LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Investment Committee Agenda

REGULAR MEETING

TUESDAY, JUNE 11, 2024

TIME: 10:30 A.M. OR IMMEDIATELY FOLLOWING THE REGULAR BOARD MEETING

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

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Chair:	Elizabeth Lee
Committee Members:	Annie Chao Gaylord "Rusty" Roten
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counselor:	City Attorney's Office Public Pensions General Counsel Division

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CLICK HERE TO ACCESS BOARD REPORTS

I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

II. APPROVAL OF MINUTES FOR THE MEETING OF MAY 14, 2024 AND POSSIBLE COMMITTEE ACTION

III. CHIEF INVESTMENT OFFICER VERBAL REPORT

IV. INVESTMENT MANAGER CONTRACT WITH POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO AND POSSIBLE COMMITTEE ACTION

V. CONTINUED DISCUSSION OF INVESTMENT GOVERNANCE AND REVIEW PROCESSES, PROPOSED POLICY AND POSSIBLE COMMITTEE ACTION

VI. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO ARC CAPITAL PARTNERS FUND I LP AND POSSIBLE COMMITTEE ACTION

VII. OTHER BUSINESS

VIII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, July 9, 2024, at 10:30 a.m., or immediately following the Board Meeting in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.

IX. ADJOURNMENT

Board of Administration Agenda

SPECIAL MEETING

TUESDAY, JUNE 11, 2024

TIME: 10:30 A.M. OR IMMEDIATELY FOLLOWING THE REGULAR BOARD MEETING

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

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President:	Annie Chao
Vice President:	Sung Won Sohn
Commissioners:	Thuy T. Huynh Elizabeth Lee Gaylord "Rusty" Roten Janna Sidley Michael R. Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

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IX. ADJOURNMENT

Agenda of:	**June 11, 2024**
Item No:	**II**

MINUTES OF THE REGULAR MEETING
INVESTMENT COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

May 14, 2024

1:30 p.m.

PRESENT:	Chair:	Elizabeth Lee
	Committee:	Annie Chao Gaylord "Rusty" Roten
	Legal Counselor:	Joshua Geller
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

The Items in the Minutes are numbered to correspond with the Agenda.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Chair Lee asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there were no public comment cards submitted.

II

APPROVAL OF MINUTES FOR THE MEETING OF APRIL 9, 2024 AND POSSIBLE COMMITTEE ACTION – Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee-3; Nays, None.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, discussed the following item:

- IC forward Calendar
- Bank Custodian RFP Report and Recommendation scheduled for the June 2024 IC meeting.

IV

REAL ESTATE FISCAL YEAR 2024-25 PLAN AND POSSIBLE COMMITTEE ACTION – Felix Fels, Associate Partner, and Haya Dawaii, Investment Associate, with The Townsend Group, presented and discussed this item with the Committee for 5 minutes. Committee Member Chao moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

V

ADAPTIVE ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE COMMITTEE ACTION – Committee Member Chao moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, June 11, 2024, at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.

VIII

ADJOURNMENT – There being no further business before the Chair Lee, adjourned the meeting at 1:40 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: JUNE 11, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: IV**

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee recommend to the Board a two-year contract extension with Polen Capital Credit, LLC (Polen Credit) for management of an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio.

Executive Summary

Polen Credit has managed an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio for LACERS since October 2020. LACERS' portfolio was valued at $262 million as of April 30, 2024. The Board authorized a provisional one-year contract extension on June 27, 2023, on account of the LACERS portfolio underperforming against its benchmark, net of fees, over the period spanning two-and-a-half years since inception. Staff underscores the strong performance over the past year as well as the stability of the investment process and strategy. Further, the strategy demonstrates outperformance over longer periods of time. Staff recommends a two-year extension of the Polen Credit contract.

Discussion

Background
Polen Credit manages an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio for LACERS benchmarked against a custom blend of 50% of the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index and 50% of the Credit Suisse Leveraged Loan Index. With an active bias toward small-to-mid cap issues, Polen Credit's strategy seeks to exploit inefficiencies in the credit markets by adhering to a bottom-up, fundamentally oriented investment process with downside protection. The strategy is opportunistic and has the flexibility to invest in both high yield bonds (target range generally 50% to 95% of portfolio market value) and bank loans (target range generally 0% to 50% of portfolio market value); the strategy is not required, nor expected, to maintain an even allocation between high yield bonds and bank loans like its benchmark, pursuant to its approved investment management guidelines. LACERS' portfolio was valued at $262 million as of April 30, 2024.

The strategy has three named co-portfolio managers: Dave Breazzano (44 years of experience / 27 years with Polen Credit), Ben Santonelli (20 years of experience / 19 years with Polen Credit), and John Sherman (20 years of experience / 16 years with Polen Credit), who all form part of a larger 23-member investment team.

The Board hired Polen Credit through the 2019-2020 Active Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan search process and authorized a three-year contract on February 11, 2020; the contract became effective on September 1, 2020. On June 27, 2023, the Board approved the current contract extension which expires on August 31, 2024.

Organization
Polen Credit is headquartered in Waltham, Massachusetts. At the time of its hiring, Polen Credit, formerly known as DDJ Capital Management, LLC prior to rebranding, was 100% employee-owned. In January 2022, Florida-based growth equity asset management firm Polen Capital Management, LLC (Polen Capital) acquired Polen Credit as a wholly owned subsidiary. Polen Credit continues to operate autonomously from its parent Polen Capital. As of March 31, 2024, Polen Capital managed $69.6 billion in total assets, inclusive of the $7.7 billion in total credit assets, which in turn includes the $5.0 billion under the U.S. Opportunistic High Yield strategy. LACERS' capital comprises approximately 5.2% of this strategy. As of March 31, 2024, Polen Capital had 261 employees, 53 of which are investment professionals. There are 23 investment personnel primarily dedicated to the support of the credit business.

Due Diligence
Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an extensive onsite meeting at Polen Credit's headquarters on April 12, 2023, to interview key personnel across the organization. Through these due diligence activities and continuous monitoring, staff and NEPC have determined that Polen Credit's investment philosophy, strategy, and process have not changed materially since contract inception.

Polen Capital's acquisition of Polen Credit in January 2022 prompted staff to place Polen Credit under watch status pursuant to the LACERS Manager Monitoring Policy. Staff and NEPC closely monitored the firm's integration progress and performance against specific standards set forth by policy and in February 2023, removed Polen Credit from watch status upon determining that the change in ownership did not detrimentally impact the firm's investment capabilities. Staff also determined that the acquisition has not affected the autonomy of the Polen Credit portfolio management team, which has remained stable since contract inception. Polen Credit is currently in compliance with the LACERS Manager Monitoring Policy.

Performance
As of April 30, 2024, Polen Credit outperformed the benchmark over the 3-month and 1-year time periods but continues to log negative net excess returns over the 3-year and since inception time periods, as presented in the following table.

Annualized Performance as of 4/30/2024 (Net-of-Fees)				
	3-Month	1-Year	3-Year	Since Inception 10/28/2020
Polen Credit	2.46	13.01	3.00	4.82
50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index/50% Credit Suisse Leveraged Loan Index	1.47	10.58	3.72	5.14
% of Excess Return	*0.99*	*2.43*	*-0.72*	*-0.32*

During the contract renewal discussions between May and June 2023, the Board called attention to the strategy's net-of-fees underperformance against the benchmark across several time periods, including the then two-and-a-half years since inception through April 30, 2023 (Attachment 2). With concerns over the manager's ability to deliver on its objective of outperforming the benchmark, net of fees, over a full market cycle, the Board approved a one-year extension instead of a full three-year contract renewal. In the ensuing year through April 30, 2024, the strategy outperformed the benchmark by 243 basis points net-of-fees. Referring to Exhibit 2 of the NEPC recommendation report (Attachment 1), the strategy's one-year performance through March 31, 2024, places it in the 3rd percentile ranking in its peer group.

The calendar year returns, as shown in the following table, are also illustrative of the strategy's outperformance over the more recent time periods. The 2024 year-to-date (as-of April 30) and the 2023 full year net excess returns are 162 and 170 basis points, respectively. In contrast, most of Polen Credit's cumulative underperformance relative to the benchmark can be traced to the strategy's significant underperformance during the calendar year 2022, which was marked by a net excess return of -413 basis points.

Calendar Year Performance as of 4/30/2024 (Net-of-Fees)					
	1/01/2024-4/30/2024	2023	2022	2021	10/28/2020-12/31/2020
Polen Credit	3.49	14.98	-10.27	5.31	4.90
50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index/50% Credit Suisse Leveraged Loan Index	1.87	13.28	-6.14	5.34	4.61
% of Excess Return	*1.62*	*1.70*	*-4.13*	*-0.03*	*0.29*

While since inception net-of-fees performance still lags the benchmark, the strategy's recent performance has led to a significant reduction in its cumulative underperformance. Through April 30, 2023, the strategy registered a two-and-a-half years since inception net excess return of -133 basis points. Through April 30, 2024, the three-and-a-half years since inception net excess return has improved to -32 basis points.

