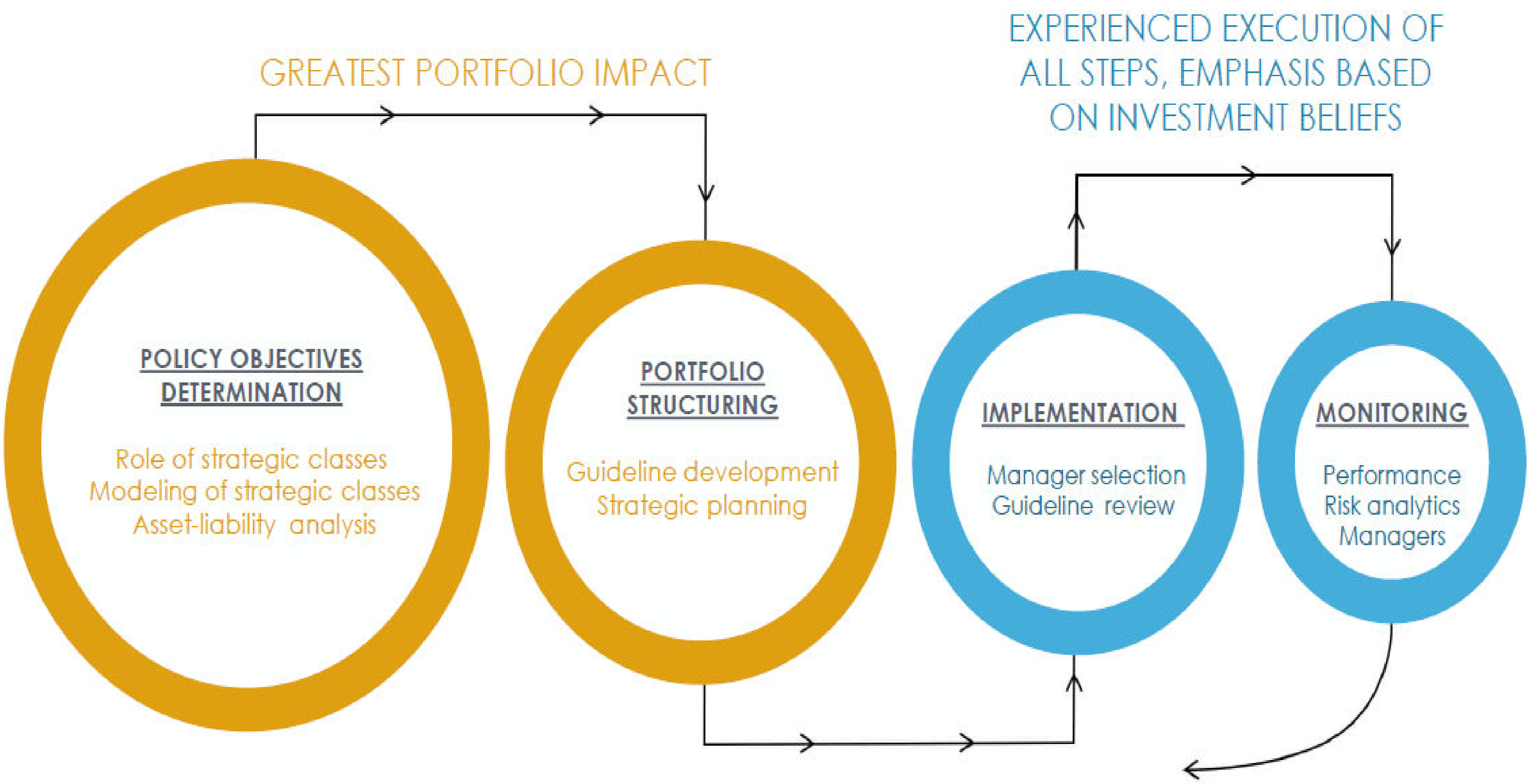
Interpretes de espanol y hmong estan disponibles.
Peb muaj tug paab txhais lug Mev hab Hmoob.

MEKETA

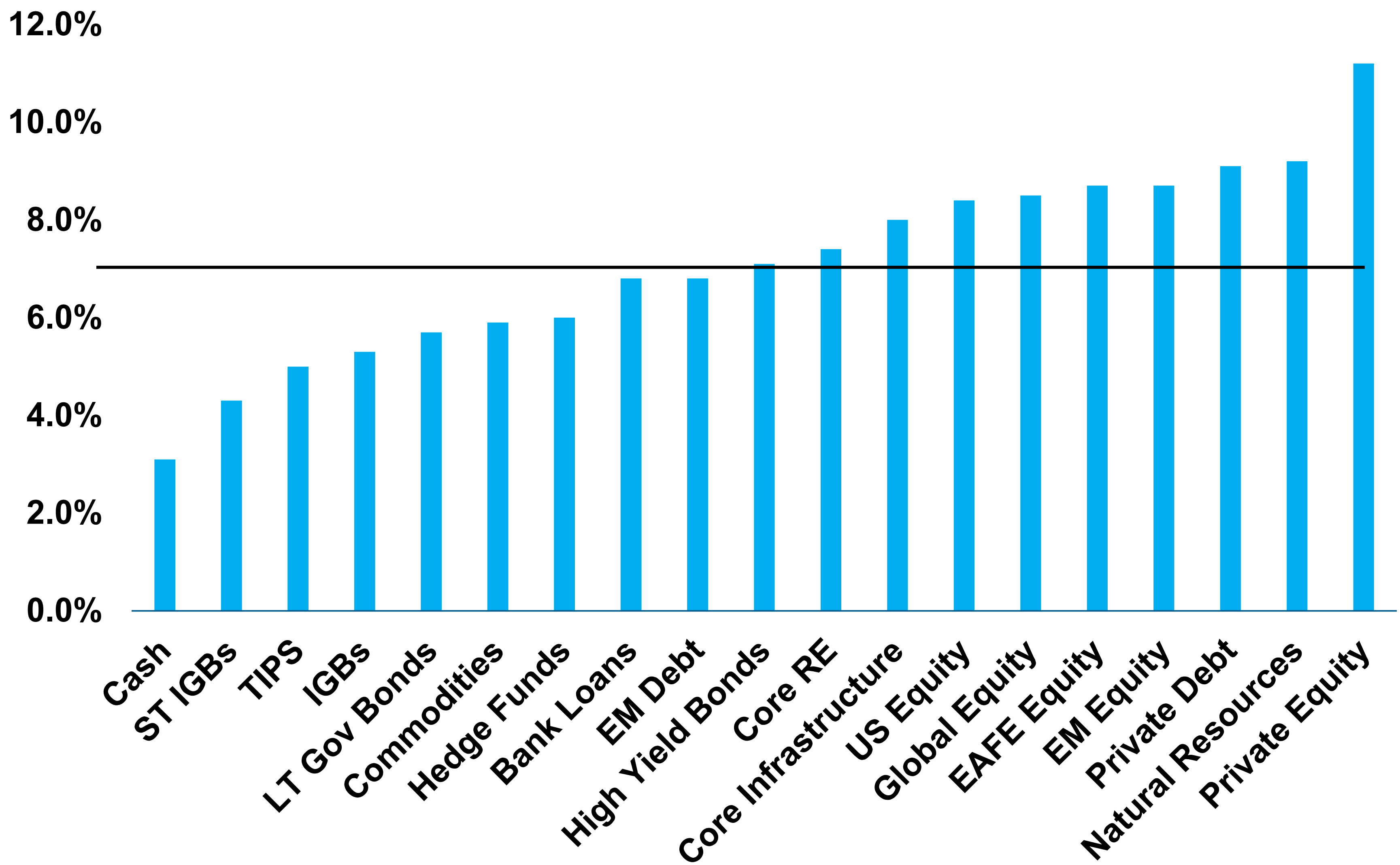
MCERA: Risk Mitigating Strategies

March 2026

Investment Philosophy – Strategy / Policy are Drivers of Results



Long-Term Outlook – 20-Year Annualized Expected Returns



60/40 Portfolio

A 60 / 40 portfolio has many positive attributes:

- → Investible
- → Inexpensive to manage
- → Easy to implement
- → Has performed well in the past

May not be suitable for a mature public DB plan in the current investment environment

60 / 40 portfolio risk profile is dominated by one risk – equity (growth) risk

- → The success or failure of the portfolio meeting its investment objectives rests on one outcome: equity investments continuing to rise in value

60 / 40 portfolio has a lower expected return than other portfolio allocations

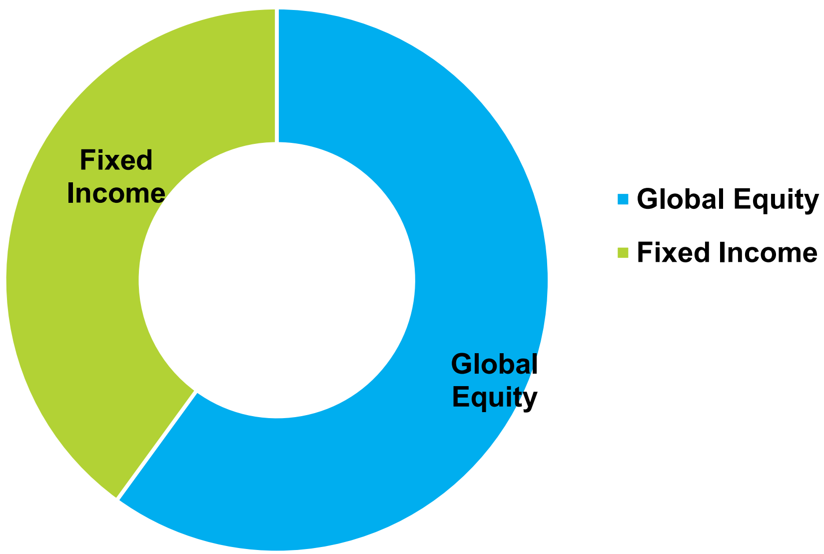
- → Primarily because Fixed Income yields are so low

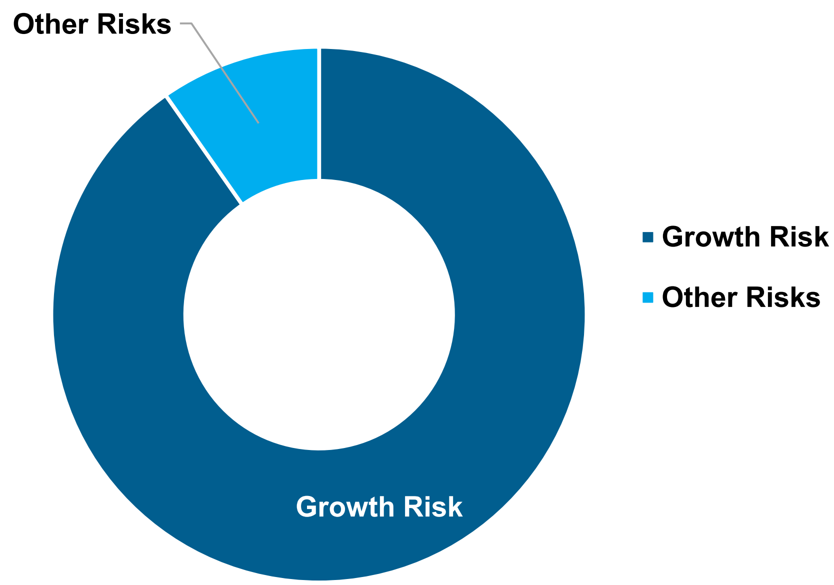
Sources of Portfolio Risk – 60/40 Portfolio

Portfolio Geometric Return: 5.8%

Portfolio Standard Deviation: 11.8%

Expected Sharpe Ratio: 0.32





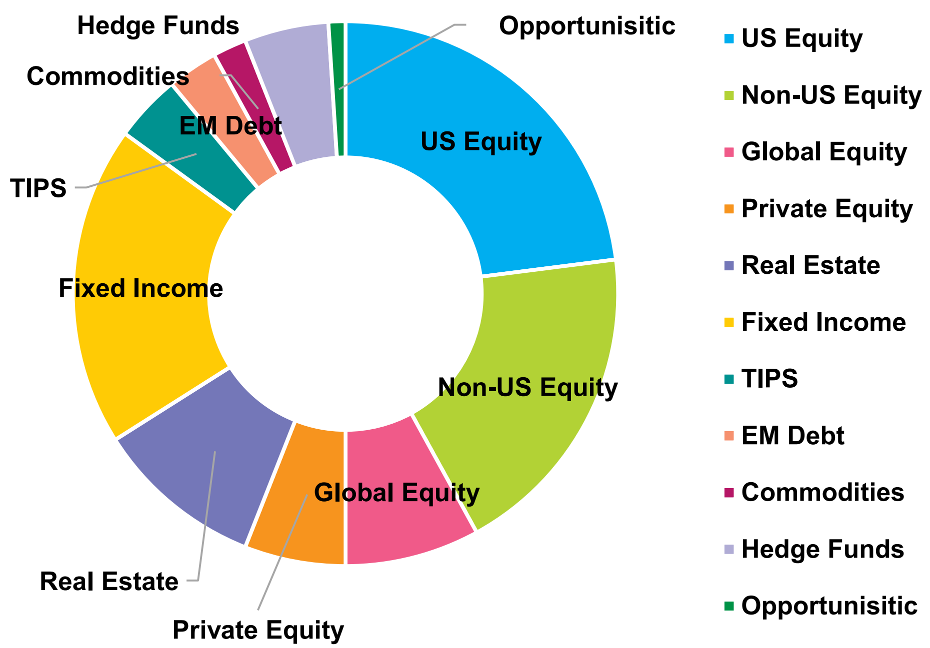
→ Total portfolio risk (volatility) is dominated by equity (growth) risk.

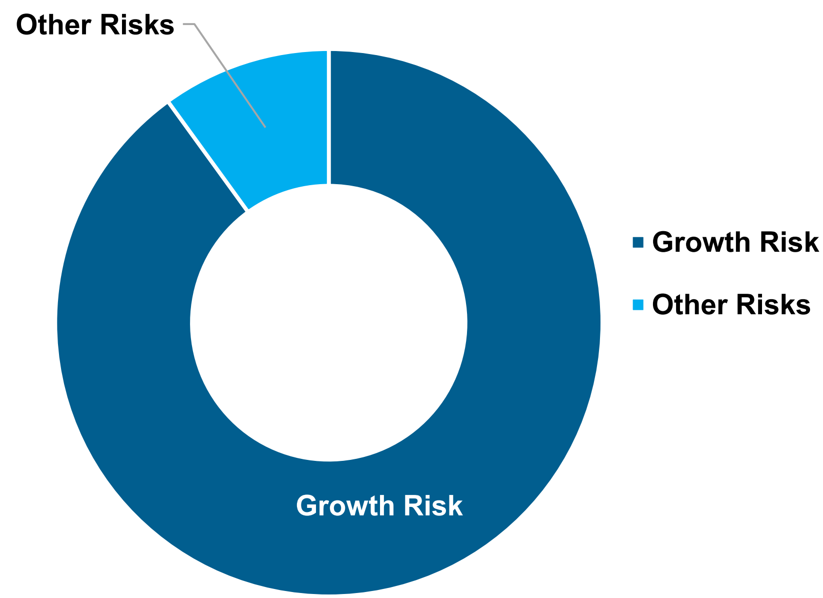
Sources of Portfolio Risk – Diversified Portfolio

Portfolio Geometric Return: 6.6%

Portfolio Standard Deviation: 11.1%

Expected Sharpe Ratio: 0.39





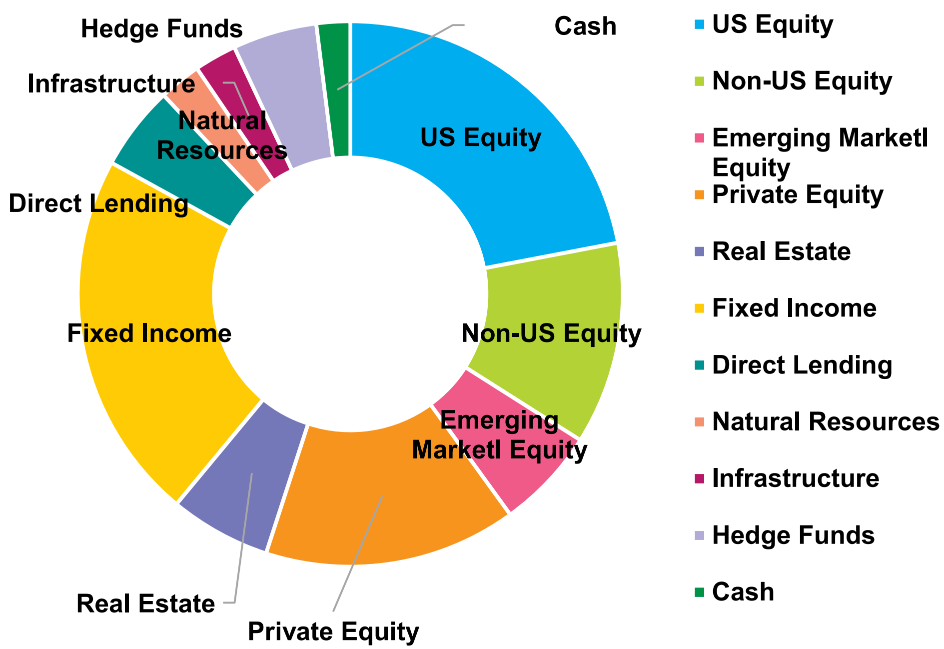
Note: Risk defined as return variability.

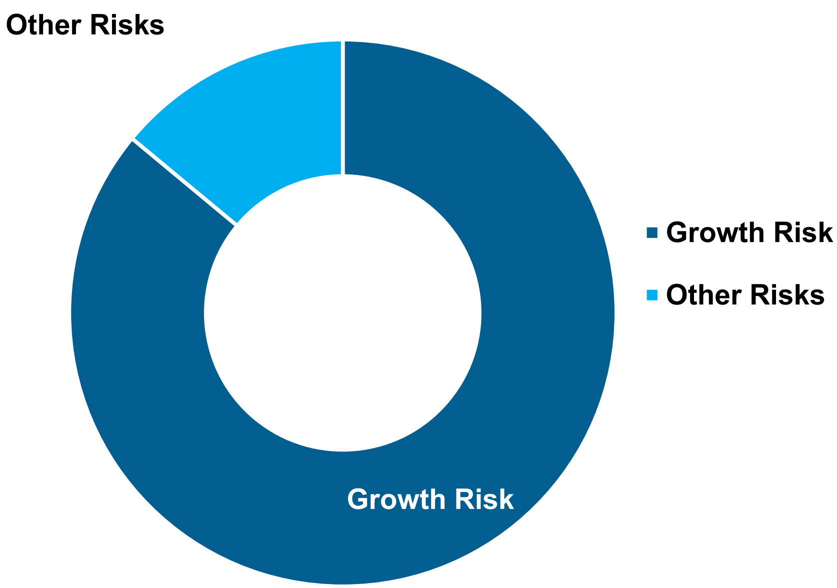
Sources of Portfolio Risk – MCERA

Portfolio Geometric Return: 7.9%

Portfolio Standard Deviation: 12.6%

Expected Sharpe Ratio: 0.38





Note: Risk defined as return variability.