The composite's (all accounts managed in the strategy) trailing returns, updated as of April 30, 2024, are presented as supplemental information in the following table. Net excess returns for the composite remain positive for all time periods seven years and longer, demonstrating a long history of outperformance.

Composite Trailing Returns as of 4/30/2024 (Net-of-Fees)									
	3-Month	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Since Inception 3/31/1998
Polen Credit	1.78	10.40	3.56	4.43	4.91	5.24	8.96	7.06	6.97
Benchmark	1.47	10.58	3.72	4.45	4.54	4.47	7.28	5.69	5.48
% of Excess Return	*0.31*	*-0.18*	*-0.16*	*-0.02*	*0.37*	*0.77*	*1.68*	*1.37*	*1.49*

Fees
LACERS pays Polen Credit an effective fee of 51 basis points (0.51%), which is approximately $1.3 million annually. This fee ranks in the 84th percentile of fees charged by high yield fixed income managers in the eVestment database (i.e., 84% of have lower fees). The premium to the manager's fee partly comes from the strategy's structural allocation to bank loans, whereas the peer universe cited is mostly comprised of managers focused on high yield fixed income exclusively. Since inception, LACERS has paid Polen Credit a total of $4.4 million in investment management fees as of April 30, 2024.

During last year's contract renewal discussions, the Board also pointed out that the level of fees also contributed to the strategy's cumulative underperformance. Staff worked with the manager in exploring options to lower management fees; this resulted in the proposal of three different fund and fee structures, under two of which fees are performance-based. The Board did not find any of the options suitable. Further, a hypothetical analysis of the two performance-based fee structures shows that for the year ending April 30, 2024, LACERS would have paid approximately 59 and 58 basis points respectively, a considerable increase from the current effective fee.

Staff has continued to push for lower management fees with Polen Credit. For the time being, the manager has ruled out a further reduction to the current asset-based fee structure because this would require extending the reduction to other separately managed client accounts pursuant to most favored nations contract provisions. As part of its manager monitoring responsibilities, staff will continue to work with the manager in pursuing fee optimization as appropriate.

General Fund Consultant Opinion
NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract extension with Polen Credit will allow the fund to maintain a diversified exposure to the active high yield fixed income and U.S. floating rate bank loan markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's organization, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices that affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer II, Investment Division

NMG/RJ/WL/JP:rm

Attachments: 1. Consultant Recommendation – NEPC, LLC
2. Report to Board of Administration Dated June 27, 2023

To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: June 11, 2024

Subject: Polen Capital Management, LLC - Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract with Polen Capital Management, LLC ('Polen' or 'Polen Capital') for a period of two years from the date of contract expiry.

Background

Polen has been an investment manager for LACERS since October 28, 2020 managing a high yield/ bank loan strategy within the Credit Opportunities asset class. As of March 31, 2024, Polen managed $261.8 million, or 1.1% of Plan assets. The portfolio is benchmarked against a 50:50 split between the Bloomberg U.S. High Yield 2% Issuer Cap Index and the Credit Suisse Leveraged Loan Index. The portfolio has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The Polen portfolio is currently compliant with LACERS' manager monitoring policy.

DDJ Capital Management was founded by Dave Breazzano in 1996. In December 2021 it was announced that Polen Capital Management, LLC, a privately held growth equity investment firm, would be acquiring DDJ, with the deal ultimately closing in January 2022. The transaction saw DDJ founder Dave Breazzano take an equity interest in Polen's holding company and become a member of the firm's Operating Committee. Other equity owners in DDJ, including departed partners who still held equity interest, were paid out 2/3rds up front, with the last 1/3rd expected to be paid out over three years based on certain business metrics. The senior investment team members of legacy DDJ received phantom equity in the Polen Capital Credit franchise business based on revenue share and will have the opportunity to become equity partners in the Polen holding company over time. DDJ has officially been rebranded as Polen Credit. There are three other growth equity teams at Polen, all bringing different expertise. Each group functions separately but takes advantage of centralized operational and marketing resources. Polen Credit is now the fourth team under Polen Capital and is the only fixed income manager.

Polen Capital Management was founded in 1979 by David M. Polen, who was the sole owner until July 2007. In July 2007, employee ownership was broadened to 10% with David Polen continuing to own 90% of the firm. David Polen passed away in June 2012 and his ownership interest passed to Polen Family Holdings (formerly the Polen Family Trust). In December 2012, an employee group led by Stan Moss, Dan Davidowitz and Damon Ficklin assumed majority ownership of the firm.

From 2012-2015, employees owned 51% of the firm and Polen Family Holdings owned 49% as a passive owner. At year-end 2015, iM Global Partner (formerly iM Square), a London-based investment and development platform dedicated to the asset management business, acquired a 20%

passive equity stake in Polen Capital. iM Global Partner purchased 20% directly from Polen Family Holdings. Polen Family Holdings was further diluted by 9% as a result of new equity interests granted to Polen Capital employees. This increased employee ownership from 51% to 60%. On January 4, 2019, Polen Capital purchased 11% of equity from Polen Family Holdings. This increased employee ownership from 60% to 71%. In January 2020, the legal structure of Polen Capital Management LLC was modified such that the 71% of Polen Capital Management LLC that is owned by employees is now held through a limited partnership entity, Polen Capital Holdings LP. This limited partnership provides a more tax-efficient structure. In connection with that modification, there were no changes in the management of the firm or the overall ownership breakdown in terms of aggregate percentages owned by Polen Capital employees, iM Global Partner, or the Polen family. The current ownership structure is 72% employees (Polen Capital Holdings LP), 20% iM Global Partner (passive interest) and 8% Polen Family Holdings (passive interest). Importantly, Polen Capital employees control 100% of the firm.

As of March 31, 2024, Polen Capital Management had approximately $69.6 billion in assets under management (‘AUM’) and the Polen Credit team managed $7.7 billion, of which the Opportunistic High Yield strategy represented $5.0 billion.

Polen focuses on the smaller issue size and lower-rated parts of the high yield and loan market. They believe the rating agencies have a size bias and will rate securities lower due to smaller size. Polen relies on in-depth enterprise analysis, with a loan to value lens. They want companies that generate cash flow and have enterprise value/asset value to help secure their positions. There is also a strong focus on the covenant/legal aspects to help them understand and protect value when credit events arise. Generally, their perspective is that of a long-term lender and they enter positions expecting to be a long-term holder and earn the coupon. Polen does not have a dedicated risk management team. Given the nature of the investments and the focus on lower tier high yield (and bank loans), risk management effectively comes in the underwriting and monitoring of investments. Polen's focused style does lead to larger position sizes in relatively less liquid markets, so investors should be aware of the portfolio's limited liquidity during stressful times. It is also not unusual for Polen to be involved in creditor battles and dealing with bankruptcies and restructurings where positions may become restricted.

Dave Breazzano is the head of the high yield team at Polen. He has been leading the group since DDJ’s inception in 1996. Around him is a slightly younger generation. John Sherman (19 years industry/16 years Polen) and Ben Santonelli (19 years industry/19 years Polen) are co-PMs with Mr. Breazzano on the Opportunistic High Yield strategy. In addition to the portfolio managers, on the Investment Review Committee is the Associate General Counsel, Elizabeth Duggan. Jason Rizzo is the head trader. Supporting the Investment Review Committee is a nine-person research group, broken out by industry coverage.

Performance

Referring to Exhibit 1, as of March 31, 2024, since the portfolio’s inception date of November 1, 2020, the portfolio has underperformed its benchmark by -0.6%. Over the past year, the portfolio has outperformed the benchmark by 3.4% and year-to-date the portfolio has outperformed by 1.6%. Referring to Exhibit 1A, over longer periods of time, Polen clients in the U.S. Opportunistic High Yield product have experienced outperformance over longer periods of time with 5.2% and 5.3% over the 7 and 10-year respectively. Over the last five years the product has outperformed by 0.1% and over three years has been in line with the benchmark.

Referring to Exhibit 2, as of March 31, 2024, since inception the portfolio has underperformed its benchmark's return by -0.6% and ranked in the 25th percentile in its peer group. In the past year, ended March 31, 2024, the portfolio outperformed its benchmark return by 3.4% and ranked in the 3rd percentile in its peer group.

Referring to Exhibit 3, outperformance over the course of 2023 has helped narrow the return gap since inception of cumulative results. The portfolio outperformed in each of the quarters of 2023. Stubborn inflation and resilient economic growth led to lower forecasts for U.S. Federal Reserve rate cuts in 2024 and rising interest rates. Credit spreads tightened for high yield bonds and leveraged loans, contributing to lower-rated credits' outperformance. All of this was a positive for the portfolio. In Q1, U.S. Treasury yields moved higher. The shorter duration of the Portfolio relative to the Index contributed to relative performance.

Fees

The portfolio has an asset-based fee of 0.506% annually. This fee ranks in the 84th percentile among its peers in the eVestment U.S. High Yield Fixed Income universe. In other words, 84% of the products included in the peer universe have a lower fee than the LACERS account.

Conclusion

Polen has underperformed its benchmark index since November 1, 2020. The portfolio is designed to invest in the smaller sized and lower-rated parts of the U.S. High Yield and bank loans investment universe and this area of the market has not been in favor. Polen Credit has exhibited some instability having been purchased, though NEPC sees this as a net positive as it should provide long-term stability in firm operations. Polen's investment process, investment team, strategy and philosophy have been stable. NEPC recommends a contract renewal for a period of two years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1: Performance Comparison Net of Fees as of March 31, 2024

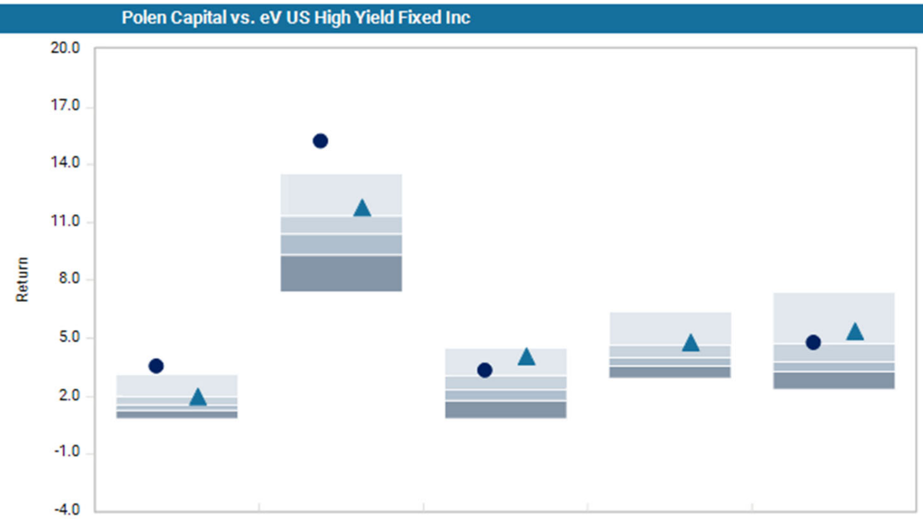
	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	Inception	Inception Date
Polen Capital	2.0	3.6	15.2	3.3	-	-	4.8	Nov-20
50% BBgBarc US High Yield 2% Issuer Cap / 50% Credit Suisse Leveraged Loan Index	1.0	2.0	11.8	4.0	-	-	5.4	
Over/Under	1.0	1.6	3.4	-0.7	-	-	-0.6	

Exhibit 1A: Performance Comparison Net of Fees Polen U.S. Opportunistic High Yield Separately Managed Accounts Composite as of March 31, 2024

Product Name	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Returns - Since Inception 25 Years 04/1998 - 03/2024
Polen Capital	2.8	12.2	4.0	4.9	5.2	5.3	7.0
50% BBgBarc US High Yield 2% Issuer Cap / 50% Credit Suisse Leveraged Loan Index	2.0	11.8	4.0	4.8	4.7	4.5	--
Over/Under	0.8	0.4	0.0	0.1	0.5	0.8	--

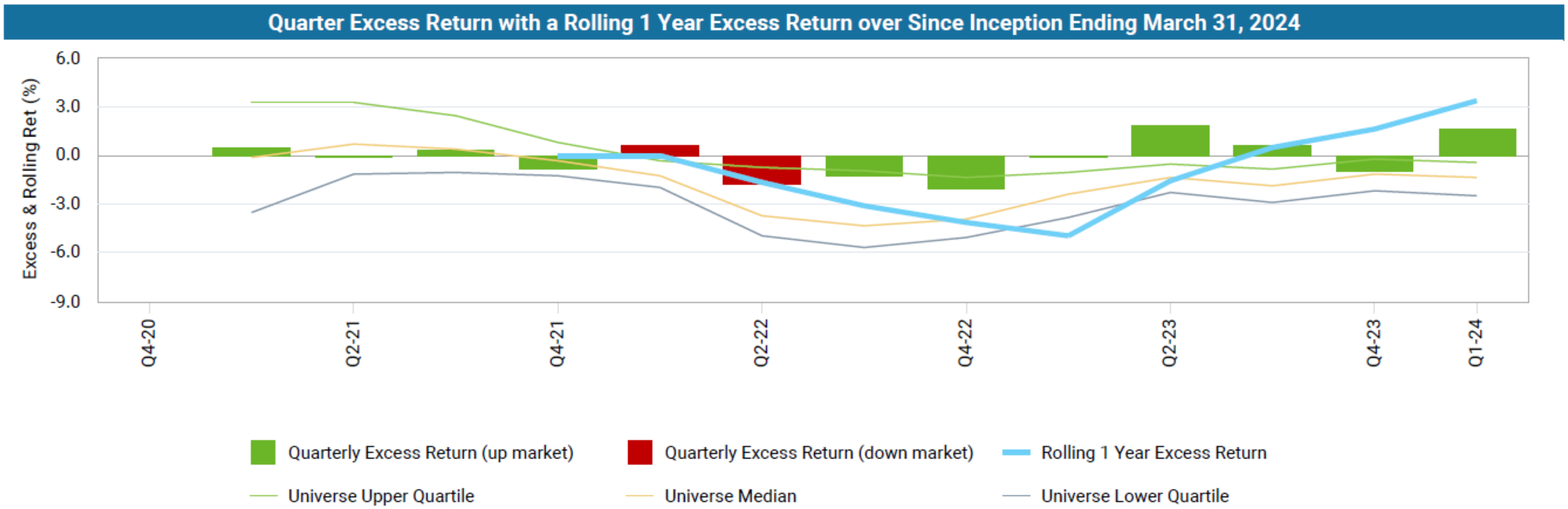
*Source: eVestment, Polen Capital U.S. Opportunistic High Yield separately managed account composite

Exhibit 2: Universe Performance Comparison Net of Fees Ending March 31, 2024



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)
● Polen Capital	3.6 (3)	15.2 (3)	3.3 (18)		4.8 (25)
▲ *50% BBgBarc US High Yield 2% Issuer Cap / 50% Credit Suisse Leveraged Loan Index*	*2.0 (25)*	*11.8 (19)*	*4.0 (9)*	*4.8 (22)*	*5.4 (17)*
5th Percentile	3.1	13.6	4.5	6.4	7.4
1st Quartile	2.0	11.4	3.1	4.6	4.8
Median	1.6	10.4	2.3	4.0	3.8
3rd Quartile	1.2	9.4	1.7	3.5	3.3
95th Percentile	0.8	7.4	0.8	2.9	2.3
Population	225	223	213	207	213

Exhibit 3: Cumulative Excess Performance Net of Fees Ending March 31, 2024



LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Elizabeth Lee, Chair
Janna Sidley
Thuy Huynh

MEETING: JUNE 27, 2023
ITEM: XII – C

SUBJECT: **APPROVAL OF 1-YEAR CONTRACT WITH POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board:

1. Approve a one-year contract extension with Polen Capital Credit, LLC (Polen Credit) for management of an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio.

2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

At the Investment Committee meeting held on June 13, 2023, the Committee considered the attached staff report (Attachment 1) recommending a one-year contract extension with Polen Credit. The firm has managed an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio for LACERS since October 2020; the current contract expires on August 31, 2023. LACERS' portfolio was valued at approximately $231 million as of May 31, 2023. Polen Credit is in compliance with the LACERS Manager Monitoring Policy. Since inception, LACERS has paid Polen Credit a total of $3.2 million in investment fees through May 31, 2023.

Performance
The Committee meeting of June 13, 2023, continued a discussion of performance and investment management fees from their meeting of May 9, 2023. Included in the staff report to the Committee (attached) was a three-year contract renewal recommendation despite manager performance for the period ending March 31, 2023, showing negative returns relative to the benchmark over the 1-year, 2-year, and since inception time periods, and a marginal positive net excess return over the most recent

three months. Polen Credit has managed the LACERS portfolio for approximately 32 months under an unconventional market cycle and its track record is not long enough to warrant Watch Status placement. An update through May 31, 2023, extends the strategy's calendar year excess returns against the benchmark to 127 basis points, as presented in the table below.

Calendar Year Performance as of 5/31/2023 (Net-of-Fees)				
	1/01/2023-5/31/2023	2022	2021	10/28/2020-12/31/2020
Polen Credit	5.10	-10.27	5.31	4.90
50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index/50% Credit Suisse Leveraged Loan Index	3.83	-6.14	5.34	4.61
% of Excess Return	*1.27*	*-4.13*	*-0.03*	*0.29*

Despite recent performance gains in the calendar year 2023, Polen Credit continues to underperform the benchmark over the 1-year, 2-year, and since inception time periods as of May 31, 2023, but has reduced since inception underperformance by 18 bps between April 30, 2023 (since inception net excess return was -1.33%), and May 31, 2023, as presented in the table below.

Annualized Performance as of 5/31/2023 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception 10/28/2020
Polen Credit	1.40	0.51	-1.79	1.60
50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index/50% Credit Suisse Leveraged Loan Index	0.95	2.81	0.00	2.75
% of Excess Return	*0.45*	*-2.30*	*-1.79*	*-1.15*

The composite's trailing returns as of May 31, 2023, are presented as supplemental information in the following table.