Risk Mitigating Strategies

Expected Benefits and Key Metrics* of Risk Mitigating Strategies (RMS)

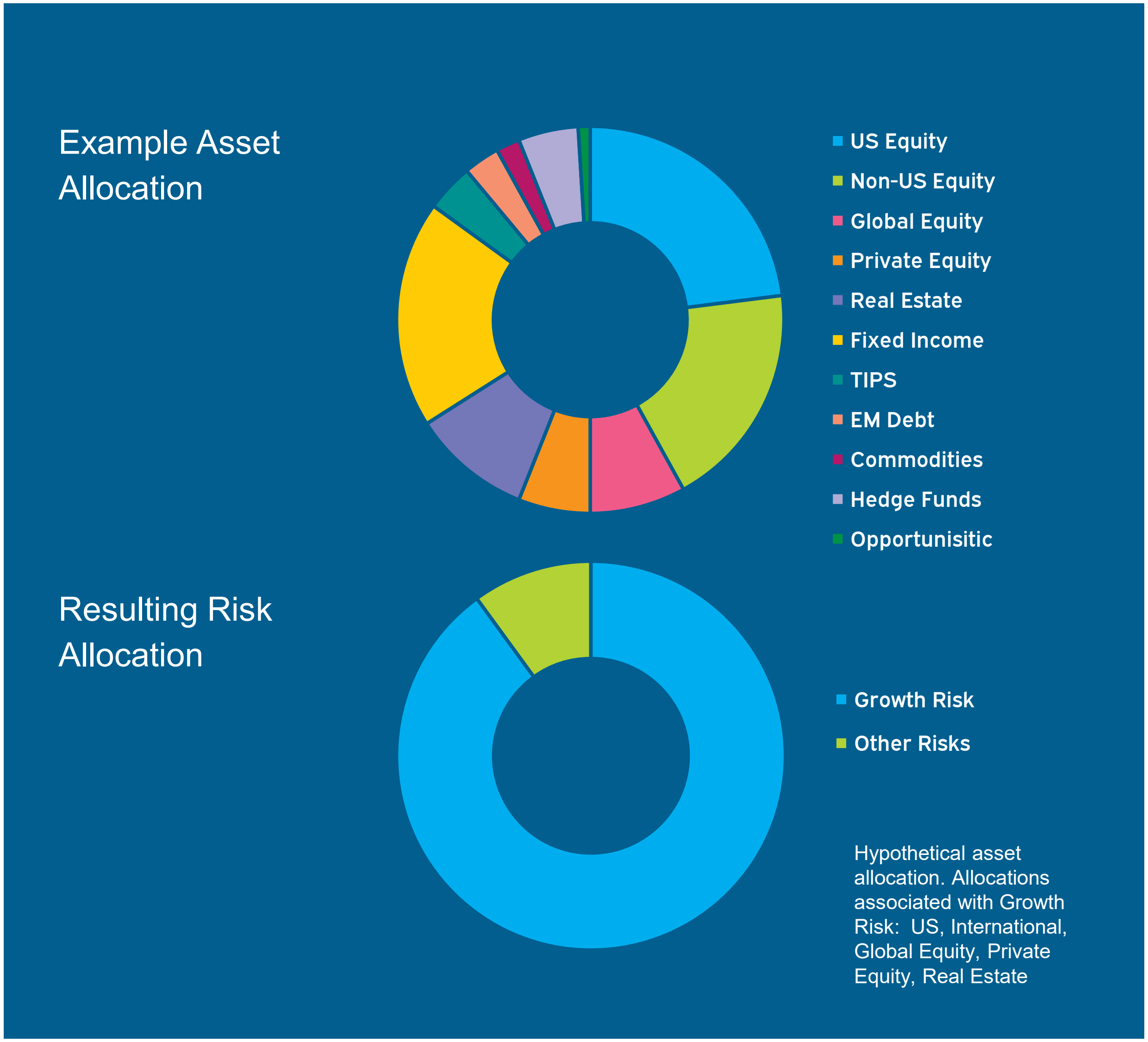
- **Protection**
- **Positive Returns**
- **Liquidity**
- **Customization**
- **Portfolio Efficiency**

Jan. '05 – Aug. '24	RMS Benchmark	HFRI
Correlation to S&P 500	-0.12	0.82
Average Return During S&P 500 Drawdowns of at Least 10%	5.4%	-9.3%
Max Drawdown	-11.1%	-21.4%
Annualized Jensen's Alpha vs. S&P 500	2.7%	0.6%
Annualized Return	3.9%	5.1%

* Source: eVestment. HFRI FWC = HFRI Fund Weighted Composite Index. Please see "RMS Benchmark Composition" methodology in the Appendix. January 2005 through August 2024. The Jensen's Alpha calculation is the excess return of a portfolio relative to a benchmark after accounting for the portfolio's risk (i.e., a portfolio's beta relative to a benchmark such as the S&P 500)

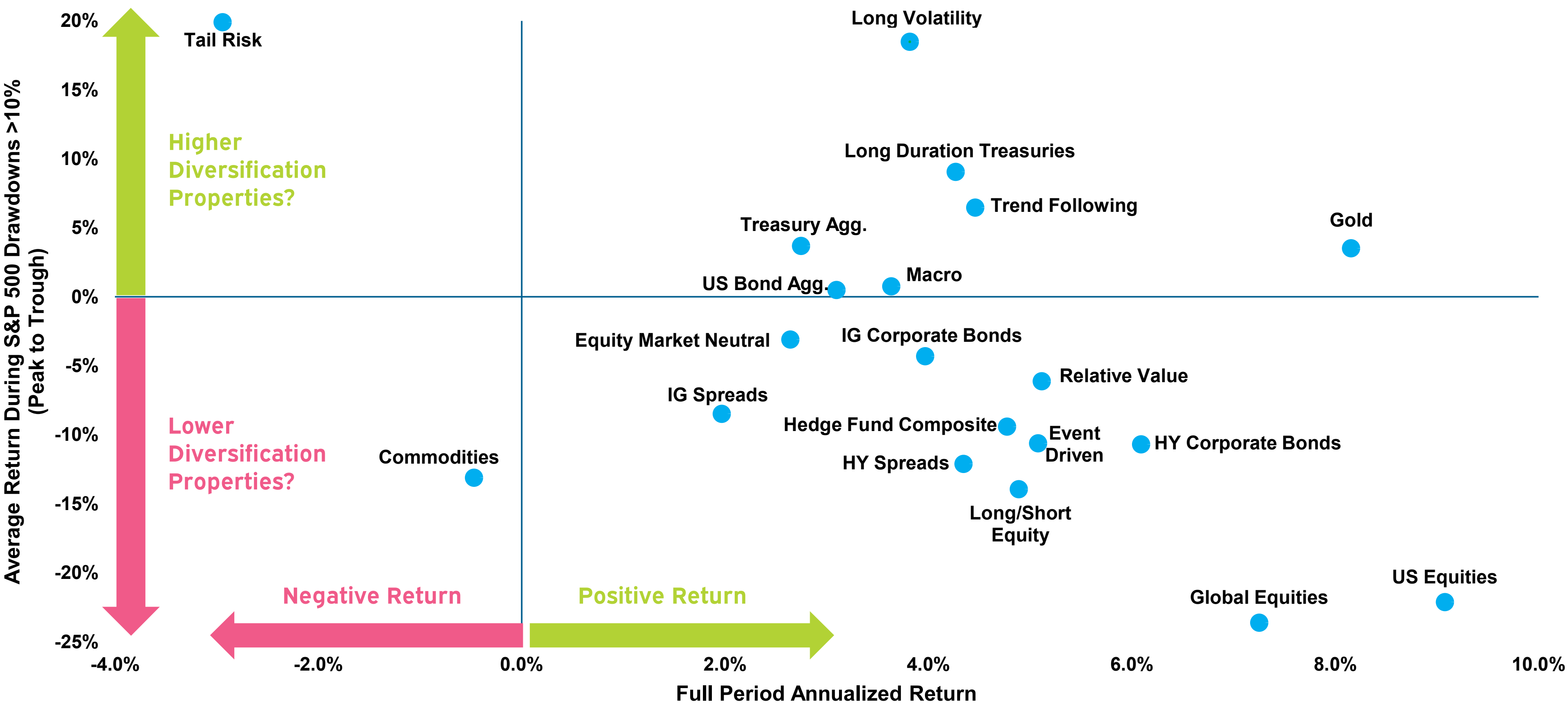
Examining Portfolio Risk Factors

- Investors construct portfolios through a strategic asset allocation process.
- The goal of the process is to achieve a certain level of return given a level of accepted risk.
- Most investment portfolios appear highly diversified by strategy name.
- However, assets oriented to economic growth (e.g., equities) are the overwhelming risk exposure. This is in part due to both the higher volatility and direct link of many of these assets to the global economy.



Sources of Diversification (Jan. ’05 – Dec. ‘23)*

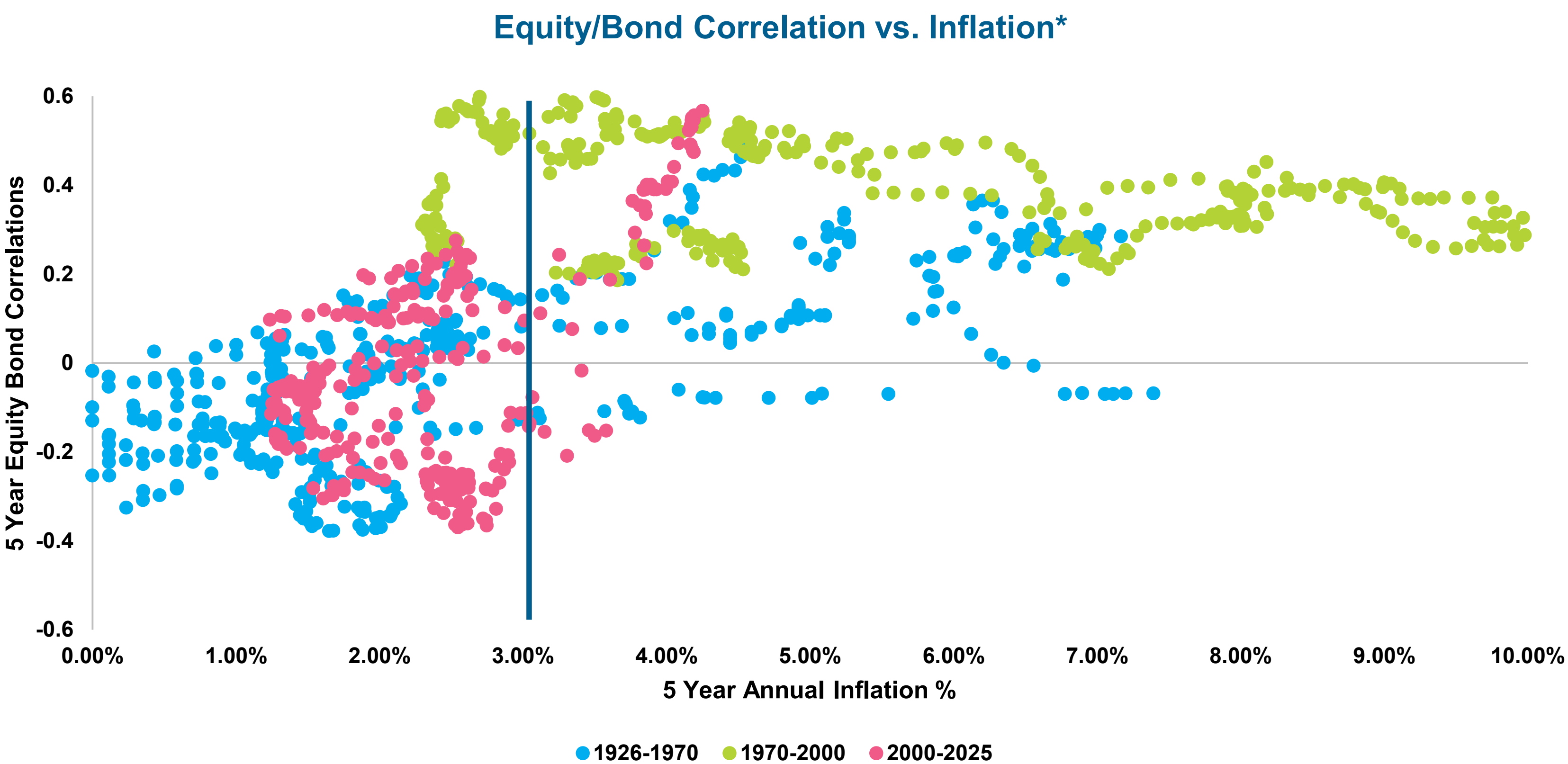
- → Label diversification does not necessarily lead to risk diversification.
- → Future outcomes may depend on factors such as central bank policy, fiscal policy, growth, inflation, geopolitics and industry/company fundamentals.
- → Various strategies may provide a higher probability of hedging different types of equity drawdowns.



* Monthly data points from January 2005 through December 2023 (except Tail Risk, which has a dataset that began January 2008). Indices used are as follows: Trend Following = SG Trend; Long Volatility = CBOE Eurekahedge Long Vol.; Long Duration Treasuries = Bloomberg 20Y+ UST; Treasury Agg. = Bloomberg Treasury Agg.; US Bond Agg = Bloomberg US Agg.; Macro = HFRI Macro; Equity Market Neutral = HFRI Equity Market Neutral; IG Corporate Bonds = Bloomberg US Investment Grade Corporate Bonds; Relative Value = HFRI Relative Value; Hedge Funds = HFRI Fund Weighted Composite; Event Driven = HFRI Event Driven; High Yield Corporate Bonds = Bloomberg US High Yield Corporate Bonds; Global Equities = MSCI ACWI; US Equities = S&P 500; Gold = “GLD” ETF; Commodities = Bloomberg Commodities; Tail Risk = CBOE Eurekahedge Tail Risk; Long/Short Equity = HFRI Equity Hedge; IG Spreads and HY Spreads = “LQDH” and “HYGH” ETFs with data prior to their first full month inception (June 2014) being a broad IG and HY corporate bond index less duration, plus 3M T-Bills, in order to approximate the credit spread return

Reviewing Historical Equity and Bond Correlations

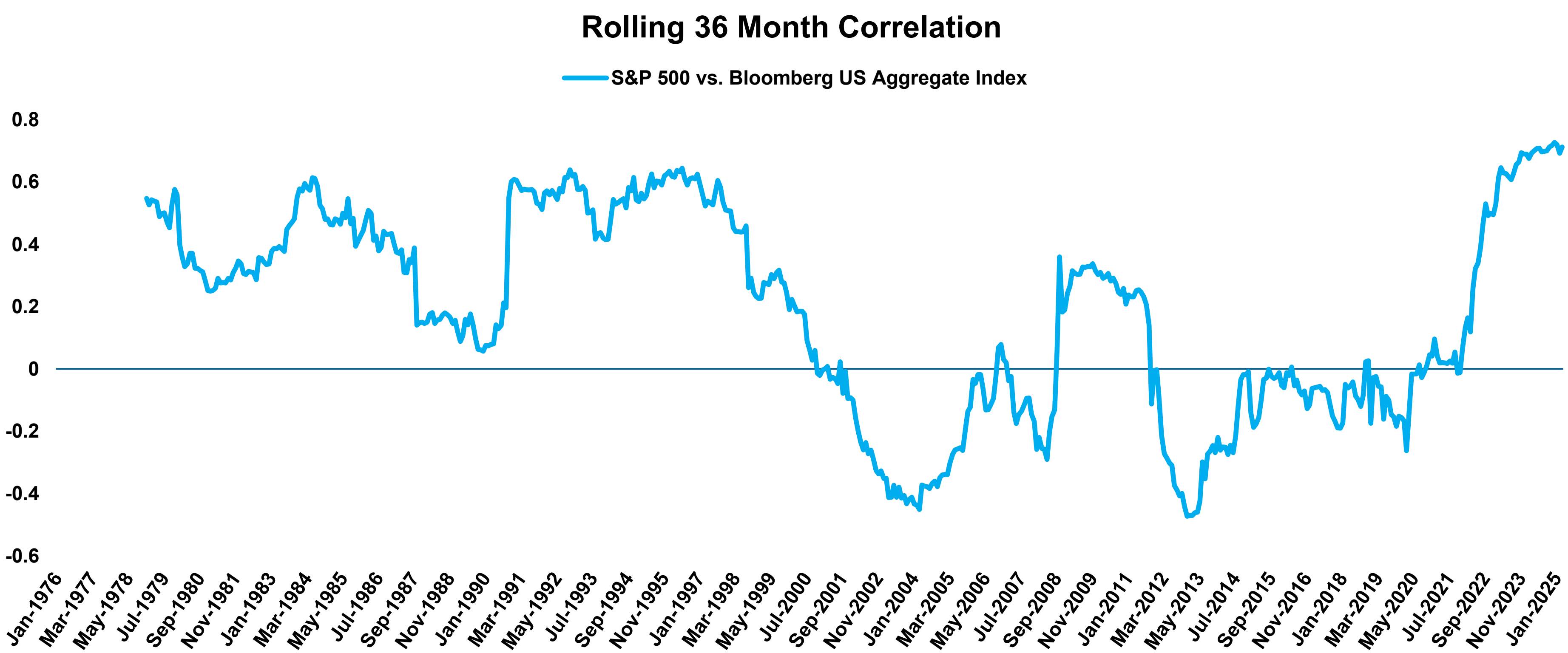
- From 1926 to Feb 2025, equity and bond returns were positively correlated 90% of the time when inflation was greater than 3% and uncorrelated when inflation was less than 3%.
- Since the year 2000, equity losses have been dampened by bond returns; however, a shifting macro environment may cause equity/bond correlations to behave differently in the future



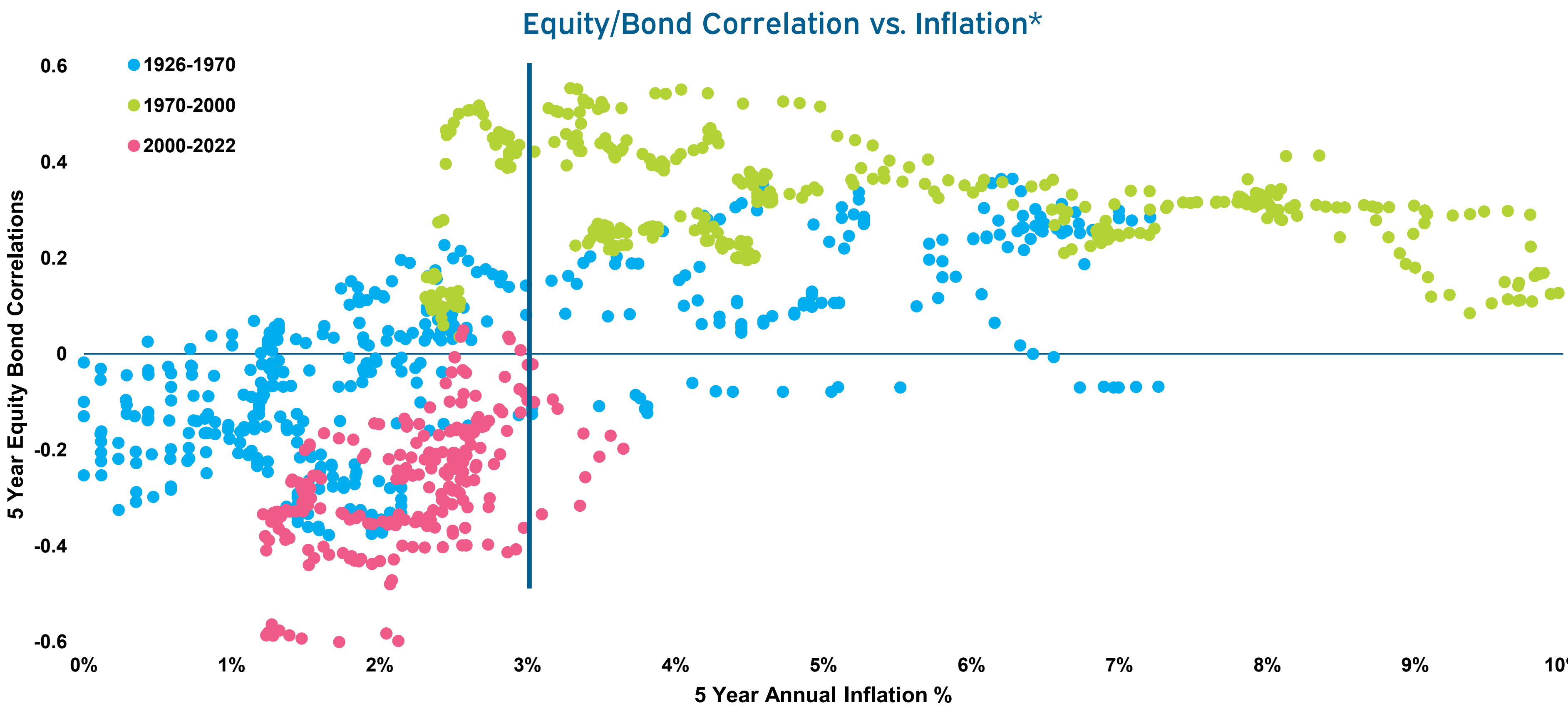
*Source: Source: Robert Shiller data and FRED 1926 – 2025 as of Feb. 2025

Reviewing Historical Equity and Bond Correlations

- The correlation between equities and bonds is not structurally negative and driven by investor behavior. It at times acts as a "flight to quality" assets where investor seek safety during market crises and buy bonds resulting in a negative correlation. In period of high(er) inflation, investors do not exhibit this behavior as often or there is upward pressure on interest rates which may cause the correlation to turn positive.
- Going from a negative correlation to a less negative correlation still poses a risk to the efficacy of using bonds to diversify equity risk



Evaluating the Utilization of Bonds as a Source of Diversification



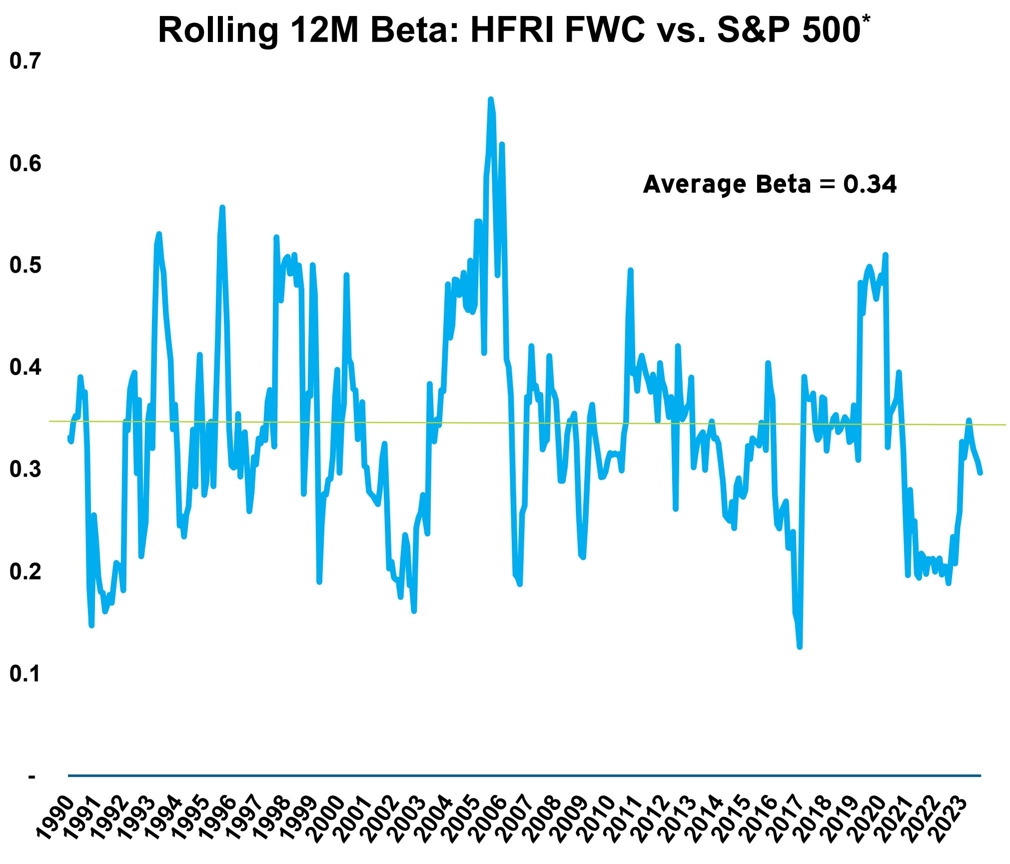
- From 1926 to May 2022, equity and bond returns were positively correlated 90% of the time when inflation was greater than 3%.
- Since the year 2000, equity losses have been dampened by bond returns; however, a shifting macro environment may cause equity/bond correlations to behave differently in the future.