Composite Trailing Returns as of 5/31/2023 (Net-of-Fees)									
	3-Month	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Since Inception 3/31/1998
Polen Credit	1.31	0.96	8.11	3.39	5.89	4.92	6.80	7.47	6.82
Benchmark	0.95	2.81	4.41	3.37	4.37	3.94	5.44	5.68	5.24
% of Excess Return	*0.36*	*-1.85*	*3.70*	*0.02*	*1.51*	*0.98*	*1.36*	*1.78*	*1.58*

Polen Credit's history of risk-adjusted outperformance, stability of its team, and proven repeatable investment process provides confidence to staff that allowing this manager to realize its value-add skills in challenging market conditions over a longer market cycle is warranted.

Fees

The Committee discussed the current fee structure, which is an effective 52 basis points (0.52%) based on current assets under management, which in turn ranks in the 86th percentile of fees charged by managers in the peer universe. Given the underperformance reflected under various time periods, the Committee directed staff to negotiate a more attractive fee structure commensurate with the aforementioned underperformance.

Polen Credit returned to LACERS with three fee options for the Committee's consideration.

Option 1: Performance-Based Fee – LACERS will pay the manager a base fee of 25 basis points and 15% of the performance share (above its benchmark). This option will only require an amendment to the existing contract. However, LACERS may end up paying the manager a higher total fee should the manager deliver strong relative performance regardless of upward or downward performance.

Option 2: Commingled Investment Trust (CIT) – The CIT would be structured as a fund-of-one and LACERS would maintain the flexibility to tailor its own guidelines. Fees would be approximately 49 basis points of AUM: management fees at 42 basis points and administrative fees capped at seven basis points.

Option 3: Opportunistic High Yield Private Fund – This fund is Polen Credit's private commingled vehicle. The current share class fees would be 45 basis points of AUM: 32 basis points in management fees and 13 basis points administrative fees. Unlike the fund-of-one, LACERS would be subject to the private fund's guidelines.

Each option entails a different combination of financial, transparency, liquidity, fund governance, negotiation, operational and implementation considerations. Based on the preliminary information however, the Committee found the options unacceptable, and directed staff to continue negotiating with the manager for other options to consider.

Staff recommends a one-year extension of the Polen Credit contract under the current asset-based fee structure to allow time for staff and the general investment consultant to explore a wider set of fee structure options to bring to the Committee over the next several months with appropriate recommendations. As LACERS prepares for another asset allocation study in 2024, staff will also consider past and trending fundamental market and economic changes that could lead to structural changes to its asset allocation policy. The Committee concurred with the staff recommendation for a one-year contract extension effective September 1, 2023.

Strategic Plan Impact Statement

A contract extension with Polen Credit will allow the fund to maintain a diversified exposure to the active high yield fixed income and U.S. floating rate bank loan markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's performance and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices that affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachments: 1. Investment Committee Recommendation Report dated June 13, 2023
2. Proposed Resolution

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: JUNE 13, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: VI**

SUBJECT: **CONTINUED DISCUSSION OF INVESTMENT MANAGER CONTRACT WITH POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee recommend to the Board a one-year contract extension with Polen Capital Credit, LLC (Polen Credit) for management of an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio.

Executive Summary

Polen Credit has managed an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio for LACERS since October 2020. LACERS' portfolio was valued at $231 million as of April 30, 2023. At the Investment Committee meeting held on May 9, 2023, staff presented a recommendation for a three-year contract renewal. The Committee found the level of the manager's investment management fees unsuitable considering underperformance of the strategy and instructed staff to negotiate with the manager for a lower fee structure. Polen Credit presented staff with three alternative fee options, each with its own financial, legal, and administrative considerations. Staff recommends a one-year extension of the Polen Credit contract under the current asset-based fee structure to allow staff sufficient time to fully evaluate these options.

Discussion

Background
At the Investment Committee meeting held on May 9, 2023, the Committee received a recommendation from staff for a three-year contract renewal for Polen Credit for the management an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio for LACERS benchmarked against a custom blend of 50% of the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index and 50% of the Credit Suisse Leveraged Loan Index. LACERS' portfolio was valued at $231 million as of April 30, 2023.

Staff noted that while Polen Credit is currently compliant with the LACERS Manager Monitoring Policy, the manager is registering underperformance against its benchmark over the 1-year, 2-year, and since inception time periods. Staff upheld that the short performance track record of the LACERS account is insufficient to cover a conventional market cycle and therefore does not provide adequate time to fully evaluate the effectiveness of the manager. Also highlighted during the report, the composite's net excess returns for longer time periods remain positive. The Committee directed staff to maintain its due diligence efforts and continue to closely monitor the manager and strategy pursuant to policy.

Further, the Committee expressed its reservations about the investment management fees. In particular, the Committee found the effective fee of 52 basis points (0.52%), which ranks in the 86th percentile of fees charged by managers in the peer universe, to be unsuitable considering underperformance of the strategy. Staff explained that the premium to the manager's fee comes from the strategy's structural allocation to bank loans, whereas the peer universe is mostly comprised of managers focused on high yield fixed income. The Committee instructed staff to negotiate with the manager and push for a lower fee structure as a condition for contract renewal.

Performance
As an update to performance, of April 30, 2023, Polen Credit still underperformed the benchmark over the 1-year, 2-year, and since inception time periods. The manager delivered a positive net excess return over the 3-month time period, as presented in the table below.

Annualized Performance as of 4/30/2023 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception 10/28/2020
Polen Credit	1.66	-1.35	-1.67	1.72
50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index/50% Credit Suisse Leveraged Loan Index	1.13	2.16	0.46	3.05
% of Excess Return	*0.53*	*-3.51*	*-2.13*	*-1.33*

The performance over the quarter was buoyed by the results for the month of April 2023, which saw an 88 basis points outperformance against the benchmark. This was also additive to the strategy's calendar year-to-date outperformance against the benchmark, as presented in the table below.

Calendar Year Performance as of 4/30/2023 (Net-of-Fees)				
	1/01/2023-4/30/2023	2022	2021	10/28/2020-12/31/2020
Polen Credit	5.28	-10.27	5.31	4.90
50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index/50% Credit Suisse Leveraged Loan Index	4.36	-6.14	5.34	4.61
% of Excess Return	*0.92*	*-4.13*	*-0.03*	*0.29*

The composite's trailing returns, updated as of April 30, 2023, are presented as supplemental information in the following table.

Composite Trailing Returns as of 4/30/2023 (Net-of-Fees)									
	3-Month	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Since Inception 3/31/1998
Polen Credit	1.50	-0.67	9.63	3.35	6.01	4.95	6.89	7.53	6.84
Benchmark	1.13	2.16	5.99	3.49	4.56	3.97	5.51	5.77	5.28
% of Excess Return	*0.37*	*-2.83*	*3.64*	*-0.14*	*1.45*	*0.98*	*1.38*	*1.76*	*1.56*

Fee Structure Options

Staff discussed the Committee's desire for lower management fees with Polen Credit, which readily expressed a willingness to work with LACERS to optimize fees. The manager ruled out a further reduction to the current asset-based fee structure because this would require extending the reduction to other separately managed client accounts pursuant to most favored nations contract provisions. Instead, Polen Credit presented staff with three other options, each with its own financial, legal and administrative considerations. The first option is a performance-based fee. Under this fee structure, LACERS pays the manager a base fee of 25 basis points and 15% of the performance share. The primary advantage of this structure would be the ease of implementation – LACERS would not need to transition out of its separately management account (SMA) as the process will only require an amendment to the existing contract. The drawback to this fee structure is the possibility that LACERS ends up paying the manager a higher total fee relative to the current asset-based fee structure should the manager deliver strong relative performance, in either up or down markets. Other technical considerations include setting a performance cap and determining the performance calculation timing.

As a second option, Polen Credit is willing to create a new Commingled Investment Trust (CIT) fund exclusive to LACERS. It would be structured as a fund-of-one and as such, LACERS would maintain the flexibility to tailor its own investment management guidelines. Under the tiered management fee of this proposed structure and the current market value of the LACERS portfolio, LACERS would pay approximately 42 basis points in management fees plus administrative fees capped at seven basis points with Polen Credit subsidizing the remainder of the administrative fees. LACERS may lose the holdings transparency it currently has with its SMA and would be subject to the liquidity/withdrawal window provisions of the CIT. The manager estimates that it would require 90-120 days to launch this vehicle should LACERS pursue this option. LACERS may potentially incur legal costs should outside investment counsel be required to assist with review and negotiation of the CIT contract.

The third option would be transitioning to Polen Credit's Opportunistic High Yield Private Fund, a private commingled vehicle. The fund is already established, and the share class currently being offered sets cost at 45 basis points, which is comprised of 32 basis points management fees and 13 basis points administrative fees. Unlike the fund-of-one, LACERS would have to adopt the private fund's investment management guidelines. Although very similar, LACERS' current guidelines and the private fund's guidelines do have differences which may be deemed material. LACERS will also need to consider the fund's liquidity restrictions as well as potential policy implications surrounding the fund's legal and regulatory status. As with the CIT option, LACERS may potentially incur legal costs should outside investment counsel be required to assist with review and negotiation of the private commingled vehicle contract.

Recommendation

In light of the contract expiration on August 31, 2023, staff recommends a one-year extension of the Polen Credit contract under the current asset-based fee structure. Within the next year, staff and NEPC aim to fully evaluate each of the proposed options to determine if any of the proposed options provide a distinct advantage over the existing fee structure and investment vehicle. As LACERS prepares for another asset allocation study in 2024, staff will also aim to utilize the additional year to evaluate potential changes to the Credit Opportunities asset class under which the Polen Credit active hybrid high yield fixed income/U.S. floating rate bank loan portfolio falls.

Strategic Plan Impact Statement

A contract extension with Polen Credit will allow the fund to maintain a diversified exposure to the active high yield fixed income and U.S. floating rate bank loan markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's performance and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices that affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/BF/JP:rm

Attachment: 1. Investment Committee Recommendation Report dated May 9, 2023

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: MAY 9, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: VII**

SUBJECT: **INVESTMENT MANAGER CONTRACT WITH POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Polen Capital Credit, LLC for management of an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio.

Executive Summary

Polen Capital Credit, LLC (Polen Credit) has managed an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio for LACERS since October 2020. LACERS' portfolio was valued at $227 million as of March 31, 2023. Polen Credit is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal.

Discussion

Background
Polen Credit manages an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio for LACERS benchmarked against a custom blend of 50% of the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index and 50% of the Credit Suisse Leveraged Loan Index. With an active bias toward small-to-mid cap issues, Polen Credit's strategy seeks to exploit inefficiencies in the credit markets by adhering to a disciplined, bottom-up, fundamentally oriented investment process with a strict adherence to downside protection. The strategy is opportunistic and has the flexibility to invest in both high yield bonds (target range generally 50% to 95% of portfolio market value) and bank loans (allowable range typically 0% to 50% of portfolio market value); the strategy is not required, nor expected, to maintain an even allocation between high yield bonds and bank loans like its benchmark pursuant to its approved investment management guidelines. LACERS' portfolio was valued at $227 million as of March 31, 2023.

The strategy has three named co-portfolio managers: Dave Breazzano (43 years of experience/26 years with Polen Credit), Ben Santonelli (19 years of experience/18 years with Polen Credit), and John

Sherman (19 years of experience/15 years with Polen Credit), who all form part of a larger 17-member investment team.

The Board hired Polen Credit through the 2019-2020 Active Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan search process and authorized a three-year contract on February 11, 2020; the contract became effective on September 1, 2020. The current contract expires on August 31, 2023. Representatives of Polen Credit most recently presented a portfolio review to the Investment Committee on October 11, 2022.

Organization

Polen Credit is headquartered in Waltham, Massachusetts. There are 43 employees working primarily in support of the credit business, 17 of whom are investment personnel. At the time of its hiring, Polen Credit, formerly known as DDJ Capital Management, LLC prior to rebranding, was 100% employee-owned. In January 2022, Florida-based growth equity asset management firm Polen Capital Management, LLC (Polen Capital) acquired Polen Credit as a wholly owned subsidiary. Polen Credit continues to operate autonomously from its parent Polen Capital. As of March 31, 2023, the firm managed over $6.9 billion in total assets with over $4.4 billion in their U.S. Opportunistic High Yield strategy. LACERS' capital comprises approximately 5.2% of this strategy.

Due Diligence

Staff conducts routine due diligence of the manager. In addition to meeting virtually for quarterly portfolio reviews and ad hoc investment discussions, LACERS staff conducted an onsite meeting at Polen Credit's headquarters on April 12, 2023 to interview key personnel across the organization. Based upon these due diligence activities as well as staff's and NEPC's continuous monitoring, it has been noted that Polen Credit's investment philosophy, strategy, and process have not changed materially over the contract period.

As to the aforementioned change in Polen Credit's ownership, staff placed Polen Credit under watch status in December 2021 pursuant to the LACERS Manager Monitoring Policy following the announcement of Polen Capital's planned acquisition of Polen Credit. During this evaluation period, staff and NEPC closely monitored the firm's integration progress and performance against specific standards set forth by policy. In February 2023, staff removed Polen Credit from watch status upon determining that the change in ownership did not detrimentally impact the firm's investment capabilities.

Staff and NEPC continue to deem Polen Credit capable of managing assets for LACERS under its hybrid high yield fixed income/U.S. floating rate bank loan strategy.

Performance

As of March 31, 2023, Polen Credit has underperformed the benchmark over the 1-year, 2-year, and since time periods, and delivered a marginal positive net excess return over the 3-month time period, as presented in the following table.

Annualized Performance as of 3/31/2023 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception 10/28/2020
Polen Credit	3.36	-5.47	-2.13	1.01
50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index/50% Credit Suisse Leveraged Loan Index	3.35	-0.54	0.37	2.75
% of Excess Return	*0.01*	*-4.93*	*-2.50*	*-1.74*

Most of Polen Credit's cumulative underperformance relative to its benchmark can be traced to the strategy's significant underperformance during the calendar year 2022, as presented in the table below.

Calendar Year Performance as of 3/31/2023 (Net-of-Fees)				
	1/01/2023-3/31/2023	2022	2021	10/28/2020-12/31/2020
Polen Credit	3.36	-10.27	5.31	4.90
50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index/50% Credit Suisse Leveraged Loan Index	3.35	-6.14	5.34	4.61
% of Excess Return	*0.01*	*-4.13*	*-0.03*	*0.29*

The 2022 underperformance was driven by three primary factors. First, the portfolio maintains an underweight allocation to bank loans relative to the benchmark. (As discussed in the Background section, the portfolio is not required to be evenly allocated between high yield bonds and bank loans like its benchmark.) Floating rate bank loans outperformed fixed rate high yield fixed income by over 1,000 basis points in 2022 due to the rising interest rate environment, causing the strategy to lag the benchmark. Second, the strategy holds a sizable overweight to CCC-rated instruments relative to the benchmark. Polen Credit believes that the lower rated segments of the market are poised for a multi-year stretch of outperformance driven by attractive valuations and healthy fundamentals. In 2022, concerns over rising rates and an impending downturn led lower rated credits to meaningfully underperform higher rated instruments, which the portfolio had an underweight to. Third, the portfolio's structural underweight to the energy sector detracted from performance with the energy sector outperforming since the inception of portfolio. Polen Credit's structural underweight to energy is deliberate as the manager believes that the sector is heavily driven by the price of oil, which is volatile and difficult to predict and therefore does not lend itself well to Polen Credit's bottom-up fundamental research-based approach.

As presented in the table below, even with a significant underperformance in the most recent year, net excess return for the composite (all accounts managed in the strategy) remains positive for all time periods seven years and longer. Polen Credit believes that the portfolio is positioned to outperform the benchmark going forward for several reasons. First, Polen Credit expects a mean reversion to occur, resulting in high yield bonds outperforming bank loans over the next two to three years. Second, the manager believes that the portfolio's yield premium, which is higher relative to the benchmark, will largely be realized with the expectation of only a few credit impairments in the portfolio over the intermediate term. Third, Polen Credit considers the volatility in the current environment as an opportunity to add significant excess returns through superior security selection.

Composite Trailing Returns as of 3/31/2023 (Net-of-Fees)									
	3-Month	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Since Inception 3/31/1998
Polen Credit	3.46	-4.15	9.72	2.96	6.23	4.92	6.99	7.77	6.80
Benchmark	3.35	-0.54	7.18	3.41	4.85	4.00	5.70	5.91	5.26
% of Excess Return	*0.11*	*-3.61*	*2.54*	*-0.45*	*1.38*	*0.92*	*1.29*	*1.86*	*1.54*

Polen Credit is currently compliant with the LACERS Manager Monitoring Policy; however, the short performance track record of the LACERS account is insufficient to cover a conventional market cycle and therefore does not provide adequate time to fully evaluate the effectiveness of the manager under this particular strategy. Staff and NEPC recommend renewing Polen Credit's contract for another three-year period and will continue to monitor the manager and strategy pursuant to policy.

Fees
LACERS pays Polen Credit an effective fee of 52 basis points (0.52%), which is approximately $1,190,000 annually based on the value of LACERS' assets as of March 31, 2023. This fee ranks in the 86th percentile of fees charged by similar managers in the eVestment database (i.e., 86% of like-managers have lower fees). Since inception, LACERS has paid Polen Credit a total of $2.9 million in investment management fees as of March 31, 2023.

General Fund Consultant Opinion
NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Polen Credit will allow the fund to maintain a diversified exposure to the active high yield fixed income and U.S. floating rate bank loan markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's organization, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices that affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/BF/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC

To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: May 9, 2023

Subject: Polen Capital Management, LLC - Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract with Polen Capital Management, LLC ('Polen' or 'Polen Capital') for a period of three years from the date of contract expiry.