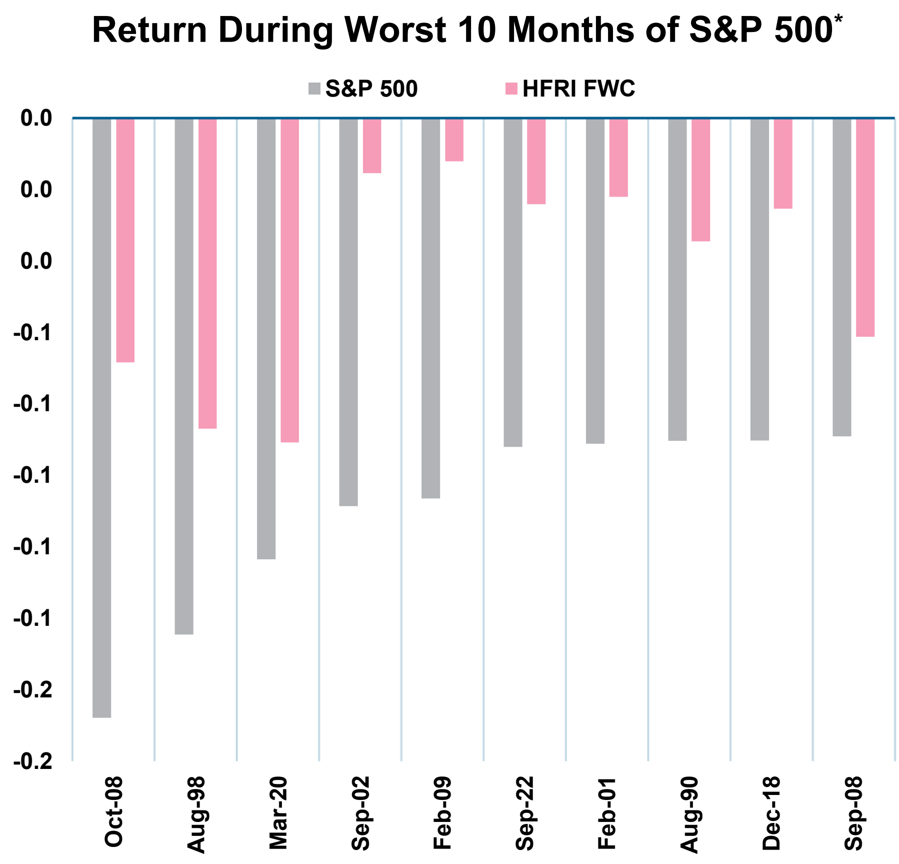
* Source: Source: Robert Shiller data and FRED 1926 – 2022 as of March 2022

Shortcomings of Typical Hedge Fund Programs

Embedded Beta: about 34% of the return from the broad hedge fund universe comes from equity markets.

Downside Protection: lack of positive absolute returns during the worst equity drawdowns.



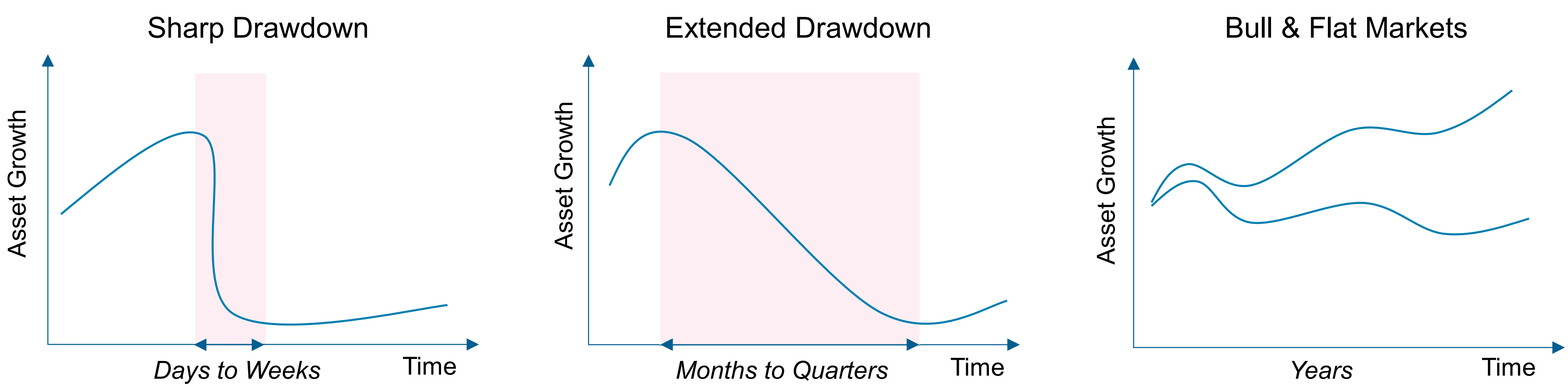


*Source: eVestment. January 1990 through August 2024. HFRI FWC = HFRI Fund Weighted Composite

RMS Program Building Blocks

RMS Programs are designed to:

- → Provide diversification properties that are difficult to achieve in traditional asset classes.
- → Have a positive long-term expected return, particularly during equity drawdowns.
- → Be scalable and capital efficient to have a material impact to asset allocation.
- → Provide liquidity for rebalancing and improve probabilities of meeting spending/liability requirements.
- → Provide customization to meet the specific needs of investors.



First Responders	Second Responders	Diversifiers
Primary Role: First line of protection in an equity drawdown Strategy Examples: Long Volatility, Long Duration US Treasuries, Tail Risk Strategies	Primary Role: Second line of protection in an equity drawdown Strategy Examples: Trend Following, CTAs, Managed Futures	Primary Role: Provide uncorrelated returns to stabilize 1st and 2nd responders Strategy Examples: Global Macro, Multi-Strategy, Equity Market Neutral, Relative Value, Event-Driven, Insurance Linked, Alternative Risk Premia, etc.

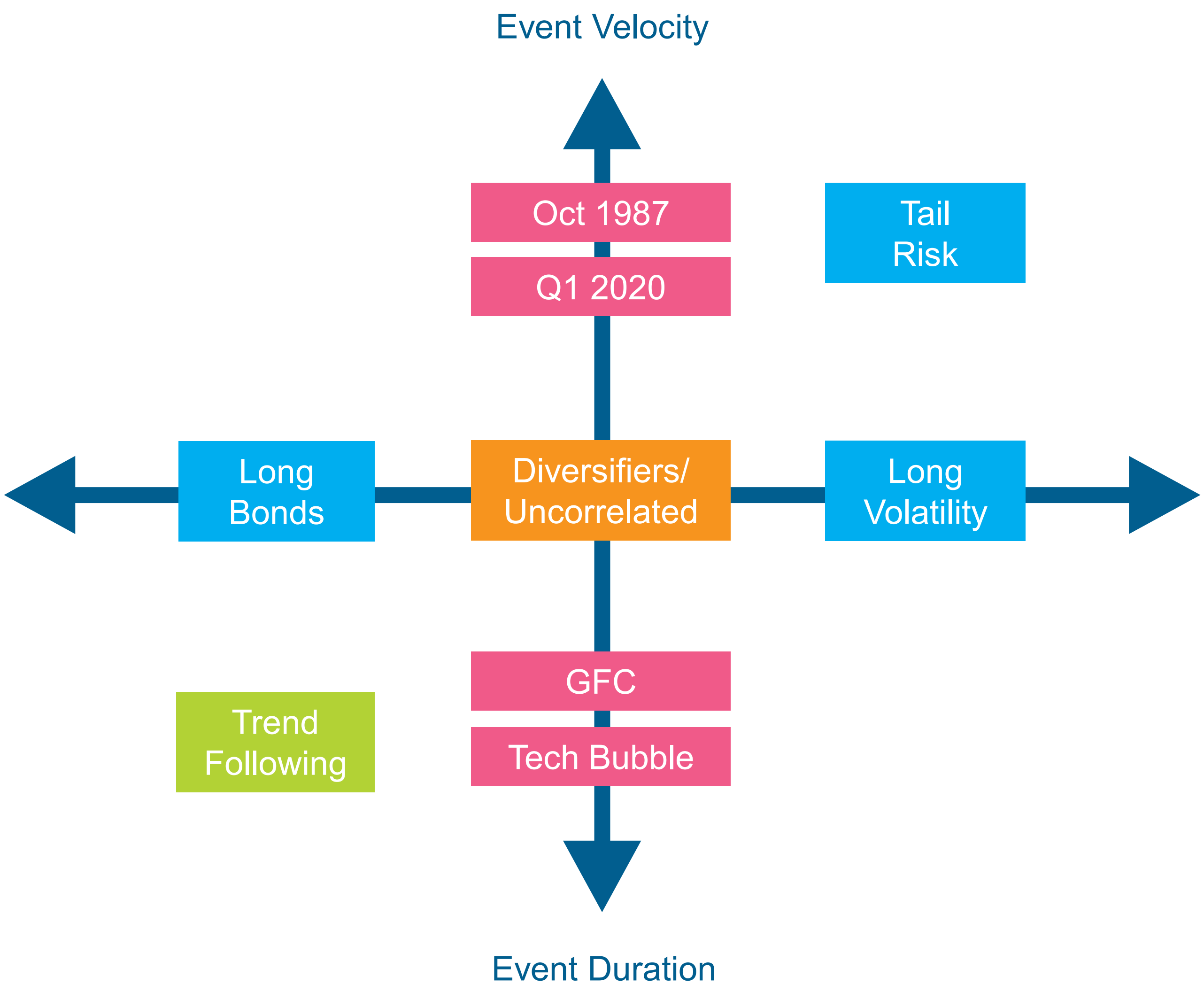
RMS Components and Expected Outcomes

With varied expectations by strategy, allocating across multiple components increases the probability of achieving a desired result.

	First Responders	Second Responders	Diversifiers
Sharp Equity Drawdown	**Positive**	Uncertain/Positive	Negative/Uncertain
Extended Equity Drawdown	Positive/Uncertain	**Positive**	Uncertain/Positive
Equity Bull & Sideways Markets	Uncertain/Negative	Uncertain/Negative	**Positive**

RMS Program Design Considerations

There are key tradeoffs to consider when building an RMS program, which revolve around cost, capital efficiency, convexity and asset class coverage.



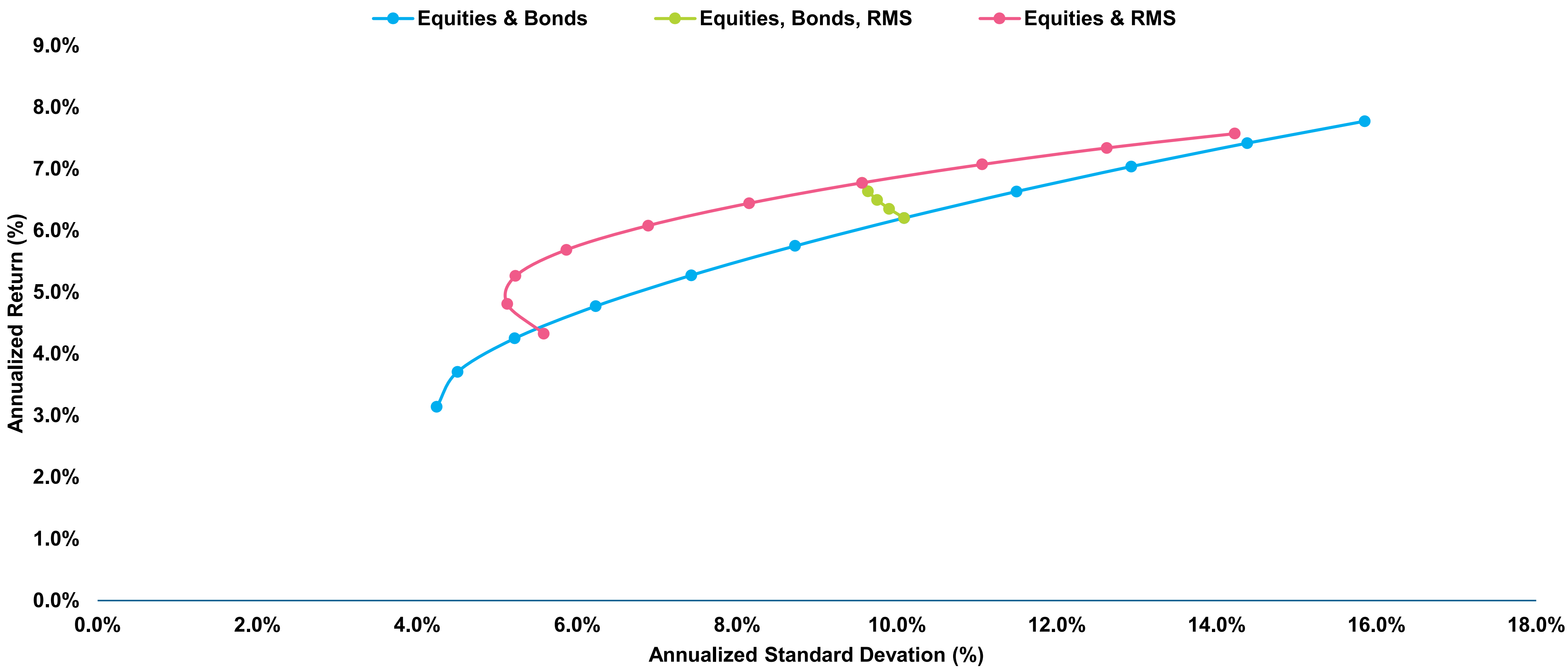
Correlation Hedge

- *Less reliable*
- *Lower cost*
- *Linear return*
- *Higher long-term expected return*

Explicit Hedge

- *More reliable*
- *Higher cost*
- *Convex return*
- *Lower long-term expected return*

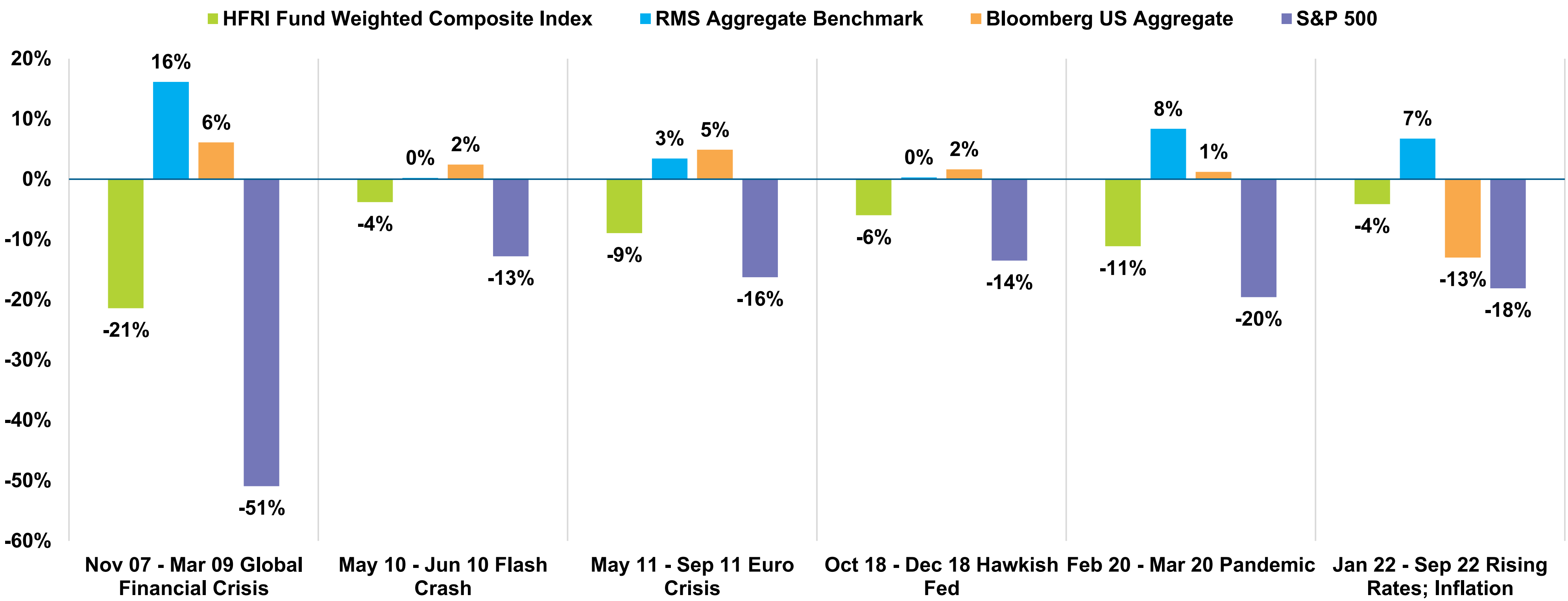
Efficient Frontier Impact (Jan. ’05 – Feb. ‘25)*



- → RMS has the potential to increase return and reduce risk through reduction of bonds.
- → By reducing equities, RMS may further reduce risk while maintaining higher levels of return, up to a point.
- → Factors such as liquidity, RMS program design, and overall client objectives need to be considered.

*Source: Please see “RMS Benchmark” methodology in the Appendix.

Returns During S&P 500 Drawdowns of at Least 10%*



- RMS is designed to protect against short and long-term market shocks.
- Gains from RMS during market dislocations can potentially be used to rebalance, fund spending/liabilities, fund capital calls from private investments, etc.
- Factors such as liquidity, RMS program design, and overall client objectives need to be considered.

*Source: Please see "RMS Benchmark" methodology in the Appendix.