Background

Polen has been an investment manager for LACERS since October 28, 2020 managing a high yield/ bank loans strategy within the Credit Opportunities asset class. As of February 28, 2023, Polen managed $227.8 million, or 1.1% of Plan assets. The portfolio is benchmarked against a 50:50 split between the Bloomberg U.S. High Yield 2% Issuer Cap Index and the Credit Suisse Leveraged Loan Index. The portfolio has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The Polen portfolio is currently compliant with LACERS' manager monitoring policy.

DDJ Capital Management was founded by Dave Breazzano in 1996. In December 2021 it was announced that Polen Capital Management, LLC, a privately held growth equity investment firm, would be acquiring DDJ, with the deal ultimately closing in January 2022. The transaction saw DDJ founder Dave Breazzano take an equity interest in Polen's holding company and become a member of the firm's Operating Committee. Other equity owners in DDJ, including departed partners who still held equity interest, were paid out 2/3rds up front, with the last 1/3rd expected to be paid out over three years based on certain business metrics. The senior investment team members of legacy DDJ received phantom equity in the Polen Capital Credit franchise business based on revenue share and will have the opportunity to become equity partners in the Polen holding company over time. DDJ has officially been rebranded as Polen Credit. There are three other growth equity teams at Polen, all bringing different expertise. Each group functions separately, but takes advantage of centralized operational and marketing resources. Polen Credit is now the fourth team under Polen Capital and is the only fixed income manager.

Polen Capital Management was founded in 1979 by David M. Polen, who was the sole owner until July 2007. In July 2007, employee ownership was broadened to 10% with David Polen owning 90%. David Polen passed away in June 2012 and his ownership interest passed to Polen Family Holdings (formerly the Polen Family Trust). In December 2012, an employee group led by Stan Moss, Dan Davidowitz and Damon Ficklin assumed majority ownership of the firm. From 2012 to 2015, employees owned 51% of the firm and Polen Family Holdings owned 49% as a passive owner. At year-end 2015, iM Global Partner (formerly iM Square), a London-based investment and development platform dedicated to the asset management business, acquired a 20% passive equity stake in Polen Capital. iM Global Partner purchased 20% directly from Polen Family Holdings. Polen

Family Holdings was further diluted by 9% as a result of new equity interests granted to Polen Capital employees. This increased employee ownership from 51% to 60%. On January 4, 2019, Polen Capital purchased 11% of equity from Polen Family Holdings. This increased employee ownership from 60% to 71%. Polen Capital is an independently controlled, employee-managed firm. The current ownership structure is 72% employees (Polen Capital Holdings LP), 20% iM Global Partner (passive interest) and 8% Polen Family Holdings (passive interest). Importantly, Polen Capital employees control 100% of the firm.

As of March 31, 2023, Polen Capital Management had approximately $61.3 billion in assets under management ('AUM'). As of December 31, 2022 total AUM for the Polen Credit team specifically was $6.9 billion, of which the Opportunistic High Yield strategy represented $4.3 billion. The firm has been trying to diversify strategies using the same basic credit platform and introduced the BB/B Upper Tier High Yield in 2012, Bank Loan in 2013 as well as higher octane Total Return Credit in 2010.

Polen focuses on the smaller issue size and lower-rated parts of the high yield and loan market. They believe the rating agencies have a size bias and will rate securities lower due to smaller size. Polen relies on in-depth enterprise analysis, with a loan to value lens. They want companies that generate cash flow and have enterprise value/asset value to help secure their positions. There is also a strong focus on the covenant/legal aspects to help them understand and protect value when credit events arise. Generally, their perspective is that of a long-term lender and they enter positions expecting to be a long-term holder and earn the coupon. Polen does not have a dedicated risk management team. Given the nature of the investments and the focus on lower tier high yield (and bank loans), risk management effectively comes in the underwriting and monitoring of investments. Polen's focused style does lead to larger position sizes in relatively less liquid markets, so investors should be aware of the portfolio's limited liquidity during stressful times. It is also not unusual for Polen to be involved in creditor battles and dealing with bankruptcies and restructurings where positions may become restricted.

Dave Breazzano is the head of the high yield team at Polen. He has been leading the group since DDJ's inception in 1996. Around him is a slightly younger generation. John Sherman (19 years industry/16 years Polen) and Ben Santonelli (19 years industry/19 years Polen) are co-PMs with Mr. Breazzano on the Opportunistic High Yield strategy. In addition to the portfolio managers, on the Investment Review Committee is the Associate General Counsel, Elizabeth Duggan. Jason Rizzo is the head trader. Supporting the Investment Review Committee is a nine-person research group, broken out by industry coverage.

Performance

Referring to Exhibit 1, as of February 28, 2023, since the portfolio's inception date of November 1, 2020, the portfolio has underperformed its benchmark by 1.8%. Over the past year, the portfolio has underperformed the benchmark by 4.4% and year-to-date the portfolio has outperformed by 0.8%. Referring to Exhibit 1A, over longer periods of time, Polen clients in the U.S. Opportunistic High Yield product have experienced outperformance over longer periods of time with 1% and 1.4% over 10 year and seven years respectively. Over the last five years the product has underperformed by 0.2% and over three years has outperformed by 1.2%.

Referring to Exhibit 2, as of December 31, 2022, since inception the portfolio has underperformed its benchmark's return by 2.3% and ranked in the 73rd percentile in its peer group. In the past year, ended December 31, 2022, the portfolio also underperformed its benchmark return 4.2% and ranked in the 54th percentile in its peer group.

Referring to Exhibit 3, underperformance over the course of 2022 has pulled the since inception cumulative results below benchmark returns. The portfolio underperformed in the second, third, and fourth quarter of 2022. Underperformance in the portfolio can be attributed to sector allocation and credit positioning. The portfolio's overweight to bonds and loans across the lower-rated spectrum and underweight to bonds across the higher-rated spectrum detracted significantly from total returns. Sector allocation detracted from relative performance primarily driven by the portfolio's overweight to bonds in the Brokerage/Asset Managers sector and underweight to bonds in the Electric and Energy sectors.

Fees

The portfolio has an asset-based fee of 0.52% annually. This fee ranks in the 86th percentile among its peers in the eVestment U.S. High Yield Fixed Income universe. In other words, 86% of the products included in the peer universe have a lower fee than the LACERS account.

Conclusion

Polen has underperformed its benchmark index since November 1, 2020. The portfolio is designed to invest in the smaller sized and lower-rated parts of the U.S. High Yield and bank loans investment universe and this area of the market has not been in favor. The firm managing the LACERS portfolio has exhibited some instability at the firm-level after having been purchased, though NEPC sees this as a net positive which provides long-term stability in firm operations. Polen's investment process, investment team, strategy and philosophy have been stable. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1: Performance Comparison Net of Fees as of February 28, 2023

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	Inception	Inception Date
Polen Capital	0.1	3.7	-6.0				0.9	Nov-20
50% BBgBarc US High Yield 2% Issuer Cap / 50% Credit Suisse Leveraged Loan Index	-0.3	2.9	-1.6				2.7	
Over/Under	0.4	0.8	-4.4				-1.8	

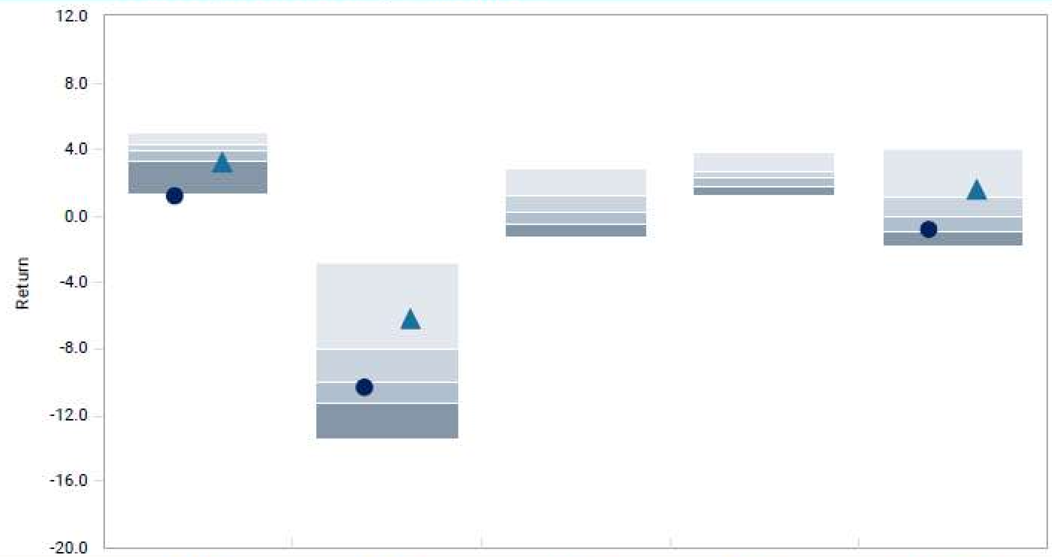
Exhibit 1A: Performance Comparison Net of Fees Polen U.S. Opportunistic High Yield Separately Managed Accounts Composite as of February 28, 2023