How to Structure an RMS Allocation

→ When considering how to implement an RMS allocation, there are three main risks to consider:

1. **Will it work** / produce positive returns in an equity drawdown?
   - *Does it provide enough coverage across different types of equity drawdowns?*

2. **Will it contribute enough** during the equity drawdown?
   - *Will the positive return be large enough to make a difference to the total portfolio?*

3. **Can the allocation be maintained** until a meaningful drawdown occurs?
   - *Can the 'insurance' be held until an event occurs?*

→ Addressing each of these items requires us to determine which tools from the RMS toolkit should be used and in what size. Some examples include:

- Are diversifiers needed since they do not explicitly hedge equity drawdowns?

- Is it optimal to use all three first responder strategies?

- What is the best structure to use to access the strategies?

RMS in the Context of Traditional Asset Allocation

- Adding RMS to equities increases the probability of outperforming a 4.5% spend rate over various timeframes
- RMS combined with a traditional equity/bond mix has the potential to increase returns and reduce risk
- Absolute return of combined ACWI/RMS portfolio may be enhanced through manager selection, negotiated fees and portfolio construction (capital efficiency, manager weights, component weights, rebalancing)

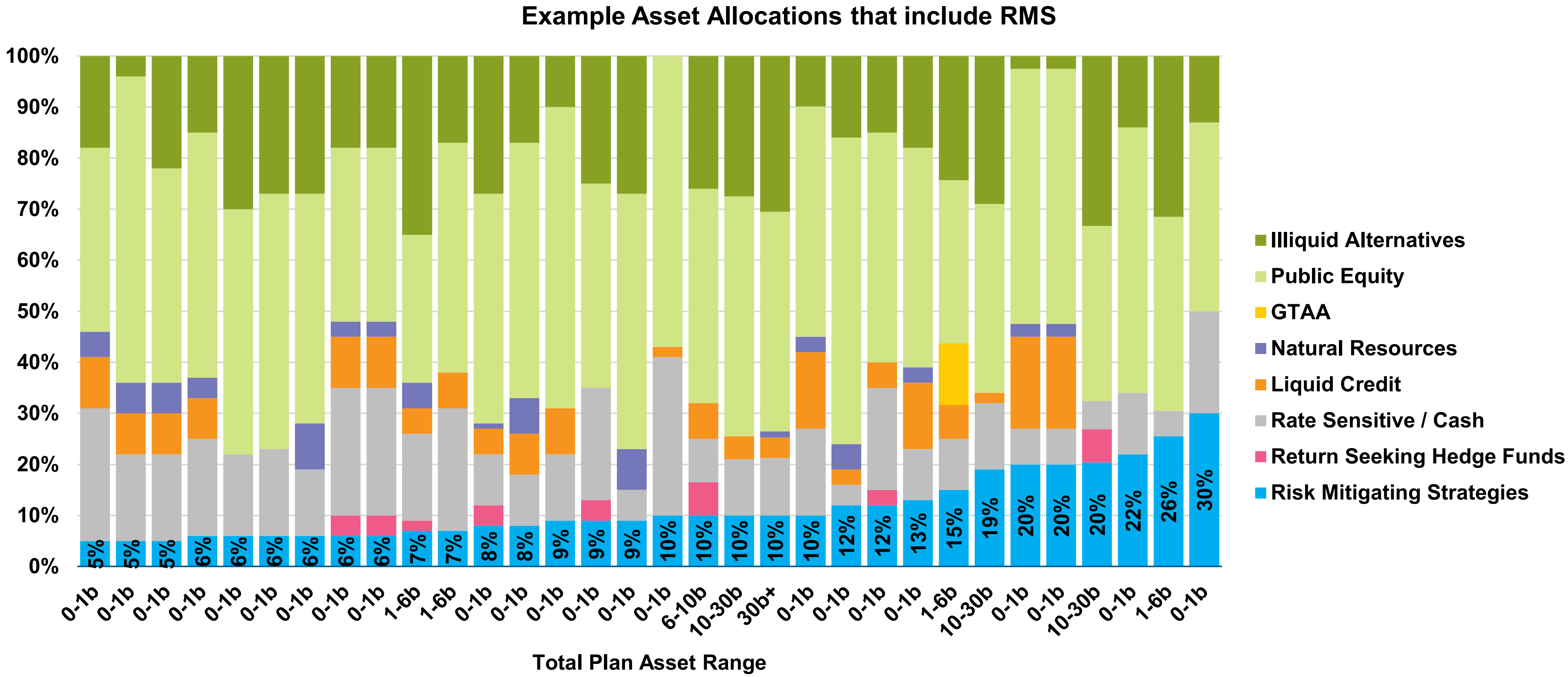
	% Rolling Outperformance Periods vs. 4.5% Spend Rate					Return & Risk			
	1YR	3YR	5YR	7YR	10YR	Return	StDev	Max DD	Sortino
RMS Aggregate Benchmark	53%	50%	44%	31%	25%	4.3%	5.6%	-8.5%	1.59
Bloomberg US Aggregate	44%	41%	30%	33%	17%	3.1%	4.2%	-17.2%	1.04
MSCI ACWI IMI-ND	65%	77%	73%	77%	85%	7.7%	15.9%	-55.1%	0.63
60% Equity / 40% Bonds	68%	64%	76%	96%	95%	6.2%	10.1%	-35.8%	0.78
60% Equity / 30% Bonds / 10% RMS	69%	68%	78%	97%	98%	6.3%	9.9%	-35.2%	0.83
60% Equity / 20% Bonds / 20% RMS	69%	69%	78%	97%	99%	6.5%	9.8%	-34.6%	0.88
60% Equity / 10% Bonds / 30% RMS	70%	72%	80%	98%	100%	6.6%	9.6%	-33.9%	0.94
60% Equity / 40% RMS	69%	74%	81%	98%	100%	6.7%	9.6%	-33.3%	1.00

*Source: Please see “RMS Benchmark” methodology in the Appendix.

RMS Implementations: Asset Allocation Examples

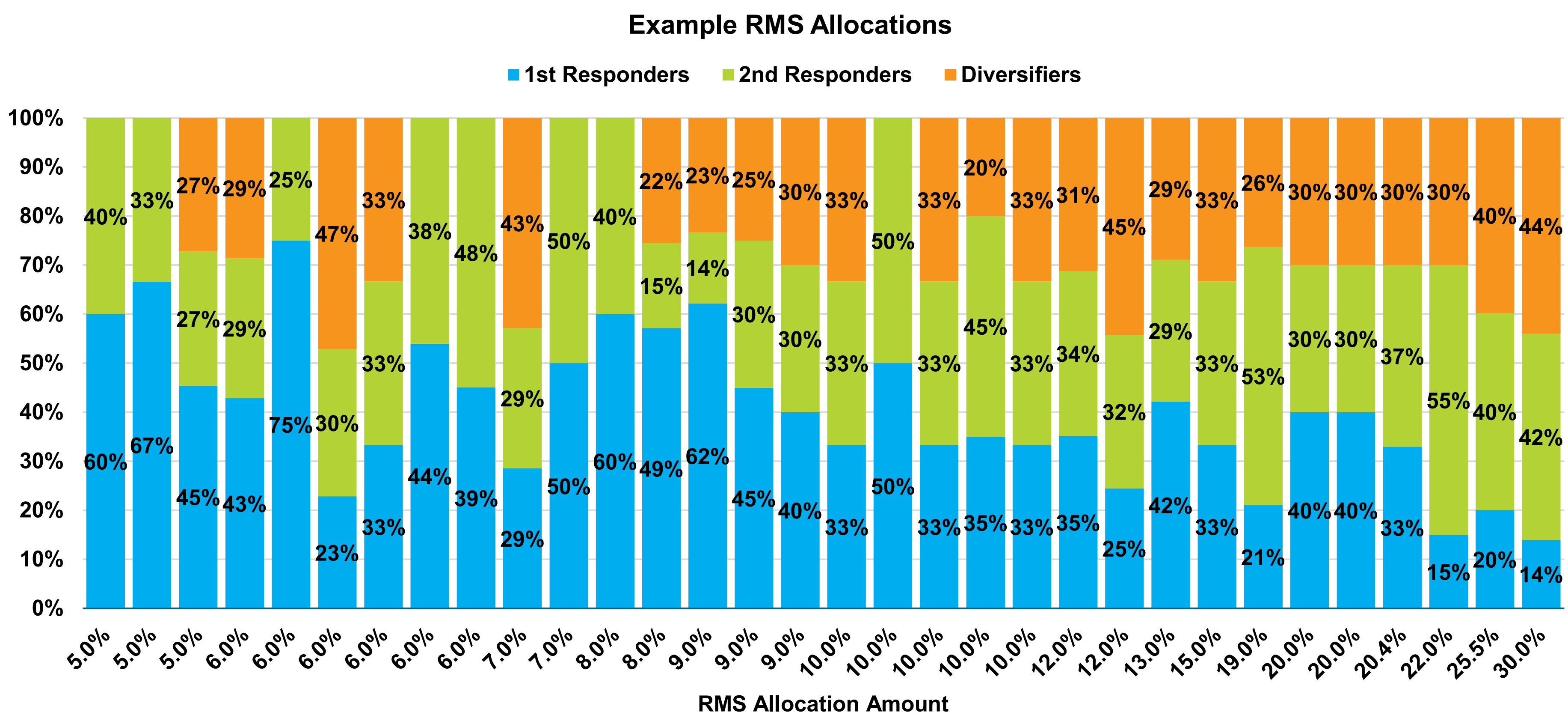
→ Many investors have incorporated RMS into their asset allocation over the past 10-years in various sizes

→ Below depicts portfolios which incorporate RMS at varying percentages (>=5%)



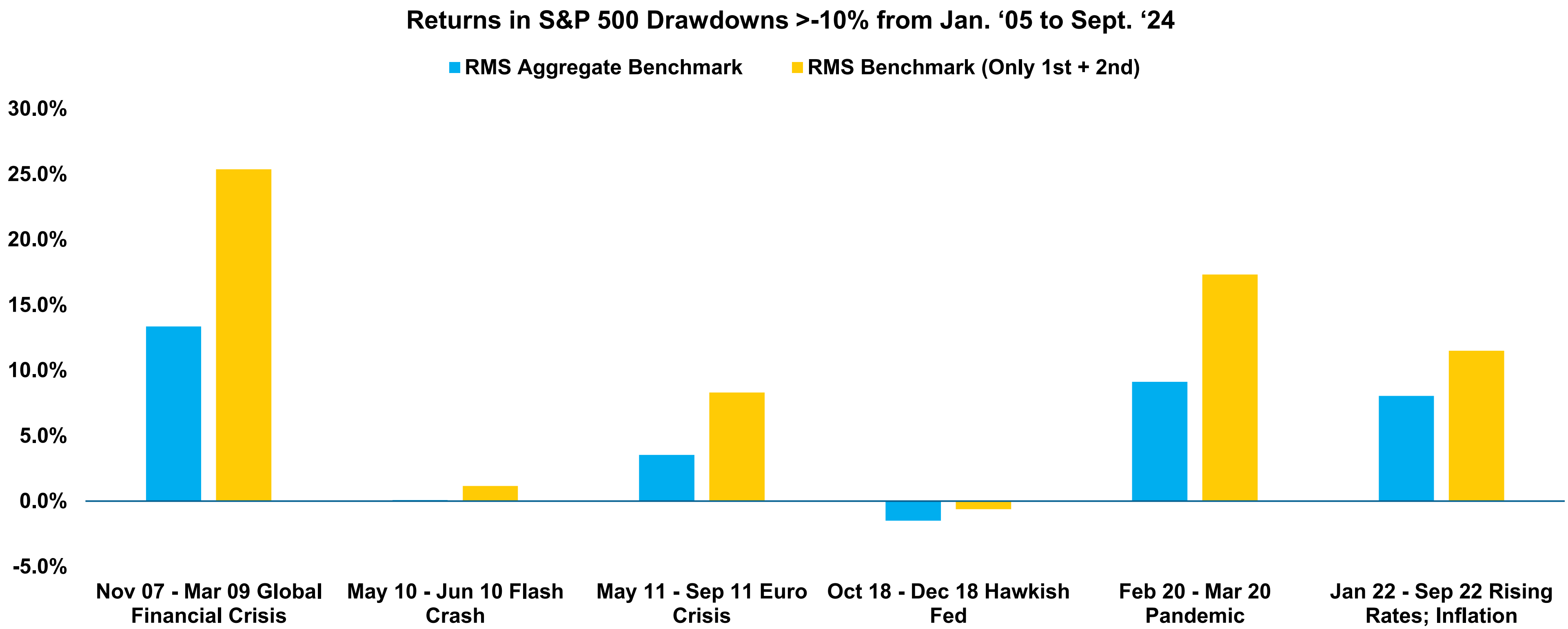
RMS Implementations: RMS Allocations

- Implementation is often driven by; 1) percent allocated, 2) investor objectives, and 3) investment philosophy.
- Equal weight across the components the most common solution
- Lower RMS allocations tend to concentrate on 1st and 2nd responders while higher allocations tend to include more diversifiers



Considering RMS Construction*

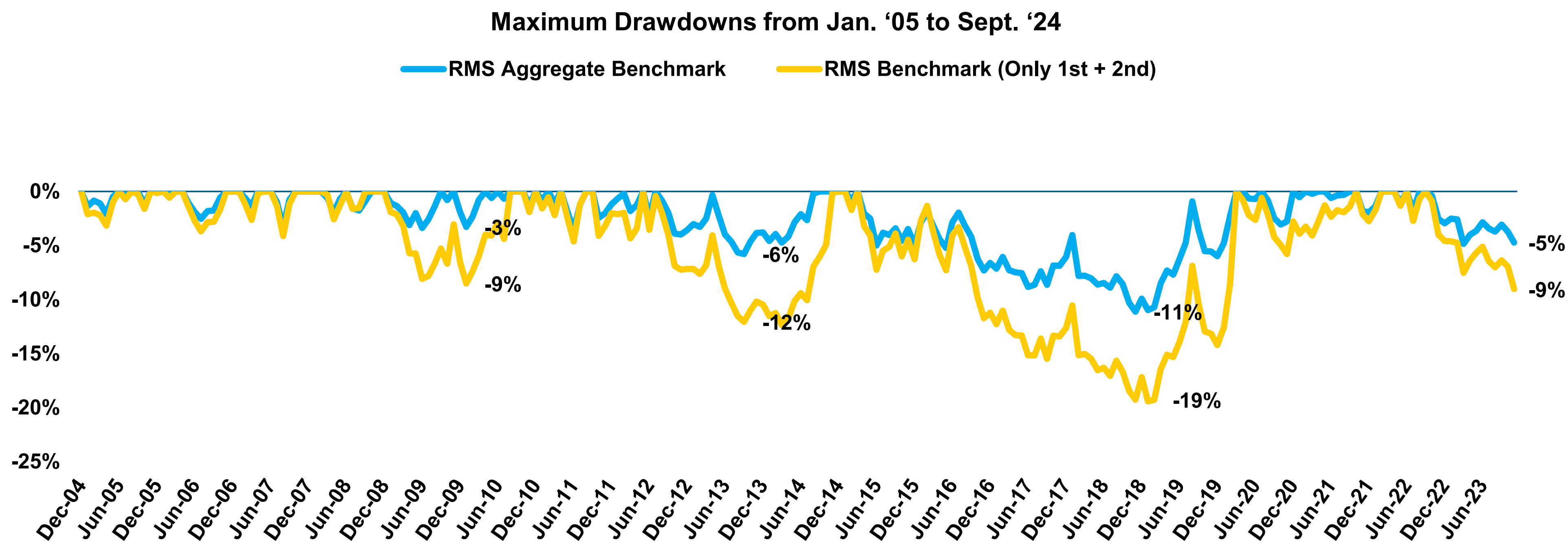
- First and second responders are the key sources of positive expected returns during equity drawdowns
- Allocating to diversifiers can reduce the expected impact or benefit during these periods
- Investors allocating <5% to RMS may consider not allocating to diversifiers to maximize the risk mitigating properties of the class or consider traditional growth assets as playing the role of diversifier



*RMS Aggregate Benchmark is an equally weighted mix of First Responders Benchmark, Second Responders Benchmark and Diversifiers Benchmark. See appendix for more detail

Considering RMS Construction*

- However, leaving out diversifiers will increase the expected volatility and drawdown profile
- The more limited the set of strategies used; the more difficult RMS may be to hold
- Allocating to all three RMS components should provide a smoother ride and sufficient convexity



*RMS Aggregate Benchmark is an equally weighted mix of First Responders Benchmark, Second Responders Benchmark and Diversifiers Benchmark. See appendix for more detail

First Responders

- First responders are meant to be the first line of defense in an equity event
- Strategies should produce meaningful gains in the initial stages of a market shock
- There are three main types of hedging all of which can be found within the First Responders component of RMS:
  - Correlation hedge: a bet that one asset will produce good returns when another produces bad returns
  - Structural hedge: an investment in a security that has a close inverse relationship with another
  - Explicit hedge: analogous to an insurance contract (e.g., an ongoing payment in exchange for a payoff if an event X occurs)
- Strategies vary primarily by certainty, payoff magnitude, expected return, and cost

First Responders

Correlation Hedge	Structural Hedge	Explicit Hedge

Less Reliable
Higher Expected Returns
Lower Expected Payoffs
Lower Cost

More Reliable
Lower Expected Returns
Higher Expected Payoffs
Higher Cost

First Responders Detail

Correlation Hedge

Strategies:
→ Long US Treasuries

Performance Drivers:
→ Investors often seek high quality assets when markets decline

Most Effective When…
→ Flight-to-safety

Least Effective When…
→ Rising rates

Implementation Example
→ Buying 20+ year US Treasuries

Strategy Benefits
→ Well known
→ Low cost
→ Historically reliable

Things to consider…
→ Relies on the behavior of others
→ Negative real yields
→ Changing correlations?

Structural Hedge

Strategies:
→ Long Volatility

Performance Drivers:
→ Volatility increases as equity price changes accelerate

Most Effective When…
→ Increasing volatility

Least Effective When…
→ Stable / low volatility

Implementation Example
→ Buying CBOE VIX options

Strategy Benefits:
→ High certainty
→ High event payoffs
→ Flexible implementation

Things to consider…
→ Low expected returns
→ Complexity
→ Ability to hold

Explicit Hedge

Strategies:
→ Tail risk hedging

Performance Drivers:
→ Continual insurance payment for a guaranteed payoff

Most Effective When…
→ Sharp drawdowns

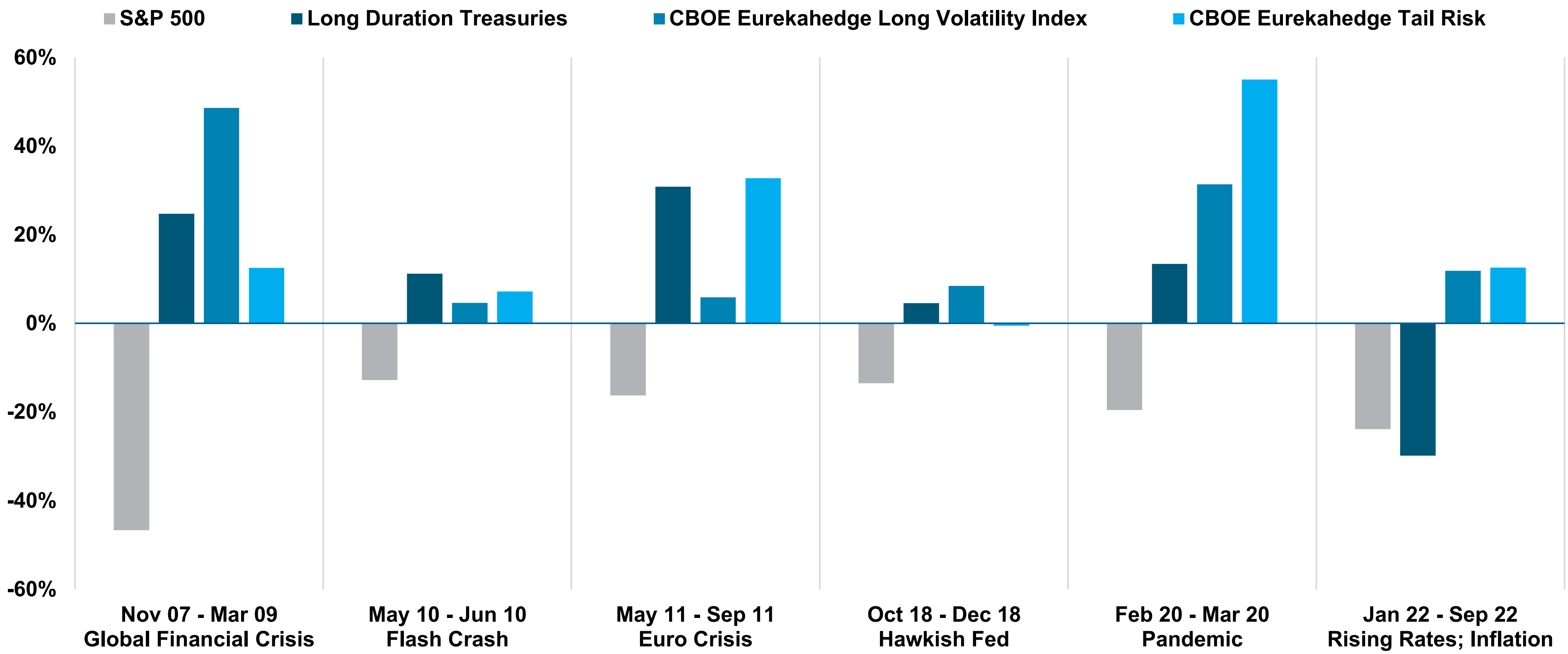
Least Effective When…
→ Stable, bull markets

Implementation Example
→ Buying equity put options

Strategy Benefits:
→ Guaranteed payoff
→ Targets specific levels
→ Highest payoff

Things to consider…
→ Explicit ongoing cost
→ Most difficult to hold
→ Counterparty risk

1st Responders' Returns During S&P 500 Drawdowns of at Least 10%*



- RMS is designed to protect against short and long-term market shocks
- Gains from RMS during market dislocations can potentially be used to rebalance, fund spending/liabilities, fund capital calls from private investments, etc.
- Factors such as liquidity, RMS program design, and overall client objectives need to be considered

* Source: eVestment. Jan. '05 through March 2024 using monthly data. CBOE Eurekahedge Tail Risk Index began January 2008.