Product Name	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Returns - Since Inception 24.92 Years 04/1998 - 02/2023
Polen Capital	3.7	-4.0	3.8	3.1	6.7	5.1	6.8
50% BBgBarc US High Yield 2% Issuer Cap / 50% Credit Suisse Leveraged Loan Index	2.9	-1.6	2.6	3.3	5.3	4.1	--
Over/Under	0.8	-2.4	1.2	-0.2	1.4	1.0	--

*Source: eVestment, Polen Capital U.S. Opportunistic High Yield separately managed account composite

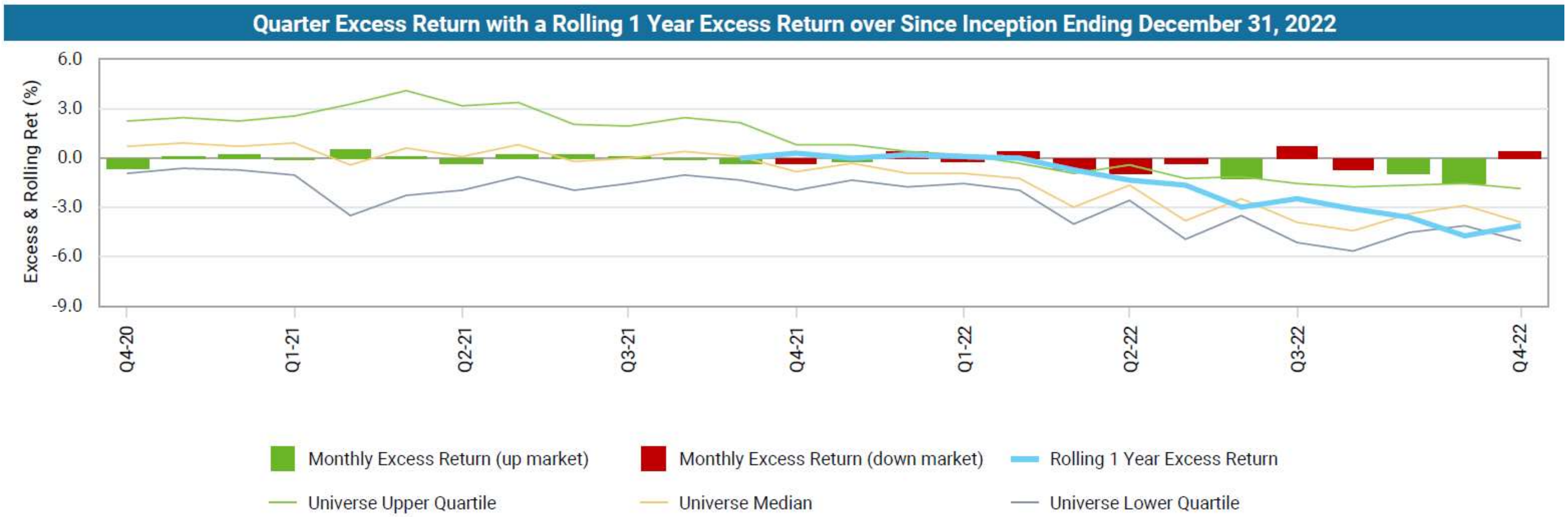
Exhibit 2: Universe Performance Comparison Net of Fees Ending December 31, 2022

Polen Capital vs. eV US High Yield Fixed Inc



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)
● Polen Capital	1.2 (96)	-10.3 (54)			-0.7 (73)
▲ *50% BBgBarc US High Yield 2% Issuer Cap / 50% Credit Suisse Leveraged Loan Index*	*3.3 (78)*	*-6.1 (19)*			*1.6 (20)*
5th Percentile	4.9	-2.8	2.9	3.9	4.0
1st Quartile	4.4	-8.0	1.2	2.7	1.1
Median	3.9	-10.0	0.3	2.3	0.0
3rd Quartile	3.3	-11.2	-0.5	1.8	-0.9
95th Percentile	1.3	-13.3	-1.3	1.3	-1.8
Population	231	228	225	217	226

Exhibit 3: Cumulative Excess Performance Net of Fees Ending December 31, 2022



CONTRACT EXTENSION
POLEN CAPITAL CREDIT, LLC
ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Polen Capital Credit, LLC (Polen Credit) for management of an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio expires on August 31, 2023; and,

WHEREAS, Polen Credit is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract extension with Polen Credit will allow the LACERS total portfolio to maintain a diversified exposure to the active high yield fixed income and U.S. floating rate bank loan markets; and,

WHEREAS, on June 27, 2023, the Board approved the Investment Committee's recommendation to approve a one-year contract extension with Polen Credit.

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

Company Name:	Polen Capital Credit, LLC
Service Provided:	Active Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Portfolio Management
Effective Dates:	September 1, 2023 through August 31, 2024
Duration:	One year
Benchmark:	50% of the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index and 50% of the Credit Suisse Leveraged Loan Index
Allocation as of May 31, 2023:	$231 million

June 27, 2023

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: JUNE 11, 2024**
From: Neil M. Guglielmo, General Manager **ITEM: V**

SUBJECT: **CONTINUED DISCUSSION OF INVESTMENT GOVERNANCE AND REVIEW PROCESSES, PROPOSED POLICY AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee review the existing Manager Search and Selection Policy (MSSP) and the Investment Committee Charter (Charter) to review processes and consider the proposed changes to recommend to the Board.

Executive Summary

During the January 9, 2024 Investment Committee meeting, the committee tasked staff with revising and enhancing the existing process for selecting managers. The proposed changes to the MSSP and Charter will streamline oversight of the Investment Program, making the process more efficient in terms of time and impact.

Discussion

Background
The Committee met on November 14, 2023 and January 9, 2024, and considered staff recommendations as presented in a written report and verbal discussion. This follow-up report incorporates revisions to the existing Investment Program governance practices and processes to determine alternative approaches and processes that could lead to a more time-efficient and impact-effective oversight of the Investment Program particularly as it relates to the Committee's time commitment to the investment governance and review processes within their jurisdiction.

On January 9, 2024, the Committee requested an update to the MSSP to enhance efficiency in the manager selection process. Staff reviewed the existing MSSP and Charter and has identified areas of improvement in line with the Committee's directive as outlined in the attachments. The Committee indicated a preference to make changes in the Public Market Investment Manager Search process including the delegation of investment manager candidate interviews to staff and consultant where the exchange of deep and sometimes proprietary information is best conducted as a part of routine manager selection due diligence.

An example of a delegated authority, which is typically included in a Board report when staff requests approval of an RFP, is provided below.

Example of a Delegated Authority Manager Selection Process – Public Markets

Step	Responsibility	Activity	Approximate Timing
1	Board	Board approves the Request for Proposal, Announcement, Evaluation Criteria, Timeline. (Responsibilities of Committee and Staff will be codified in a revised selection policy.)	Time 0
2	Investment Committee Staff/Consultant	Receives a notification report of the proposals received; firms that met the minimum qualifications; and firms that have advanced to semi-finalist firm status along with staff/consultant initial analysis. Conducts due diligence of semi-finalists; determines finalists proposed for contract.	Up to 2 months later
3	Investment Committee	Receives a notification and analysis report of the finalist firms recommended by staff for contract.	Up to 2 months later
4	Board Staff	Board approves staff recommendations of finalist firms proposed for contracting. Staff proceeds with contracting with finalist firm(s) within scope of delegated authority criteria. Contracting terms and conditions outside of delegated authority are considered and approved by Board.	Up to 1 month later
		DURATION OF RFP SEARCH	Up to 5 months

<u>Strategic Plan Impact Statement</u>

Consideration and evaluating the Committee's review of existing Investment Program policies and practices aligns with the Strategic Plan Goal to uphold good governance practices that affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: James Wang, Investment Officer I, Investment Division

NMG/RJ/WL/EC/JW:jp

Attachments:
1. Manager Search and Selection Policy (Clean)
2. Manager Search and Selection Policy (Redlined)
3. Investment Committee Charter (Clean)
4. Investment Committee Charter (Redlined)

VII. MANAGER SEARCH AND SELECTION POLICY

The purpose of the Manager Search and Selection Policy is to provide a comprehensive framework for the manager search and selection decision making process for the liquid market strategies. It specifically defines responsibilities and processes for the LACERS Board, Staff and General Fund Consultant.

A. Roles and Responsibilities

Role of Board	Role of Staff	Role of General Fund Consultant
• The Board is responsible for the authorization of the search for the investment manager(s). • The Board reviews and adopts the active and passive investment manager minimum qualifications and search and selection process based upon the written recommendation provided by the Staff and General Fund Consultant. • The Board reviews the semifinalist candidates as presented in the investment manager candidate evaluation report prepared by the Staff and General Fund Consultant or as delegated. • The Board authorizes the finalist(s) investment manager(s) and approves contracting as recommended by Staff • The Board may delegate certain Board duties to the Investment Committee as described in the Investment Committee Charter. • The Board may request manager presentations.	• Staff, with input from the General Fund Consultant, recommends mandates for Board approval. • Staff is responsible for the implementation of the manager search and selection process. • Staff develops a written set of minimum qualifications. Unique criteria not specified in the pre-approved minimum qualifications list will require Board approval. • Upon Staff concurrence of the semi-finalists, Staff and the General Fund Consultant provides the Board a written investment manager candidate evaluation and comparison report which will summarize the methodology for developing the list of semi-finalist candidates from the Qualified Respondents. • Staff conducts due diligence on the semi-finalist firms as reviewed by the Board or as delegated. • Based on the findings of the due diligence, Staff will present a list of finalist investment managers for Board approval and contracting.	• The General Fund Consultant works with Staff to develop a manager search initiation recommendation. • The General Fund Consultant works with Staff on additional written minimum qualifications for Board approval as necessary. • The General Fund Consultant applies the System's minimum qualifications and any additional Board-approved criteria in order to arrive at list of "Qualified Respondents" who pass the minimum qualifications. • The General Fund Consultant employs the investment manager candidate evaluation process to arrive at a list of semi-finalist candidates for Staff to then review and conduct due diligence upon. The investment manager candidate evaluation process will utilize the Evaluation Criteria as summarized in Section VII.B and may be adjusted as necessary.

B. **Sequential Search and Selection Process**

1. Staff and General Fund Consultant recommend mandate(s) for approval by the Board.
2. The Board authorizes the search of specific mandate(s) including minimum qualifications and the selection process for the search and will seek Board approval for unique minimum qualifications not specified in Section VII.C & Section VII.D.
3. The General Fund Consultant applies the minimum qualifications and any additional Board criteria to the Request for Proposal (RFP).
4. The General Fund Consultant develops a list of respondents that meet the minimum qualifications ("Qualified Respondents").
5. The General Fund Consultant employs the investment manager candidate evaluation process to arrive at a list of semi-finalist candidates for Staff to review and approve.
6. Staff and General Fund Consultant provide for the Board's review an investment manager candidate evaluation and comparison report which summarizes the methodology for developing a list of semi-finalist candidates from the list of Qualified Respondents.
7. Staff conducts due diligence on the semi-finalist firms.
8. Based on the findings of the due diligence, Staff develops a suitable list of finalist candidate(s) for the Board to review, consider, and authorize for hire and contracting based on Staff's recommendation.

C. **Evaluation Criteria**

Evaluation Criteria - Active	**Weighting**	
Qualitative Assessment		70%
Organization/People	*30%*	
Investment Process	*40%*	
Risk Management	*30%*	
Quantitative Assessment[1]		20%
Expected Fees		10%

Evaluation Criteria - Passive	**Weighting**	
Qualitative Assessment		10%
Organization/People	*50%*	
Product AUM	*50%*	
Tracking Error		40%
Expected Fees		50%

D. **Active Investment Management – Search and Selection Criteria**

Minimum qualifications will focus on the key characteristics required by the LACERS Board and Staff for a candidate firm to receive consideration for hire. The following minimum

[1] The quantitative assessment includes, but is not limited to, a skill test, information ratio, consistency means test and batting average.

qualifications will be applied for all active, liquid market strategy investment manager searches.

a) Firm is a registered investment advisor under the Investment Advisors Act of 1940 or possesses bank exemption.

b) Must have a proven and verifiable track record, which conforms to the CFA Institute's Global Investment Performance Standards ("GIPS"), of at least five (5) years as of the most recent quarter end.

c) At least 60% of rolling four (4) quarter information ratios (i.e., excess return divided by excess risk) must be positive versus a mandate-appropriate benchmark, gross of fees, for the last five (5) years (12 of 20 quarters).

d) Strategy AUM must be of sufficient size that LACERS' expected mandate size would not comprise more than 25% of the proposed product assets.

Staff and the General Fund Consultant submits revised and/or additional minimum qualifications for each active, liquid market investment manager search as deemed appropriate given the mandate and asset class.

E. **Passive Investment Management – Search and Selection Criteria**

The following minimum qualifications will be used for all passive investment manager searches

a) Firm is a registered investment advisor under the Investment Advisors Act of 1940 or possesses bank exemption.

b) Must have a proven and verifiable track record, which conforms to the CFA Institute's Global Investment Performance Standards ("GIPS"), of at least five (5) years as of the most recent quarter end.

c) Strategy AUM must be of sufficient size that LACERS' expected mandate size would not comprise more than 50% of the proposed product assets.

F. **Emerging Managers**

The recommendation by Staff and the General Fund Consultant to initiate a search will include the expected number of firms that may meet LACERS' investment management search minimum criteria segregated by emerging and non-emerging investment managers. Emerging managers, as defined by LACERS' Emerging Investment Manager Policy (within Section IX of this document), will be highlighted in the investment management candidate evaluation summary report to the Board.

VII. MANAGER SEARCH AND SELECTION POLICY

The purpose of the Manager Search and Selection Policy is to provide a comprehensive framework for the manager search and selection decision making process for the liquid market strategies. It specifically defines responsibilities and processes for the LACERS Board, Staff and General Fund Consultant.

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~~8.~~7. Staff conducts due diligence on the semi-finalist firms.

~~9.~~ Based on the findings of the due diligence, Staff develops a suitable list of finalist candidate(s) for the Board to review, consider, and ~~interview.~~

~~10. The Board interviews the investment manager finalist candidates.~~

~~11.~~8. ~~The Board~~ authorize~~s~~ for hire and contracting ~~the selection and hiring of investment manager(s)~~ based on Staff’s recommendation~~the information presented in the interview and Staff’s report~~.

C. **Evaluation Criteria**

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Organization/People	*30%*	
Investment Process	*40%*	
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c) Strategy AUM must be of sufficient size that LACERS' expected mandate size would not comprise more than 50% of the proposed product assets.

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The recommendation by Staff and the General Fund Consultant to initiate a search will include the expected number of firms that may meet LACERS' investment management search minimum criteria segregated by emerging and non-emerging investment managers. Emerging managers, as defined by LACERS' Emerging Investment Manager Policy (within Section IX of this document), will be highlighted in the investment management candidate evaluation summary report to the Board.

Section 3.0 DUTIES AND RESPONSIBILITIES

3.9 Investment Committee Charter

Adoption: March 24, 2020

I. PURPOSE/ROLE

The purpose of the Investment Committee (Committee) is to provide assistance to the Board in fulfilling its fiduciary oversight of the LACERS Investment Program.

II. AUTHORITY

The Committee is authorized by this Investment Committee Charter to:

- Present investment recommendations to the Board for consideration and action.
- Seek information from readily-available research resources to include (but not limited to) LACERS' investment staff, investment consultants, investment managers, master trust custodian, and proxy voting agent.
- Render opinions on investment matters that are either delegated by the Board or delineated in the Investment Policy Statement.

III. COMMITTEE MEETINGS

The Committee shall meet no less than four times a year, and more often as needed. Through the General Manager, the Chief Investment Officer will support the Committee's designated duties and responsibilities. Coordinating through the Commission Assistant, the Chief Investment Officer will assist the Chair of the Committee with administrative tasks, as follows:

- Establish dates and times of the Committee meetings.
- Develop the Committee agenda.
- Review the minutes.
- Draft Committee reports.
- Provide other assistance to prepare for future Committee meetings.

IV. DUTIES AND RESPONSIBILITIES

The Committee's primary duty is to consider investment matters and make appropriate recommendations to the Board for further consideration and action. The Committee's oversight duties and responsibilities extends to three broad but distinct investment functions:

1. Policy and Strategy

    - Review the Investment Policy Statement at least annually; propose revisions and amendments as necessary.
    - Review and monitor the asset allocation policy on a periodic basis.
    - Review investment benchmarks as needed.

Section 3.0 DUTIES AND RESPONSIBILITIES

- Consider other investment matters that are consistent with the Committee Charter.

2. Operations

- Oversee the selection processes for hiring public market investment managers, investment consultants, and third-party investment support providers; present finalist candidate(s) and contracting recommendations consistent with the Investment Policy Statement and/or Board direction.
- Monitor public market investment managers, private market funds, investment consultants, and third-party investment support providers.
- Consider the termination of public market investment managers, consultants, and third-party investment support providers consistent with the Investment Policy Statement.
- Review investment activity reports including (but not limited to) the Emerging Investment Manager Program, Securities Lending Program, Proxy Voting, and Brokerage Commissions.
- Request presentations from investment managers, investment-related consultants, investment support vendors, and other investment experts at the direction of the Board or as necessary to fulfill committee duties and responsibilities as prescribed under the Investment Committee Charter.
- Provide advisory input to the General Manager regarding the selection of the Chief Investment Officer.
- Consider investment opportunities and strategies as recommended by staff and consultant.
- Refer investment opportunities to staff for further review and consideration.

3. Education

- Request investment education.
- Hear investment manager presentations.
- Receive off-site investment education as necessary.

V. CHARTER REVIEW

The Committee and the Board will review this Charter at least once every three years to ensure it remains appropriate. The Committee will recommend any changes to the Board for review and approval. The Board may amend the Charter at any time.

Section 3.0 DUTIES AND RESPONSIBILITIES

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