Second Responders Description

Second Responders

Strategies:
→ Trend Following

Performance Drivers:
→ Markets often exhibit persistent trends driven by behavioral, economic, or institution reasons

Most Effective When…
→ Trending markets

Least Effective When…
→ Sharp reversals, sideways markets

Positioning Examples:
→ 3/20: Long bonds & USD, short equities, & commodities
→ 3/22: Long commodities & USD, short equities & bonds

Strategy Benefits:
→ Positive expected returns
→ Negative conditional correlations

Things to consider…
→ Basis risk
→ Divergent profile (many small losses with large positive outliers)

→ Strategies that follow pre-defined rules (i.e., systematic implementations) for trading (long and short) liquid futures and forwards contracts.

→ Trade futures/forwards across global equity indices, interest rates/bonds, currencies, and commodities

→ Example instruments may include; S&P 500 futures, US 10-year treasury futures, Oil futures, and USD/EUR forwards

→ Simplistic explanation: strategies that buy an asset when it has a positive return over recent history and sell an asset when it has a negative return over recent history.

→ Trend following strategies have been used for decades with live manager track records dating back to the 1970s

→ With no structural long or short bias, trend following exhibits low-to-no correlation on average to major market risks

→ Trend following has exhibited a negative conditional correlation to equity markets during drawdown periods resulting in a convex return profile

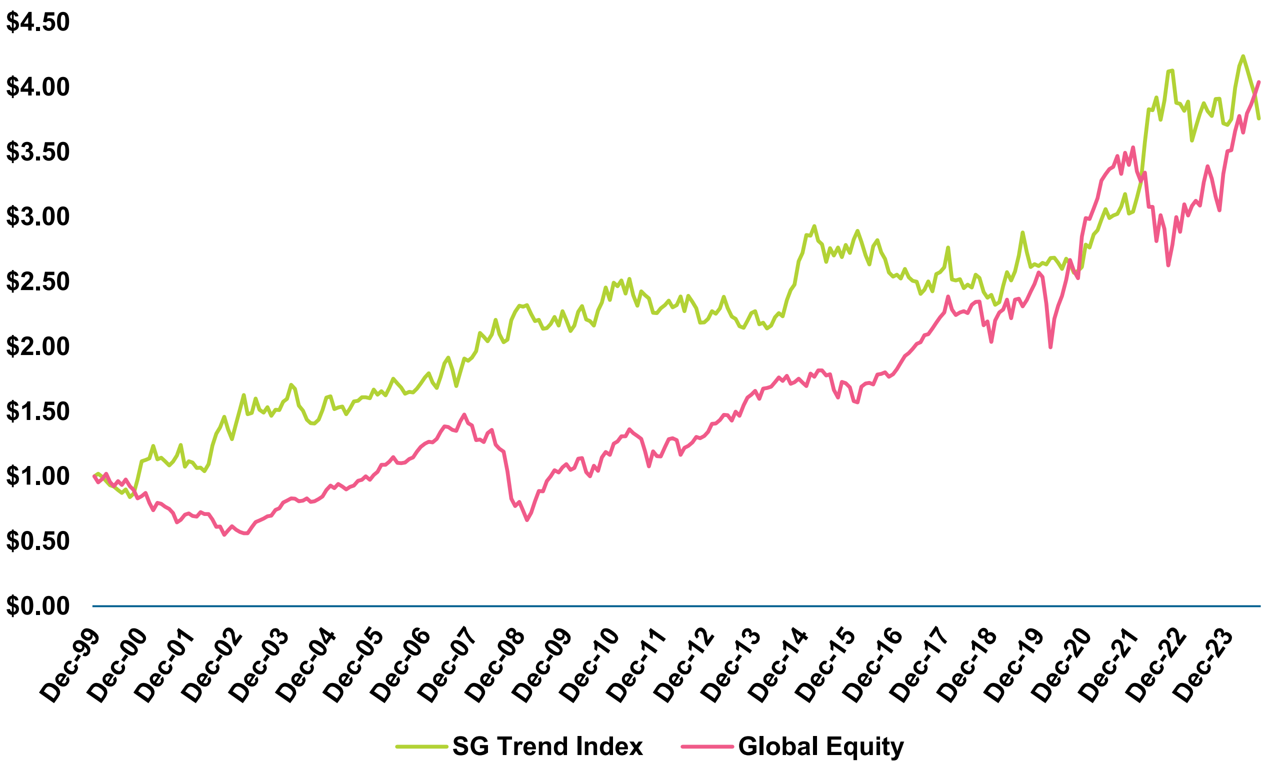
→ The best returns for trend following strategies have typically occurred during the best and worst periods for equities

→ Trend following typically underperforms in sideways markets or at fulcrum points when markets reverse up (or down) after a sustained trend, creating a drawdown profile that is complementary to equities

Performance Characteristics: Full Cycle Returns

- The SG Trend Index is a reasonable representation of long-term returns for trend following strategies comprised of 10 equally weighted large trend following managers, reconstituted each year.
- Trend Following has historically provided diversification to equities with a similar risk-adjusted return

Growth of $1 from 2000 to September 2024



Source: Societie Générale, MSCI. Global Equity = MSCI ACWI.

Year	Global Equity	SG Trend Index
2000	-14%	12%
2001	-16%	0%
2002	-19%	26%
2003	35%	12%
2004	16%	3%
2005	11%	1%
2006	22%	8%
2007	12%	9%
2008	-42%	21%
2009	35%	-5%
2010	13%	13%
2011	-7%	-8%
2012	17%	-4%
2013	23%	3%
2014	5%	20%
2015	-2%	0%
2016	9%	-6%
2017	25%	2%
2018	-9%	-8%
2019	27%	9%
2020	17%	6%
2021	19%	9%
2022	-18%	27%
2023	-4%	22%
Q3 2024	18%	2%

Ann. Return	5.5%	5.9%
Monthly StDev	16.0%	13.5%
Sharpe Ratio	0.3	0.3

Diversifiers Description

In aggregate or isolation, Diversifiers seek to meet several key criteria:

→ Higher expected risk-adjusted returns than First and Second Responders.

→ Uncorrelated to First and Second Responders.

→ Uncorrelated to traditional risk factors (e.g., equities, credit spreads, rates) on average.

Diversifiers

Global Macro

Summary
→ Attempts to profit by predicting market moves or finding inefficiencies through systematic and / or discretionary analysis

Common Implementation:
→ Liquid global futures / forwards contracts across equities, bonds, currencies, and commodities

Alternative Risk Premia

Summary
→ Harvests non-traditional risk premiums in a market neutral fashion (Value, Carry, Momentum)

Common Implementation:
→ Liquid global futures / forwards contracts across equities, bonds, currencies, and commodities
→ Single name equities

Insurance Linked Strategies

Summary
→ Harvests a risk premium linked to property damage insurance contracts related to natural catastrophes

Common Implementation:
→ Modestly illiquid reinsurance contracts

Relative Value / Event Driven

Summary
→ Attempts to profit from market inefficiencies related to idiosyncratic events or relative value opportunities

Common Implementation:
→ Liquid global futures / forwards contracts across equities, bonds, currencies, and commodities
→ Single name equities

Equity Market Neutral

Summary
→ Uses a systematic approach to profit from pricing anomalies related to mean reversion or technical analysis

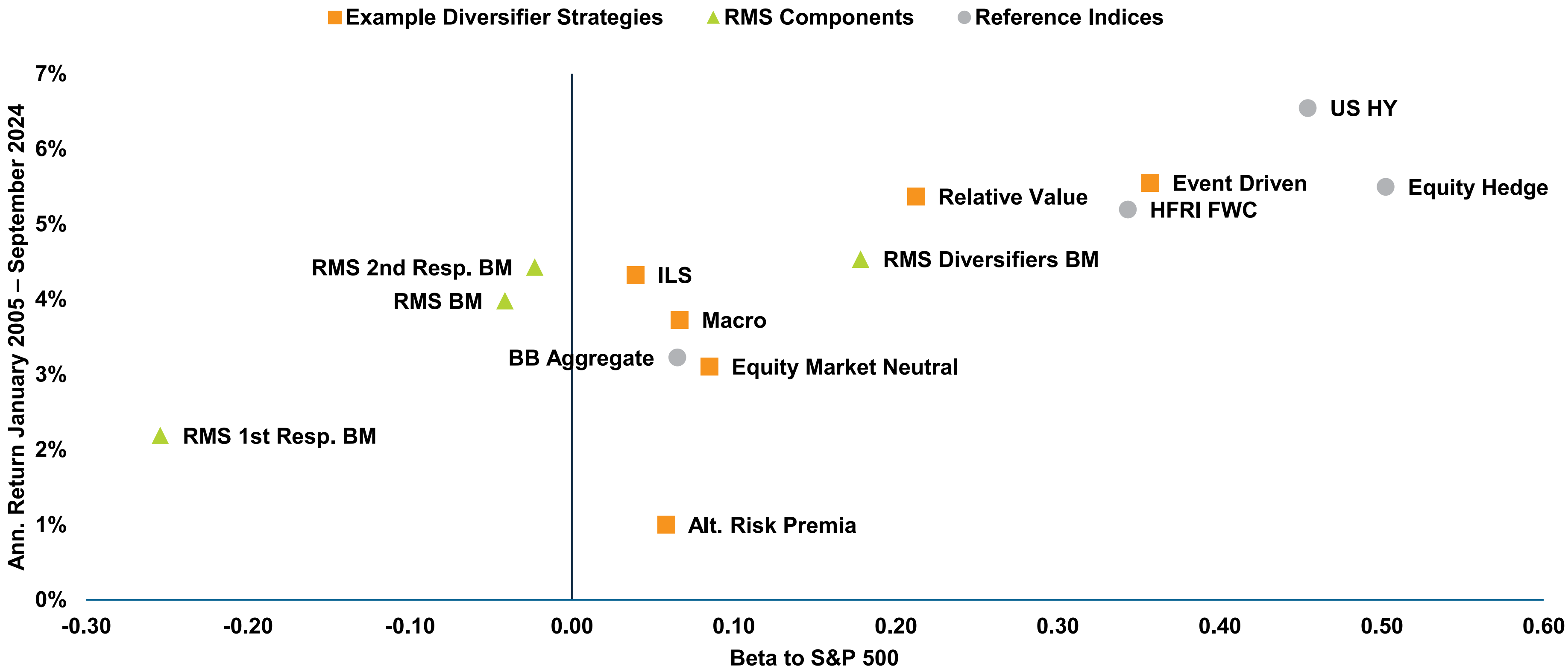
Common Implementation:
→ Single name equities

Multi-Strategy

Summary
→ A diversified portfolio of multiple investment strategies or portfolio managers

Common Implementation:
→ Liquid global futures / forwards contracts across equities, bonds, currencies, and commodities
→ Single name equities

Diversifiers’ Returns and Beta Exposure Comparison



- Diversifiers are meant to have a beta of +/- 0.2 to equity markets in isolation or aggregate
- There can be significant variation of beta exposures by manager and strategy within each diversifier category
- Factors such as liquidity, RMS program design, and overall client objectives need to be considered

* Source: eVestment. Jan. ‘05 through September 2024 using monthly data. “Diversifiers Benchmark” is an equally weighted, annually rebalanced composite of the following HFRI indices: Macro, Event Driven, Equity Market Neutral, Relative Value.

RMS Review

- Negative RMS returns in recent periods have been driven primarily by 2nd Responders (trend following) but longer-term RMS results have been bolstered by strong trend performance in 2020, 2021, and 2022.
- Diversifiers have overall served as a key ballast in recent periods.
- There can be large amounts of variation across RMS portfolios depending on which 1st responders are used
- Overall RMS continues to meet expectations and can serve a key role in portfolios.

	Q1	1Yr	3Yr	5Yr	7Yr	10Yr	2024	2023	2022	2021	2020
HFRI Fund Weighted Composite Index	-0.4	4.6	4.6	9.5	5.6	5.0	9.8	8.1	-4.1	10.2	11.8
RMS Aggregate Benchmark	-0.2	-1.7	1.1	3.1	3.8	2.1	2.9	0.0	5.9	3.6	10.8
RMS 1st Responders Benchmark	3.5	3.4	-2.9	-4.6	0.5	-0.5	-2.6	-1.7	-10.9	-7.1	21.6
Bloomberg US Long Treasury	4.7	1.3	-7.2	-7.9	-1.0	-0.6	-6.4	3.1	-29.3	-4.6	17.7
HFR Long Volatility Index	2.3	1.8	0.7	-0.3	4.0	2.2	0.5	-6.5	11.5	-3.6	39.2
RMS 2nd Responders Benchmark	-4.7	-12.9	0.5	6.2	5.4	2.2	2.6	-4.2	27.4	9.1	6.3
SG Trend Index	-4.7	-12.9	0.5	6.2	5.4	2.2	2.6	-4.2	27.4	9.1	6.3
RMS Diversifiers Benchmark	0.7	5.3	4.9	7.5	4.7	4.1	8.6	5.8	1.2	8.7	4.5
HFRI Macro (Total) Index	0.1	-0.7	2.4	5.7	4.4	2.8	5.5	-0.3	9.0	7.7	5.4
HFRI Relative Value (Total) Index	1.7	7.8	5.3	7.8	4.8	4.5	8.6	7.0	-0.7	7.6	3.4
HFRI EH: Equity Market Neutral Index	1.8	7.9	6.6	6.0	3.8	3.7	10.5	6.0	1.2	7.1	-0.1
HFRI Event-Driven (Total) Index	-0.7	6.5	5.1	10.6	5.7	5.2	9.8	10.4	-4.8	12.4	9.3
SG Multi Alternative Risk Premia Index	3.8	5.7	8.3	4.9	2.3	---	9.4	6.4	4.8	7.6	-14.9
HFRI Equity Hedge (Total) Index	-1.5	4.8	4.8	11.2	6.2	5.9	11.9	11.4	-10.1	11.7	17.9
MSCI ACWI IMI-ND	-1.6	6.3	6.3	15.0	8.7	8.6	16.4	21.6	-18.4	18.2	16.3
Bloomberg US Aggregate	2.8	4.9	0.5	-0.4	1.6	1.5	1.3	5.5	-13.0	-1.5	7.5
Bloomberg Commodity	8.9	12.3	-0.8	14.5	5.4	2.8	5.4	-7.9	16.1	27.1	-3.1

Annualized and Calendar Year Returns*

RMS Programs may be enhanced through:

- Manager Selection
- Portfolio Construction
- Capital Efficiency
- Rebalancing
- Negotiated Terms

	1 Year	3 Year	5 Year	7 Year	10 Year	Jan 05 – Feb. 25
RMS Benchmark	2.2%	2.7%	4.3%	3.4%	2.3%	4.3%
First Responders Benchmark	-1.1%	-4.1%	-0.7%	0.8%	-0.6%	3.4%
Second Responders Benchmark	-1.7%	5.5%	6.9%	4.2%	2.6%	4.2%
Diversifiers Benchmark	9.1%	5.6%	5.9%	4.5%	4.3%	4.6%
S&P 500	24.7%	11.4%	14.9%	13.2%	13.6%	10.4%
MSCI ACWI	18.8%	7.6%	10.5%	8.3%	9.4%	7.8%
Bloomberg US Agg	4.3%	-0.8%	-0.2%	1.5%	1.4%	3.1%
Bloomberg US Treasury (20+ Y)	0.2%	-10.4%	-6.2%	-1.4%	-1.3%	3.5%
HFRI Fund Weighted Composite	10.4%	5.4%	7.2%	5.5%	5.3%	5.2%

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
RMS Benchmark	2.0%	-0.2%	6.7%	3.7%	11.0%	5.3%	-2.4%	1.8%	-1.0%	0.0%	11.4%	0.0%	-1.7%	5.1%	10.8%	0.0%	16.8%	9.0%	5.2%	5.3%
First Responders Benchmark	-5.4%	-2.2%	-8.3%	-6.6%	22.3%	0.8%	2.9%	-1.7%	-2.3%	0.1%	11.2%	-9.0%	-7.1%	25.5%	10.9%	-9.2%	39.8%	9.7%	0.8%	6.9%
Second Responders Benchmark	2.6%	-4.2%	27.4%	9.1%	6.3%	9.2%	-8.1%	2.2%	-6.1%	0.0%	19.7%	2.7%	-3.5%	-7.9%	13.1%	-4.8%	20.9%	8.6%	8.2%	0.7%
Diversifiers Benchmark	8.6%	5.8%	1.2%	8.7%	4.5%	5.9%	-1.9%	5.0%	5.4%	-0.2%	3.4%	6.4%	5.6%	-2.4%	8.6%	14.2%	-10.2%	8.0%	10.8%	6.6%
S&P 500	25.0%	26.3%	-18.1%	28.7%	18.4%	31.5%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%	26.5%	-37.0%	5.5%	15.8%	4.9%
MSCI ACWI	16.4%	21.6%	-18.4%	18.2%	16.3%	26.4%	-10.1%	23.9%	8.4%	-2.2%	3.8%	23.6%	16.4%	-7.9%	14.3%	36.4%	-42.3%	11.2%	20.9%	11.6%
Bloomberg US Agg	1.3%	5.5%	-13.0%	-1.5%	7.5%	8.7%	0.0%	3.5%	2.6%	0.5%	6.0%	-2.0%	4.2%	7.8%	6.5%	5.9%	5.2%	7.0%	4.3%	2.4%
Bloomberg US Treasury (20+ Y)	-8.0%	2.7%	-31.1%	-4.4%	18.1%	15.1%	-2.0%	9.0%	1.4%	-1.6%	27.5%	-13.9%	3.4%	33.8%	9.4%	-21.4%	33.7%	10.2%	0.9%	8.6%
HFRI Fund Weighted Composite	9.8%	8.1%	-4.1%	10.2%	11.8%	10.4%	-4.7%	8.6%	5.4%	-1.1%	3.0%	9.1%	6.4%	-5.3%	10.2%	20.0%	-19.0%	10.0%	12.9%	9.3%

* Source: eVestment. Please see "RMS Benchmark Composition" methodology in the Appendix.

Appendix

RMS Benchmark Composition

RMS Benchmark is equally weighted, rebalanced each calendar year

- 1/3rd First Responders Benchmark
- 1/3rd Second Responders Benchmark
- 1/3rd Diversifiers Benchmark

First Responders Benchmark*:

- Equally weighted, rebalanced each calendar year: HFRI Long Volatility Index, Bloomberg US Treasury 20+ Years

Second Responders Benchmark:

- SG Trend Index

Diversifiers Benchmark: equally weighted; rebalanced each calendar year

- 25% HFRI Relative Value
- 25% HFRI Equity Market Neutral
- 25% HFRI Macro
- 25% HFRI Event Driven

* In place of the HFRI Long Volatility Index form January 2005 to July 2011 when the HFRI Long Volatility Index performance begins performance uses the CBOE Eurekahedge Long Volatility Index.

Disclaimer

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Model, simulated or pro-forma performance results (model or the model) are unaudited and do not reflect actual results. Model performance results are for illustrative purposes only and are not necessarily indicative of performance that would have been actually achieved if an investment utilized the strategy during the relevant periods, nor are these simulations necessarily indicative of future performance of the strategy. Inherent limitations of such hypothetical returns are as follows without limitation: 1) model results are generally prepared with the benefit of hindsight; 2) model results do not represent the impact that material economic and market factors might have on an investment adviser's decision-making process if the adviser were actually managing client assets; 3) there are numerous factors related to the markets in general, many of which cannot be fully accounted for in the preparation of hypothetical performance results and all of which may adversely affect actual investment results. Investing involves the risk of loss, including the potential loss of principal, and there can be no assurance the adviser will be able to achieve profitable or results comparable to those expressed herein.

Presentation to

Merced County Employees' Retirement Association

March 5, 2026

Contents

Your L&G team

Faiyaz Hashmi
Investment Director
L&G – Asset Management, America

Neil Olympio, CFA, FIA C.Act, CMT
Co-head of Solutions Strategy
L&G – Asset Management, America

David Chapman, CFA
Head of Multi-Asset
L&G – Asset Management, America

L&G

Firm Overview

Global platform at a glance

L&G is an industry leader with a time-tested global asset management platform

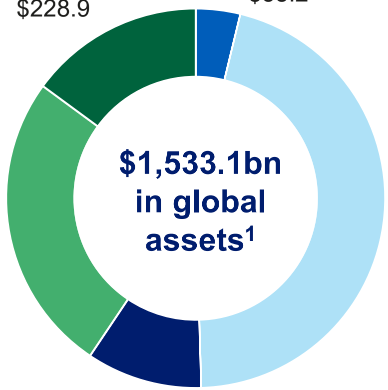
$1,533.1bn
Global assets[1]

9th
Largest manager total worldwide institutional AUM[2]

189 years
Working with clients to help achieve their goals[3]

~700
Investment professionals globally[4]

- Partnering with **~3,000 institutional investor clients from 33 different countries[4]**
- Over **2,600 employees[4]**
- Investment capabilities are designed to meet clients' long-term needs through a range of investment strategies and solutions across public and private assets in active fixed income / custom fixed income solutions (i.e. LDI), equity and multi-asset portfolio solutions, and private markets



1 Global AUM as of June 30, 2025. Assets tallied biannually. "Global AUM" aggregates the assets managed by Legal & General Investment Management Ltd. ("L&G – Asset Management" or "LGIM"), L&G – Asset Management, America, Legal & General Investment Management Asia Limited ("LGIM Asia") and LGIM Singapore Pte. Ltd. ("LGIM Singapore"). The AUM includes the value of securities and derivatives positions. AUM figures converted using the spot rate at the relevant date.

2 Pensions & Investments online. https://www.pionline.com/largest-money-managers/money-managers-set-aum-record-2024-see-opportunities-trump-inspired. Rankings are calculated using AUM of December 31, 2024. No compensation was provided to P&I for consideration in the ranking process. Legal & General Investment Management America, Inc. (d/b/a L&G – Asset Management, America", "LGIM America" or "LGIMA") is a wholly-owned subsidiary of Legal & General Investment Management United States (Holdings) Inc., which is a wholly-owned subsidiary of L&G – Asset Management Limited.

3 L&G – Asset Management, America, a Delaware corporation, is a wholly-owned subsidiary of Legal & General Investment Management United States Holdings, Inc. ("US Holdings"), which itself is a wholly owned subsidiary of L&G – Asset Management Limited. L&G – Asset Management Limited is a financial services holding company wholly-owned by Legal & General Group PLC, ("L&G"), a publicly-traded company in the United Kingdom ("U.K.") that was founded in 1836. Unless otherwise stated, references herein to "L&G", "we" and "us" are meant to capture the global conglomerate that includes Legal & General Investment Management Ltd. (a U.K. FCA authorized adviser), Legal & General Investment Management America, Inc. (a US SEC registered investment adviser), Legal & General Investment Management Asia Limited (a Hong Kong SFC registered adviser), Legal & General Investment Management Japan KK (licensed by the FAS in Japan), and LGIM Singapore Pte. Ltd. (licensed by the MAS in Singapore).

4 As of June 30, 2025.

L&G

L&G – Asset Management: Executing a clear path forward

A clear vision to drive growth

L&G's purpose

Investing for the long term. Our futures depend on it.

Inspired by our history, we aim to innovate to improve our clients' futures

L&G – Asset Management proposition:

Here for the long term	Real-world innovation	Sharing success
We draw on a culture of expertise	We meet complexity head on	We only succeed when our clients succeed

Executing the global vision for L&G – Asset Management:

We're a leading global investor, innovating to address complex challenges facing our clients using the power of L&G.

Simplified structure

- Public and private investment management combined into **one asset management business**
- US asset management is a key pillar of future growth
- Focus is to **broaden US capabilities** leveraging strengths and expertise within global fixed income, private markets and insurance provider solutions[1]

Leadership at the helm

António Simões, L&G Group CEO, has appointed experienced leaders to drive growth:

- Eric Adler, CEO of L&G – Asset Management, joined in 2024
- Jed Plafker, CEO of L&G – Asset Management, America, joined in 2025

Note: Pie chart is for illustration only. The slices do not necessarily represent the percentage breakdowns by business.

1 L&G – Asset Management, America is not authorized to promote or distribute insurance products.

Unless otherwise stated, references herein to "L&G", "we" and "us" are meant to capture the global conglomerate that includes Legal & General Investment Management Ltd. (a U.K. FCA authorized adviser), Legal & General Investment Management America, Inc. ("L&G – Asset Management, America" or "LGIMA" (a U.S. SEC registered investment adviser) Legal & General Investment Management Asia Limited (a Hong Kong SFC registered adviser) , Legal & General Investment Management Japan KK (licensed by the FAS in Japan), and LGIM Singapore Pte. Ltd. (licensed by the MAS in Singapore).

Who is L&G – Asset Management, America?

Executive Committee[1]

Jed Plafker
CEO, L&G – Asset Management, America
31 years of industry exp.

Don Andrews
Head of Distribution and Client Solutions
23 years of industry exp.

Alexia Gottschalch
Head of Real Estate Equity, US
30 years of industry exp.

Abby Marfurt
Head of HR
19 years of industry exp.

Mike Reiffsteck
Head of Global Investment Operations
24 years of industry exp.

Pat Ryan
Chief of Staff & Chief Financial Officer
22 years of industry exp.

Jason Shoup
Chief Investment Officer
20 years of industry exp.

Kristina St. Charles
General Counsel and Interim Chief Compliance Officer
14 years of industry exp.

Our purpose: Investing for the long term. Our futures depend on it.

Clients

Number of institutional clients
475

Total AUM[2]
$258.5 billion

Colleagues

Total number of employees
268

5
Employee Resource Groups

Community

Corporate commitments
CFA Institute, IDAC

Habitat for Humanity · OUT IN FINANCE · YWCA Metropolitan Chicago (eliminating racism, empowering women) · YourCause · Junior League of Chicago · Chicago Commons (Thriving across generations.) · wits · WIP Women Investment Professionals

Data as of September 30, 2025 except where otherwise noted. L&G – Asset Management, America's AUM is comprised of $257,508 million in discretionary assets, $372 million in non-discretionary assets and $601 million in real estate non-regulatory assets under advisement.

1 L&G – Asset Management, America personnel as of December 4, 2025.

2 L&G – Asset Management, America's AUM is comprised of $257,508 million in discretionary assets, $372 million in non-discretionary assets and $601 million in real estate non-regulatory assets under advisement. AUM as of December 31, 2025. Assets tallied quarterly. AUM excludes notional value from derivatives positions.

Chief Investment Officer award: 2025 Asset Management & Service Providers survey. Nominees are anonymously submitted by their peers across the industry. Finalists and winners are chosen from the nominee pool by the CIO editorial team in conjunction with an advisory board of former and current CIOS. LGIMA did not compensate CIO for its award. https://www.ai-cio.com/events/2025-cio-influential-investors-forum-and-industry-innovation-awards-dinner/?pid=aw&eday=2.

Our capabilities are designed to meet clients' long-term needs

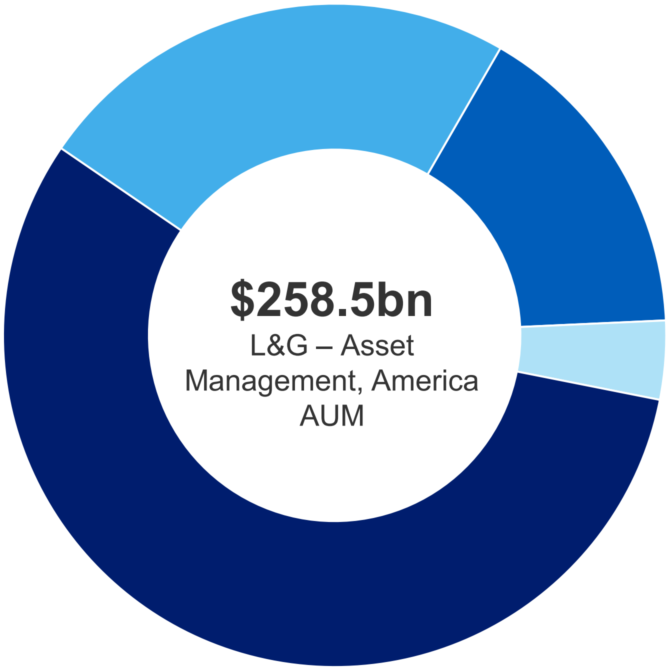
In the US, we offer a broad range of global investment strategies and solutions across public and private assets

Solutions $61.5bn

- *Fixed income:* LDI, cashflow matching and annuity strategies
- *Multi-asset:* Equity and derivative solutions

Active Fixed Income $41.2bn

- Credit strategies across duration spectrum
- Treasury and government portfolios
- Securitized and structured products



Equity $145.9bn

- Traditional market cap replication
- Index Plus solutions
- Alternative approaches

Private Markets $9.9bn

- Private credit: Corporate, infrastructure, alternatives
- Real estate: Debt and equity

L&G – Asset Management, America's AUM is comprised of $257,508 million in discretionary assets, $372 million in non-discretionary assets and $601 million in real estate non-regulatory assets under advisement. AUM as of December 31, 2025. Assets tallied quarterly. AUM excludes notional value from derivatives positions. Please note numbers may not add up due to rounding.

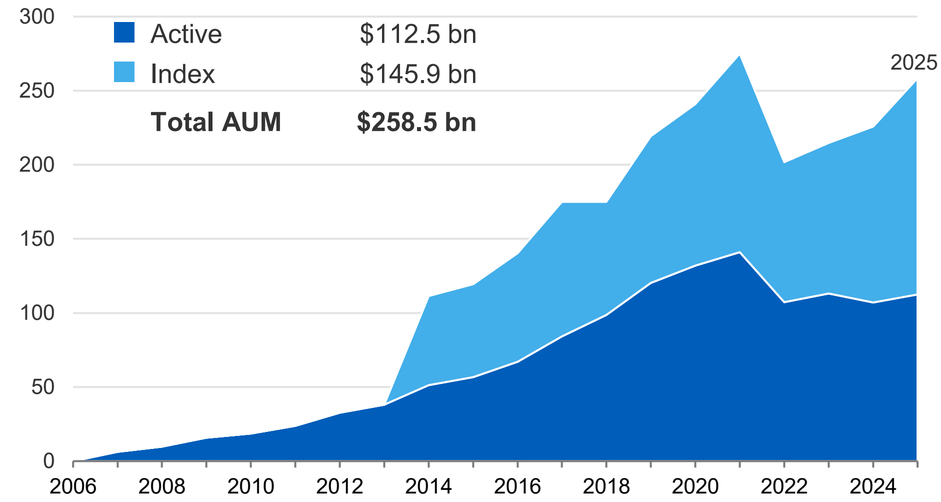
US – Evolving to meet our clients' needs

We acknowledge what we're good at and marry that with evolving and complex client needs

The strength in our credit history positions us well to push into the next generation

- LDI looks different today; how do we evolve using our principles
- Explore alternatives, including higher-yielding fixed income
- Create hybrid public and private investment solutions
- Capitalize on our real estate equity partnerships and capabilities
- Broaden investment capabilities to provide greater options for our clients

Over a decade of strong growth



Clear L&G commitment to US growth

✓ Providing resources to enhance our ability to serve our clients

✓ Deepening the Chicago-based investment team to add to the depth of talent

✓ Strengthening our global positioning makes us more useful with our global partners

Relentless focus

Investment performance

Solutions and customization

Operational excellence

Client-centric service

1 L&G – Asset Management, America's AUM is comprised of $257,508 million in discretionary assets, $372 million in non-discretionary assets and $601 million in real estate non-regulatory assets under advisement. AUM as of December 31, 2025. Assets tallied quarterly. AUM excludes notional value from derivatives positions. Please note numbers may not add up due to rounding.

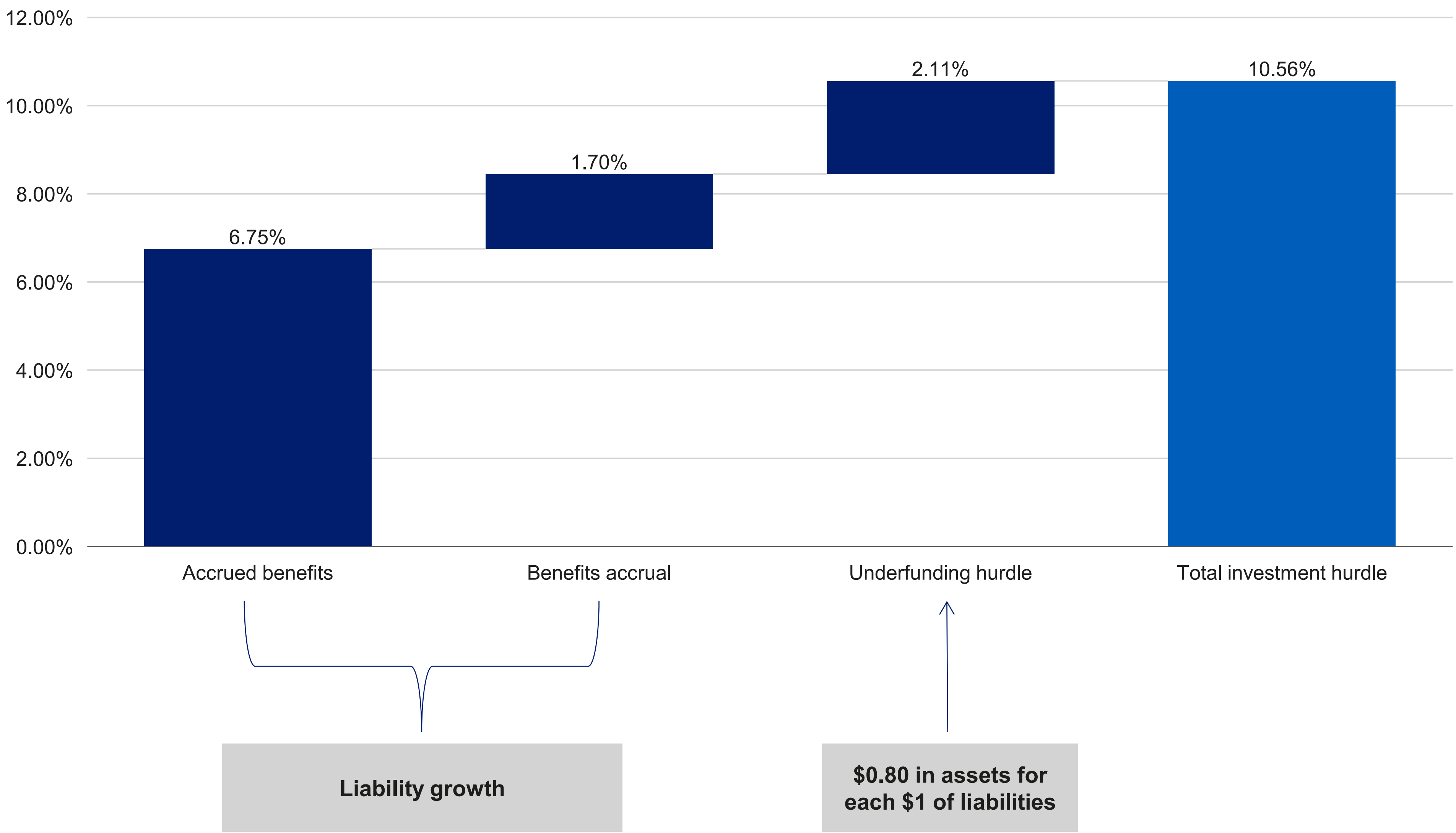
Investment objective:

Meet long-term benefit obligations through contributions and investment returns

The path to success

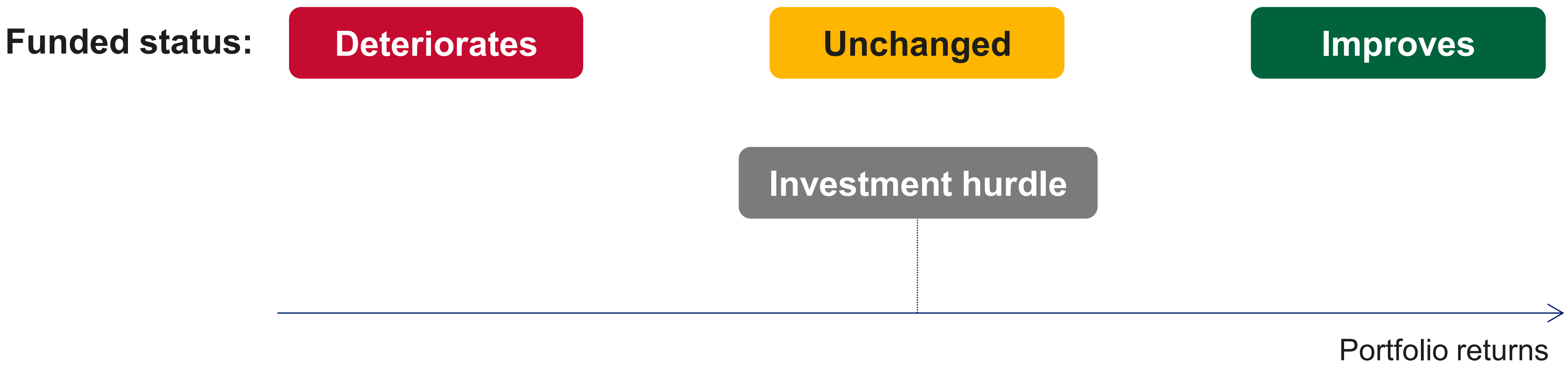
- Asset returns
- Contributions
- Liquidity & risk management
- Dynamic asset allocation

What does it take to maintain the funding level?



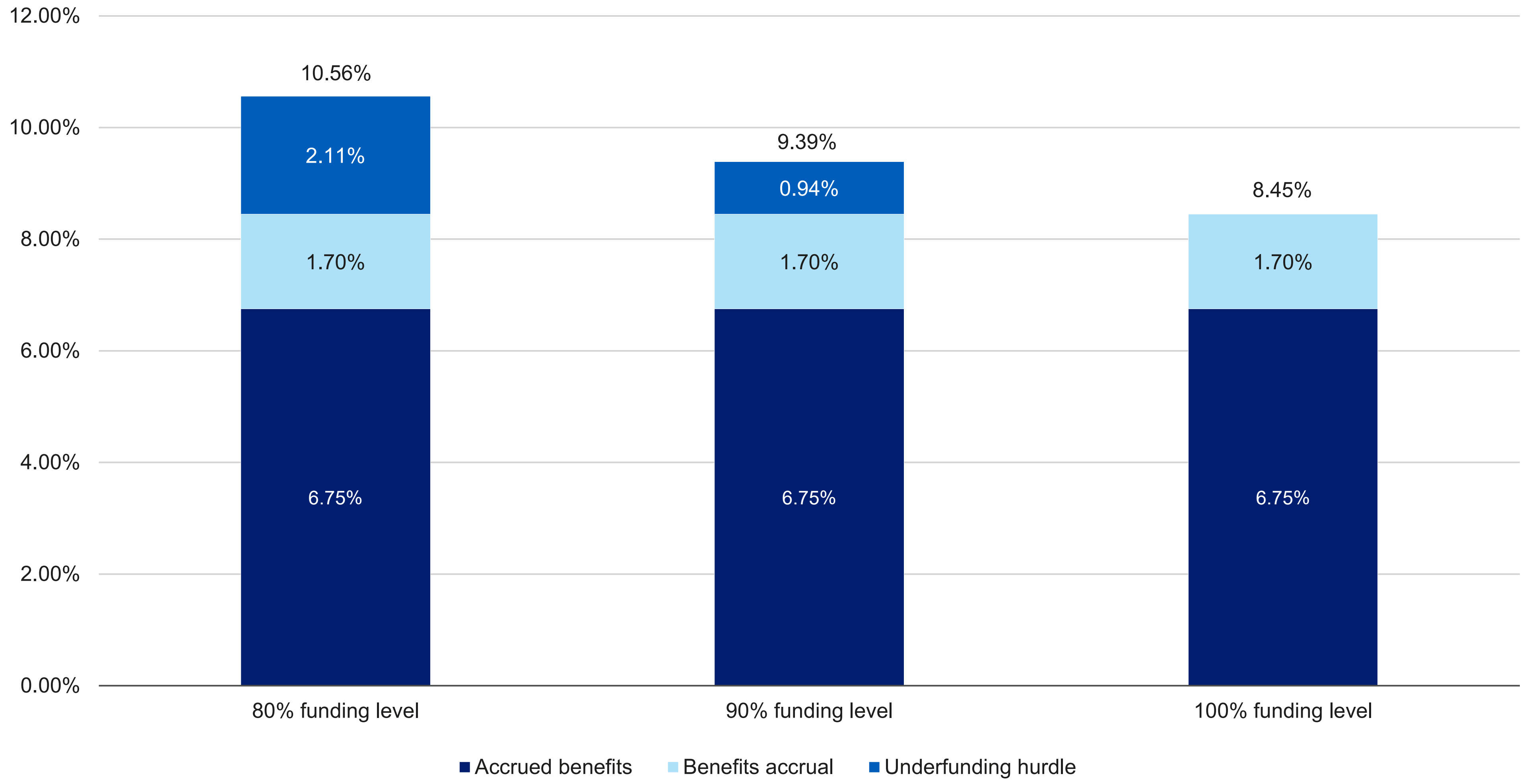
For illustrative purposes only.

Asset returns hurdle implications



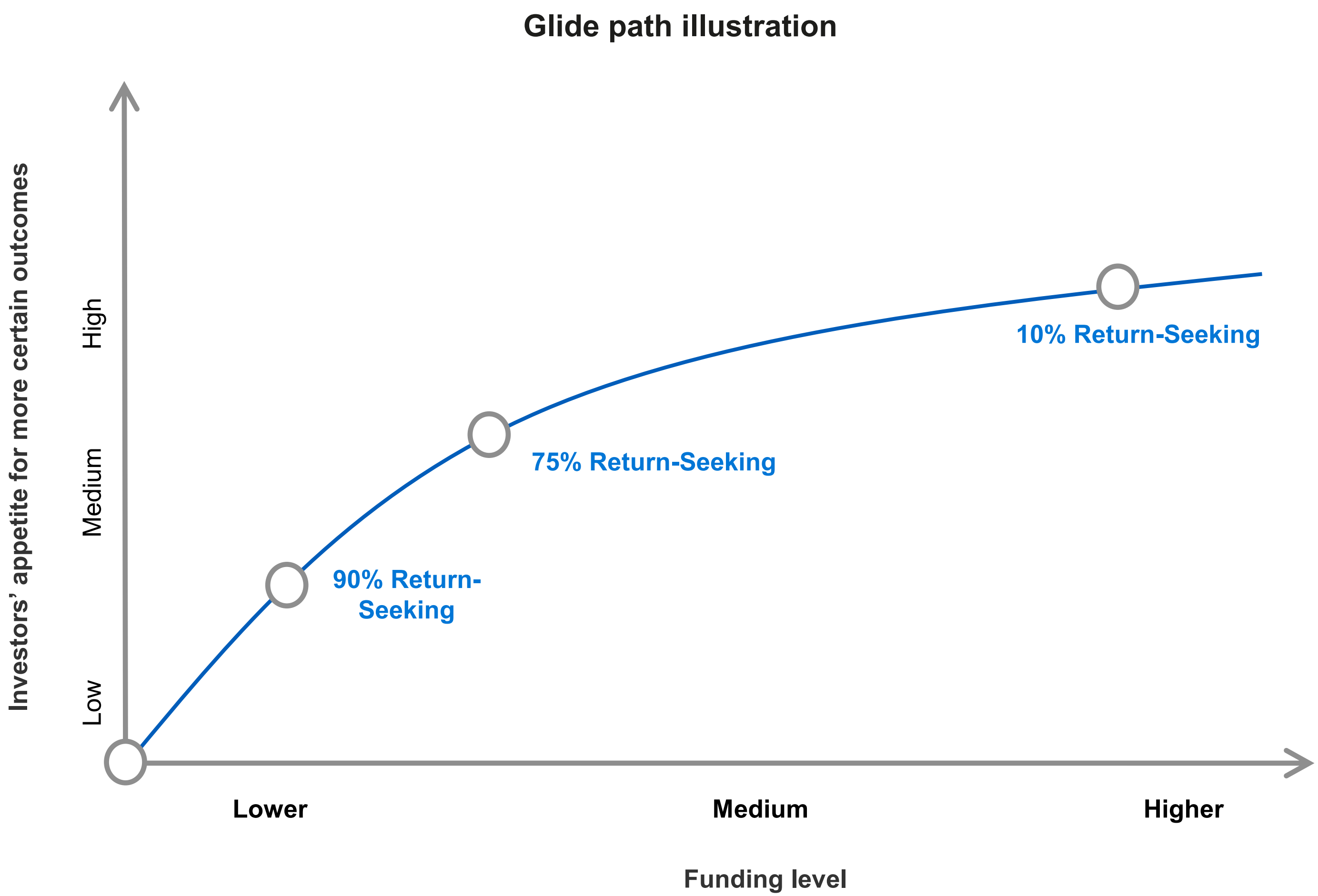
For illustrative purposes only.

Investment hurdle drops as funding position improves



For illustrative purposes only.

Adjusting allocations as funding level improves



For illustrative purposes only.

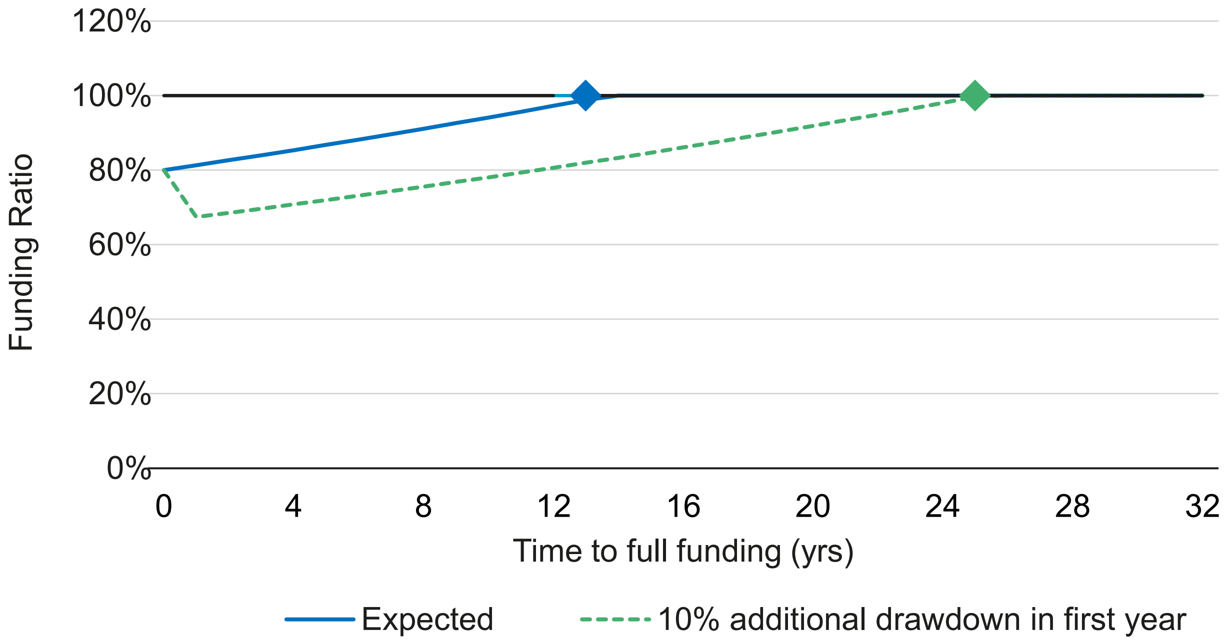
Cash flow negative position can be costly

	Initial	Cashflow	Final
Assets	$1,400	-14	$1,386
Liabilities	$1,750	-14	$1,736
Surplus/(deficit)	-$350		-$350
Funding position	80.0%		79.8%

For illustrative purposes only.

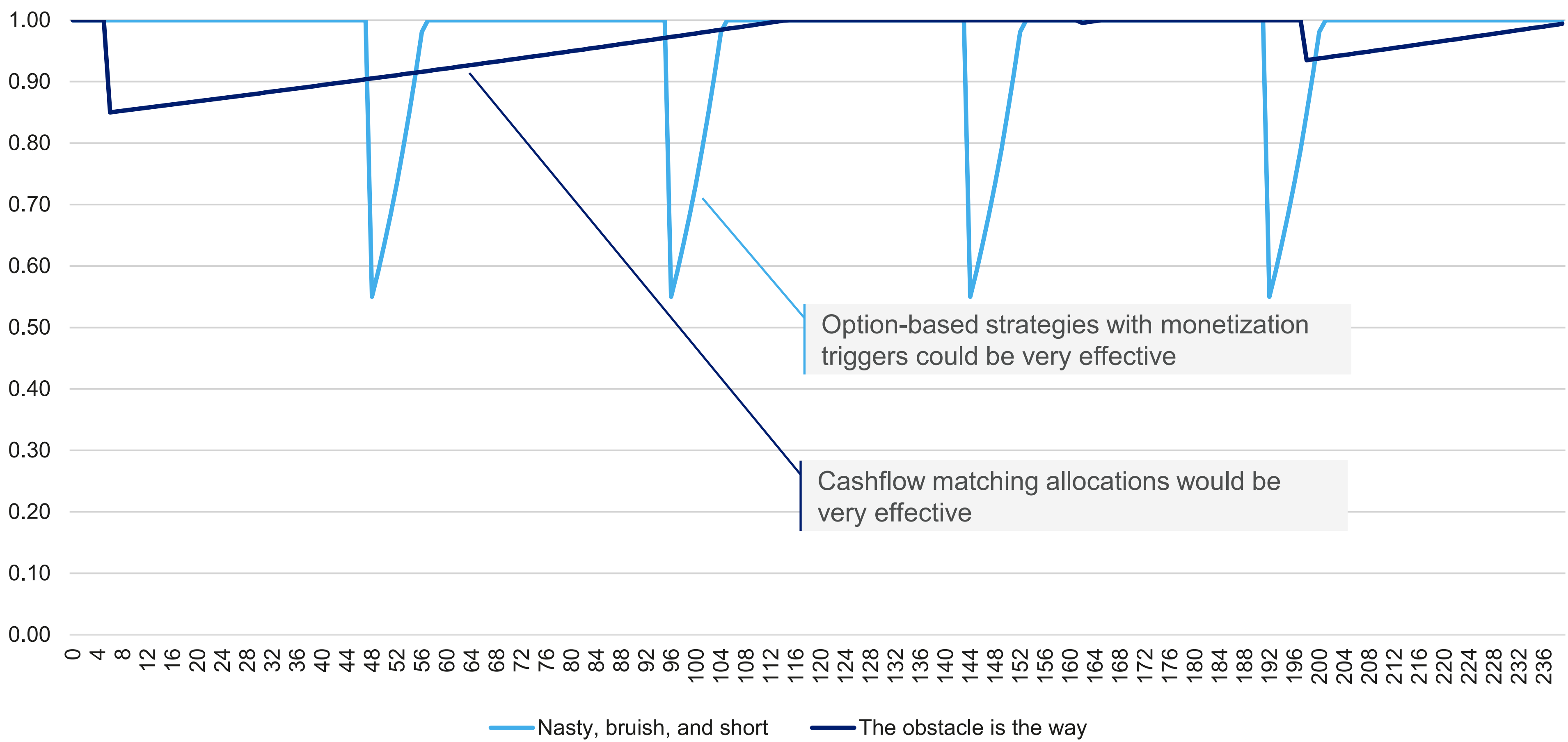
Additional liquidity considerations

Significant drawdowns can impact the time it would take for plans to get to full funding and cause meaningful disruption for plan sponsors



For illustrative purposes only.

Drawdowns & “Submergence Intensity”

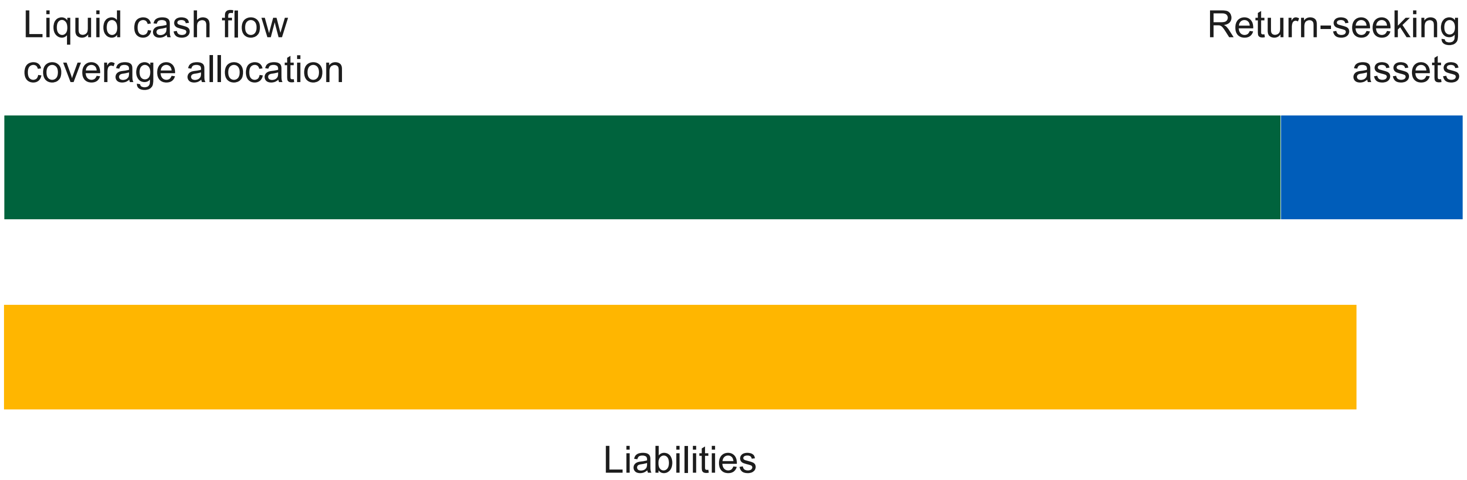


For illustrative purposes only.

As the funding position improves, the return requirement drops. Risk needs to be sized accordingly.

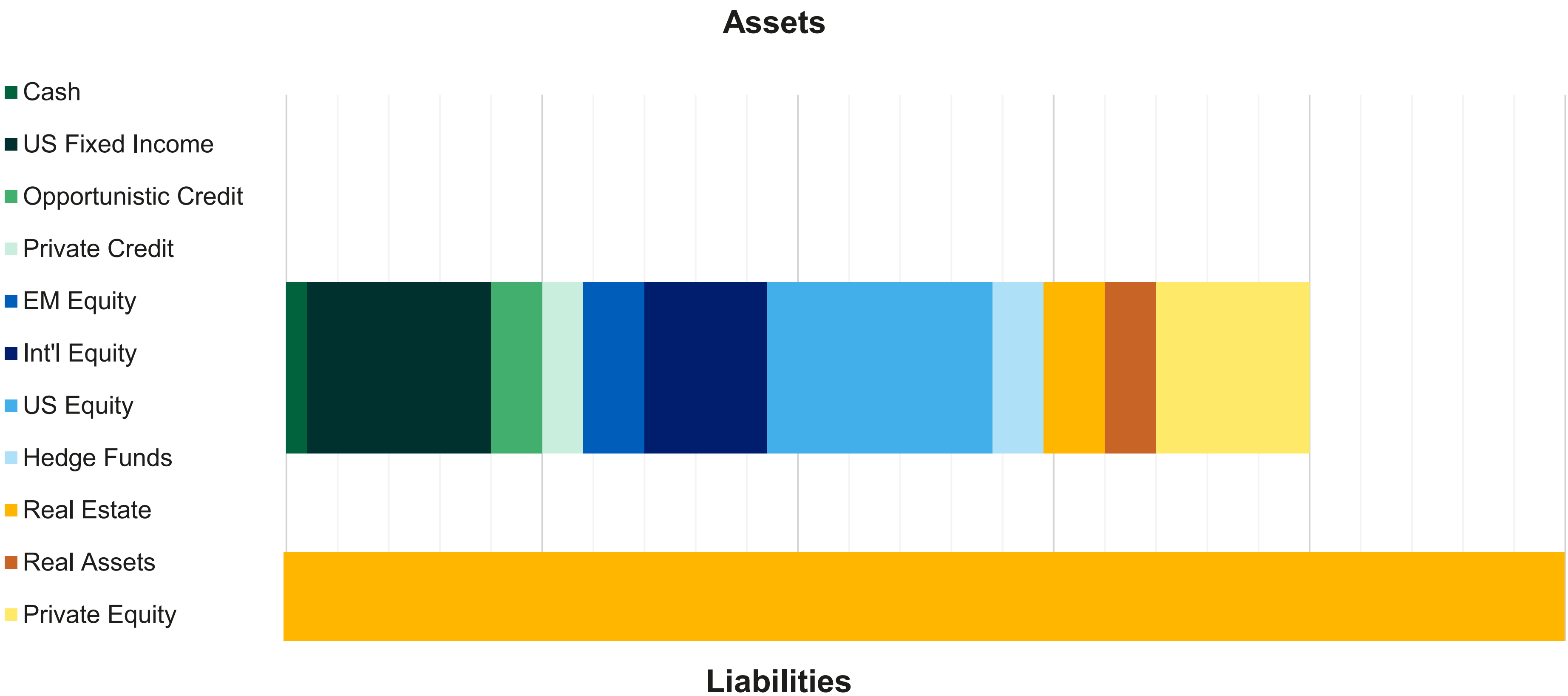
Negative net cash flow position can create significant additional pressure for underfunded plans. Cash flow management is essential.

What does success look like?



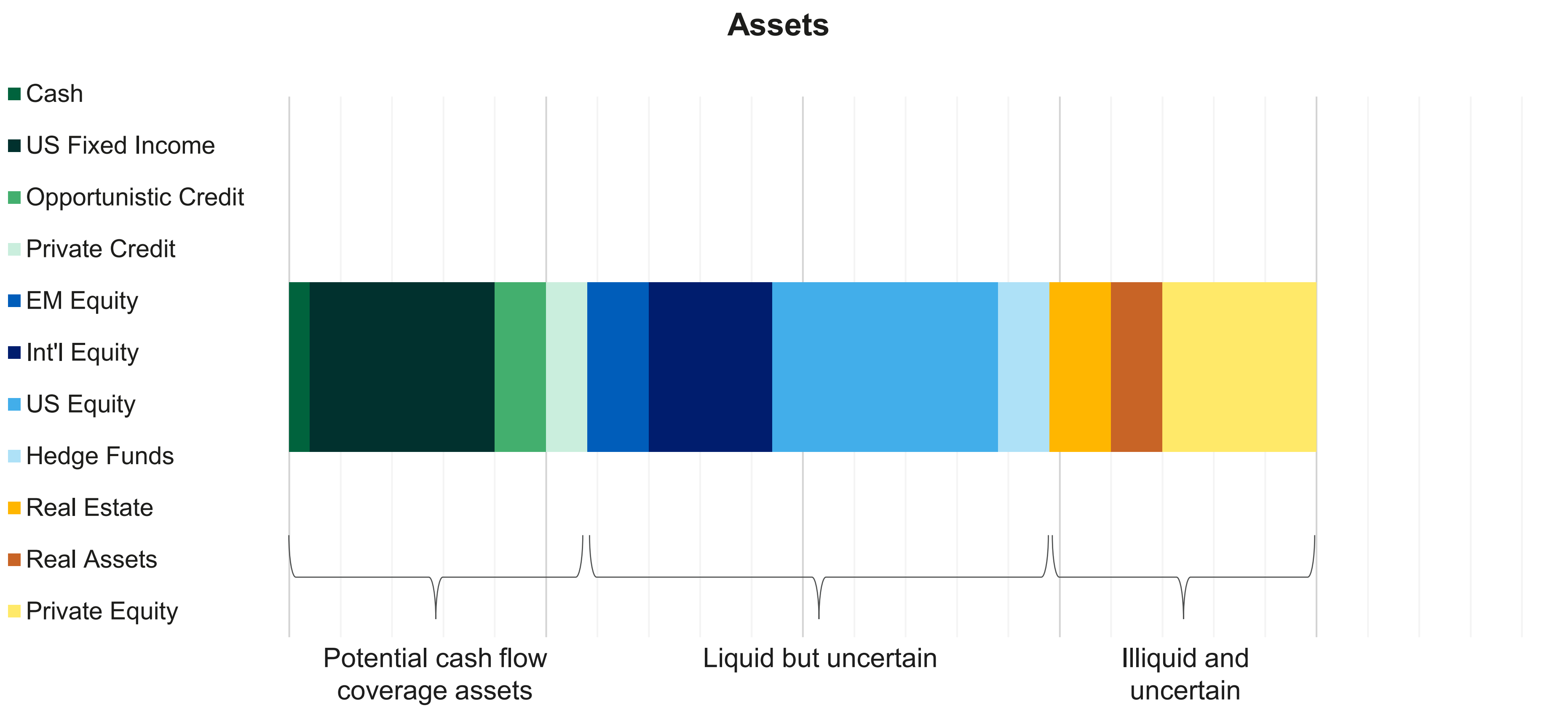
For illustrative purposes only.

Where are we today?



Source: Merced Cera Meketa's December 31, 2025 Flash Report.
For illustrative purposes only.

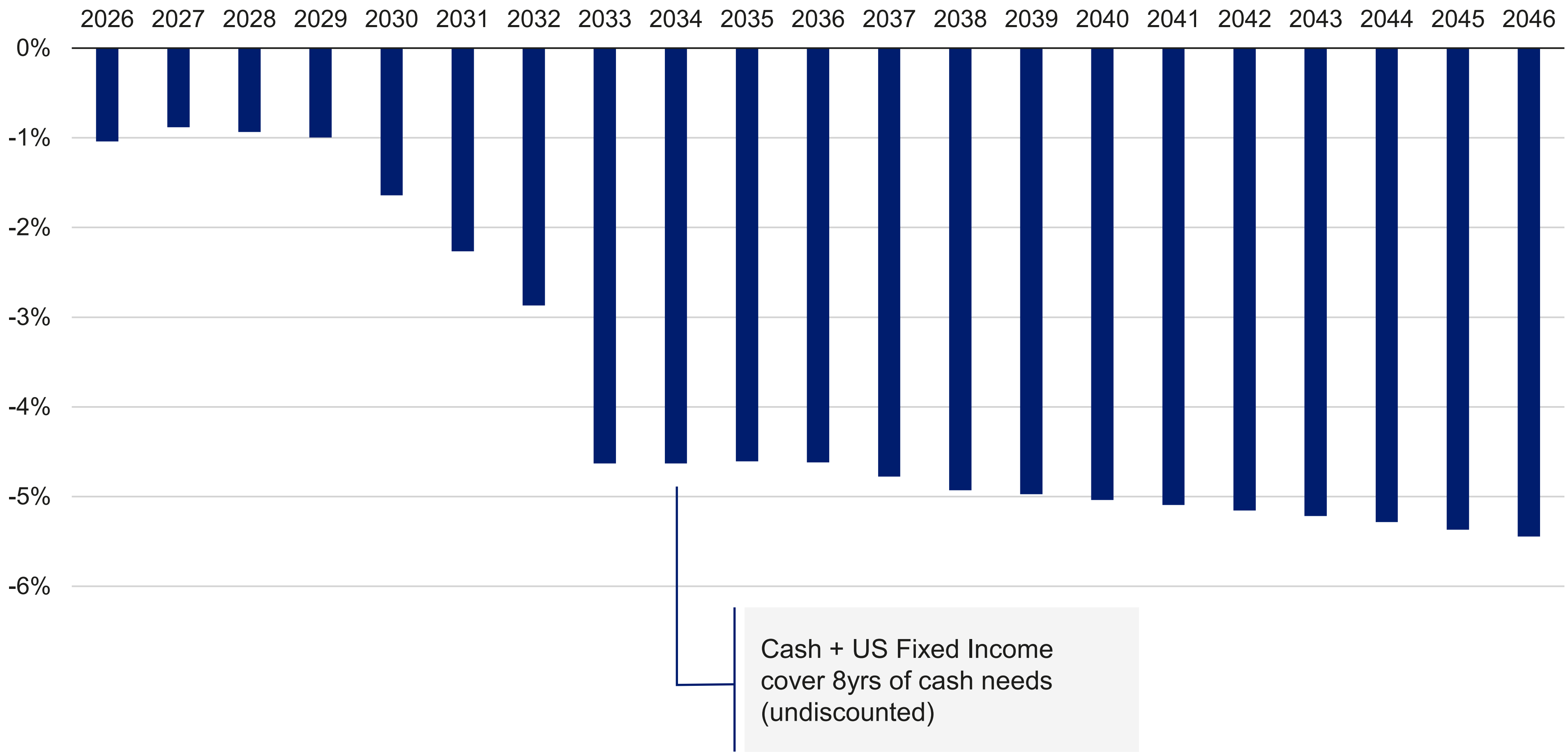
Where are we today?



Source: Merced Cera Meketa's December 31, 2025 Flash Report and L&G – Asset Management, America.
For illustrative purposes only.

Liquidity and risk management

Estimated net cash as a % of plan assets



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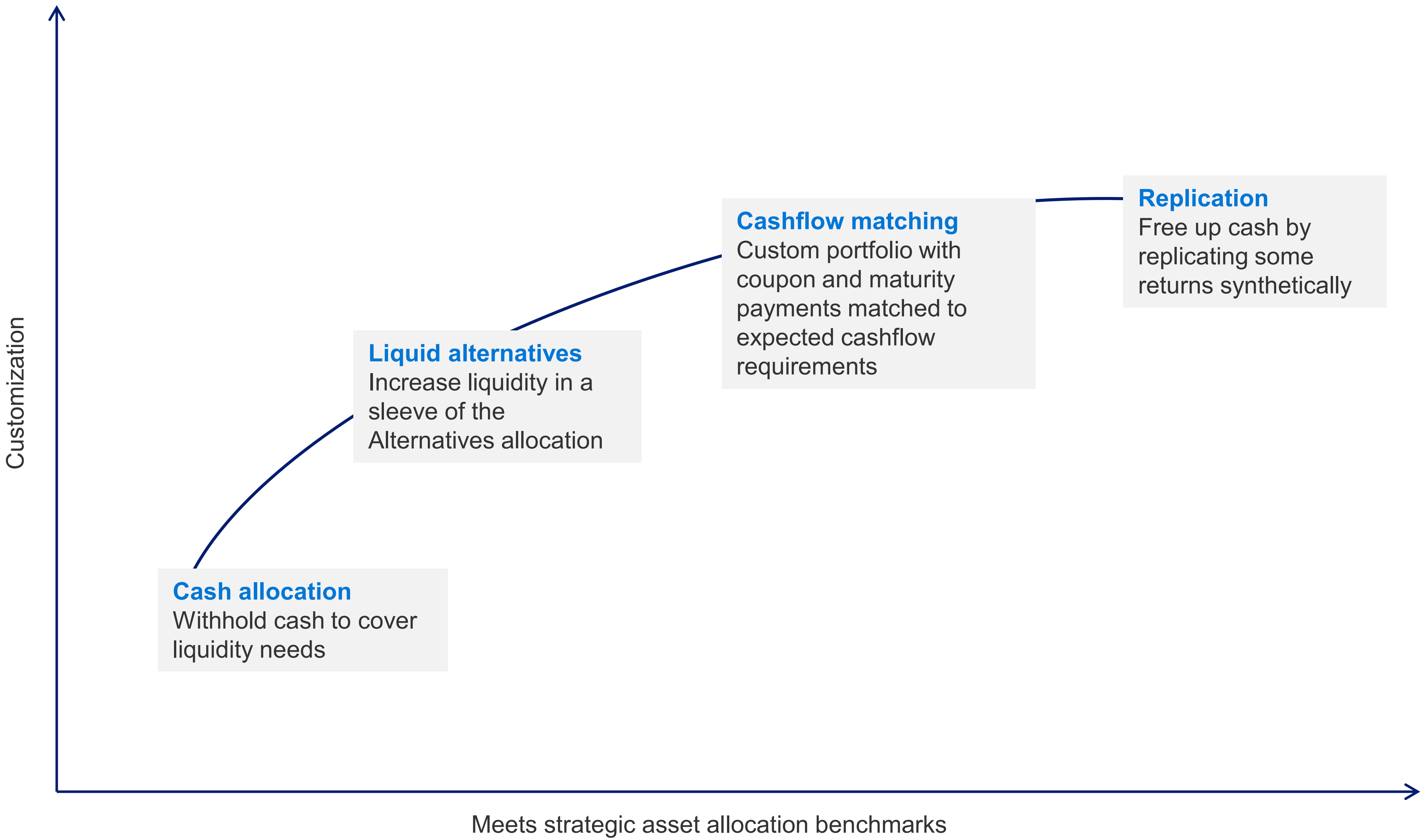
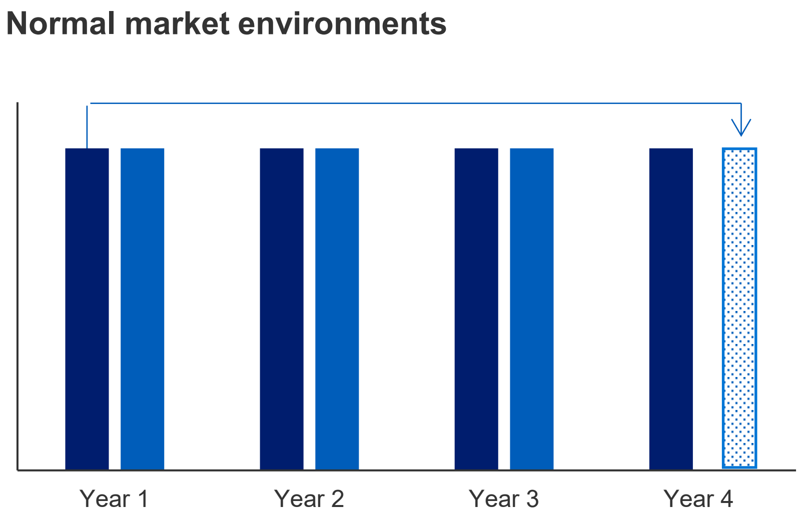
Liquidity-enhancing strategies

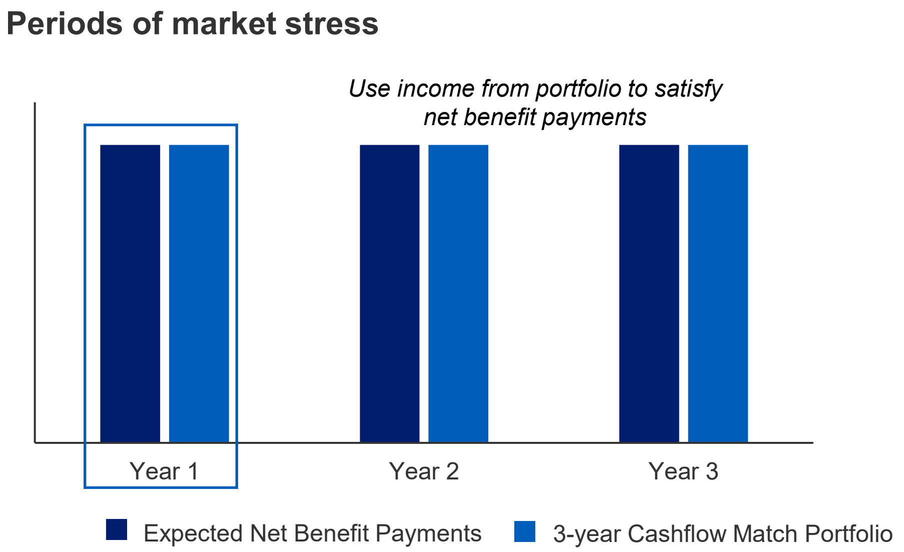


For illustrative purposes only.

Front-end Cash Flow Coverage Portfolio

- Avoid being a forced seller of risk
- Similar to a liquidity insurance policy





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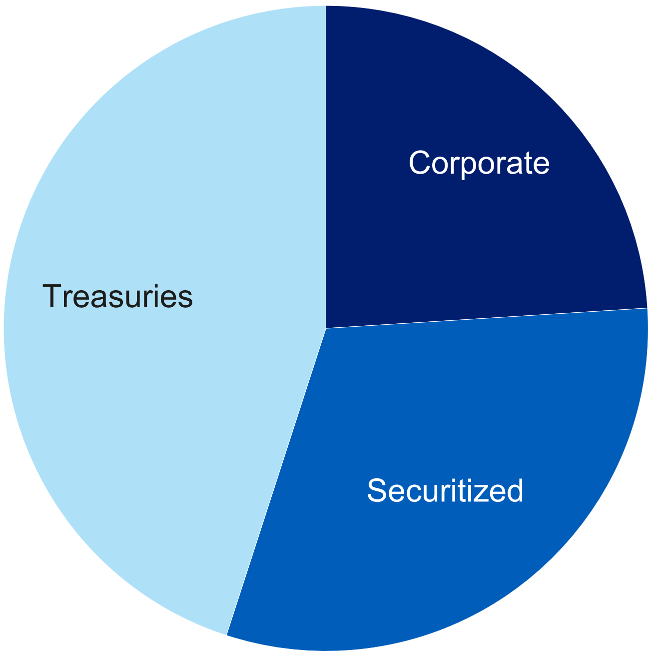
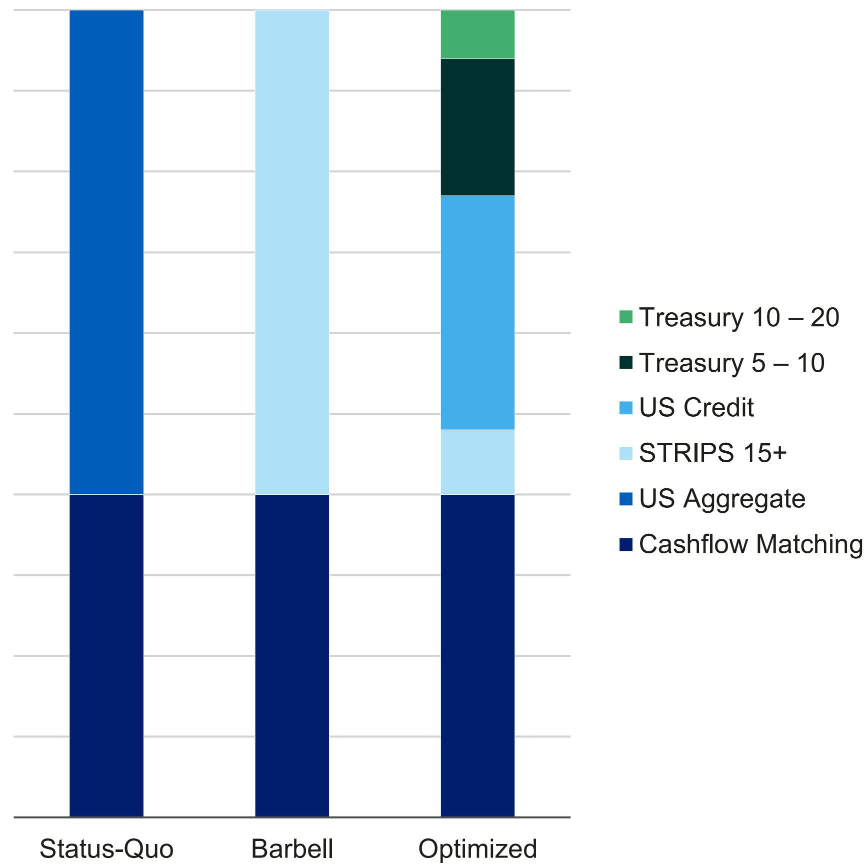
Liquidity and risk management

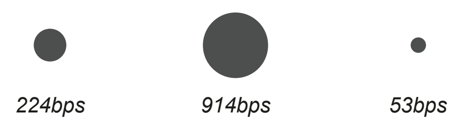
US Aggregate Sector Exposures



Example Alternative Fixed Income Portfolios



Tracking error to US Aggregate Index



For illustrative purposes only.

Right-risking the portfolio as funding position improves

Pay benefits as they come due

Cash Flow Coverage sleeve

Cover new benefit accruals

Return seeking allocation

Dynamic allocation

Evolving asset mix

For illustrative purposes only.

Advantages of the approach

1

Does not disrupt the existing policy

Any current US Agg policy would remain.

2

Provides liquidity during downturns

This is important to avoid being a forced seller at the most inopportune time.

3

Evolves with improvements in funding position

It starts with front-end cash flow matching, and the cash flow coverage will lengthen as the funding position improves and the allocation to return seeking assets is decreased.

4

Consistent with regulatory risk awareness

Since 2023, the LDROM (Low-Default-Risk Obligation Measure) metric illustrates the cost of de-risking. It measures public pension liabilities using high quality bond discount rates instead of the expected return on assets.

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Thank you

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Biographies

Biographies

David Chapman, CFA, Head of Multi-Asset, L&G – Asset Management, America

David Chapman is the Head of Multi-Asset at L&G – Asset Management, America. In his role, he is responsible for the oversight of our asset allocation and quantitative solutions, including overlays, hedging and multi-asset funds.

Dave joined the firm in 2015. Prior to this, Dave was the Chief Investment Officer for ALAS, Inc., a professional liability mutual insurance company. Prior to ALAS, he was with Ascension Investment Management where he was the Managing Director responsible for asset allocation and investment risk management across a variety of institutional investors and plan sponsors. Dave began his investment career as a Portfolio Manager at BlackRock.

Dave earned a BS in Business Administration from Washington University in St. Louis and an MBA from the University of Michigan. He is a CFA charterholder and holds a Series 3 license registered with the NFA.

Faiyaz Hashmi, Investment Director, L&G – Asset Management, America

Faiyaz Hashmi is an Investment Director at L&G – Asset Management, America. In his role, he is responsible for raising capital from US institutional investors and representing the full suite of L&G investment capabilities.

Prior to joining the firm in 2025, Faiyaz was Vice President of Institutional Business Development at BlackRock, where he participated in managing institutional client assets by aligning investment strategies with client objectives across equity, fixed income, and multi-asset portfolios. Prior to this, Faiyaz was Assistant Vice President of Institutional Relationship Management at T. Rowe Price, where he attained assets under management growth and improved client retention by managing strategic initiatives for institutional investors spanning multi-asset, alternatives, equity and fixed-income portfolios. Faiyaz also spent time at Aon Investments as a Consultant and Senior Investment Analyst.

Faiyaz earned a BS in Finance from DeVry University and MFE from Ohio University.

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Biographies

Neil Olympio, CFA, FIA C.Act, CMT, Co-head of Solutions Strategy, L&G – Asset Management, America

Neil Olympio is Co-head of Solutions Strategy at L&G – Asset Management, America. Neil and his team of solution strategists support the development and structuring of customized investment solutions for the firm's client base. He also oversees the design and implementation of custom portfolio solutions for new US client opportunities, including multi-asset, index, equity and fixed income derivatives.

Neil joined the firm in 2017 as a Solutions Strategist. Prior to joining, Neil held several investment roles with UBS Asset Management in both London and Chicago, from asset allocation investment strategy design to portfolio management and international pension risk management including liability-driven investment. Prior to joining UBS, he worked as a Consultant for Towers Perrin in London, helping multinational corporations manage the financial risks of their employee benefits plans.

Neil earned a BS and an MS in Finance and Actuarial Science from ISFA (Institute of Financial Science and Insurance) in France. Neil is a CFA charterholder, Chartered Actuary (Fellow) of the Institute and Faculty of Actuaries (FIA C.Act) and a Chartered Market Technician (CMT). He also holds a Series 3 license registered with the NFA.

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Disclosures

Disclosure

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The use of hypothetical performance is subject to inherent limitations derived from the reliance on historical data and the benefit of hindsight. All trading strategies applied to the analysis were available throughout the performance period. However, the analysis includes certain assumptions where actual performance could be different from the hypothetical performance presented.

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Global AUM: Source: L&G. AUM disclosed aggregates the assets managed by L&G in the UK, L&G - Asset Management, America in the US, and L&G Asia in Hong Kong (2018-2019 only) and L&G Singapore from July 2023. Historic AUM figures converted using the spot rate at the relevant date.

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