Municipal Employees' Retirement System of Louisiana

Manager Overviews

WCM

Background/Organization

- Since its inception in the late 1970s, WCM has been a 100% employee-owned boutique investment manager. Last week (July 11, 2018), WCM informed clients that it will be selling a minority stake (24.9%) to Natixis, a global distribution partner. WCM has close to $29 billion in assets across five different equity strategies. MERS is invested in the Focused Growth International Fund, which is the firm's largest product, with nearly $25 billion invested. Firm assets under management have grown drastically over the past five years. When MERS hired WCM in 2014, the firm only had $4 billion in assets under management.

Team

- The firm has over 35 employees. The Focused Growth International product is led by Co-CEOs and Co-PMs Paul Black and Kurt Winrich. Mr. Black and Mr. Winrich are supported by portfolio managers Pete Hunkel, Mike Trigg, and Sanjay Ayer, who average 18 years of investment experience. Four analysts support the team's five senior investment professionals. All investment team members operate as generalists.

Philosophy

- WCM seeks to invest in a concentrated portfolio of high quality companies that are easy to understand and have an "economic moat" that provides them with a competitive advantage. They believe companies with a true economic moat will be able to sustain above average profitability and growth much longer than peer companies.

Process

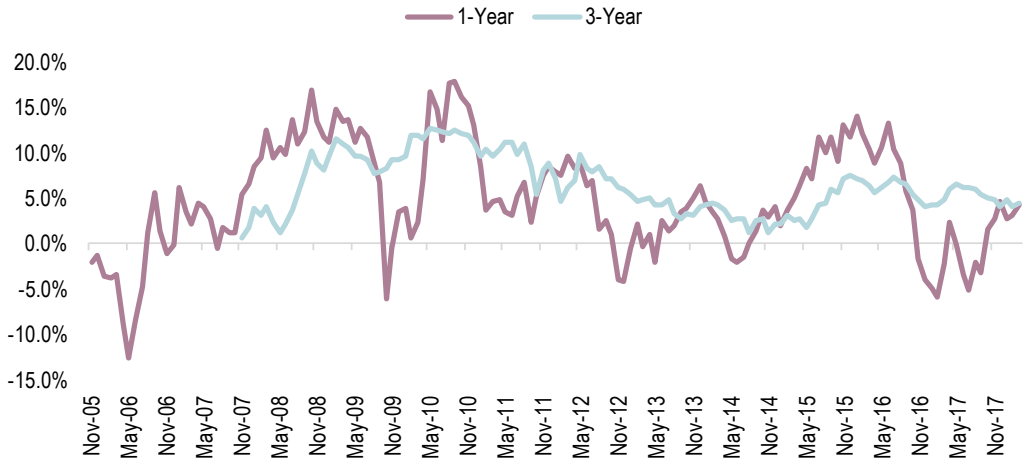
- WCM is a bottom up manager. While they will use some screens to narrow down the universe of possible investments, portfolio construction is primarily built around fundamental analysis and deep research on particular companies that exhibit the characteristics they like. Turnover in the portfolio is very low (less than 30%) and they typical hold up to 35 securities, while being conscious of diversifying the portfolio across different industries, sectors, regions, and themes.

Fees and Liquidity.

- MERS pays an annual fee of 0.85% of assets. The strategy has monthly liquidity.

WCM Rolling Period Excess Net Returns vs. MSCI ACWI ex-U.S.

Since Inception



As of 3/31/2018	Total Periods	Periods Outperformed	Percentage (%)	Average Ann. Excess Return (%)	Max. (%)	Min. (%)	Range (%)
1 Year	149	117	79	4.8	18.0	-12.6	30.5
3 Year	125	125	100	6.4	12.8	0.7	12.1

- WCM has produced impressive and consistent rolling period excess returns. The strategy has outperformed the MSCI ACWI ex-U.S. index in 100% of rolling three-year periods since inception.

Louisiana Funds

Background/Organization

- Louisiana Funds is a small private equity manager headquartered in Baton Rouge, LA. The Retirement System made a $2 million commitment to Louisiana Fund II ("the Fund" or "Fund II) in 2015. Louisiana Fund II raised $13 million in total across sixteen different limited partners. MERS is one of the four largest investors, along with Louisiana District Attorney's Retirement System ($2 mm), Louisiana Public Facilitates Authority ($2 mm), and Baton Rouge Area Foundation ($2 mm).

Team

- Joe Lovett and Rick Babb run the firm. They have worked together for over a decade.

Philosophy

- Louisiana Fund II focuses on early and mid-stage venture capital investments in companies primarily in life science, specialty pharmaceutical, medical devices and health care services. The fund's geographic target is Louisiana but also includes opportunities in the southern tier of the United States, including Arizona, New Mexico, Texas, Oklahoma, Arkansas, Mississippi, Alabama, Georgia and Florida.

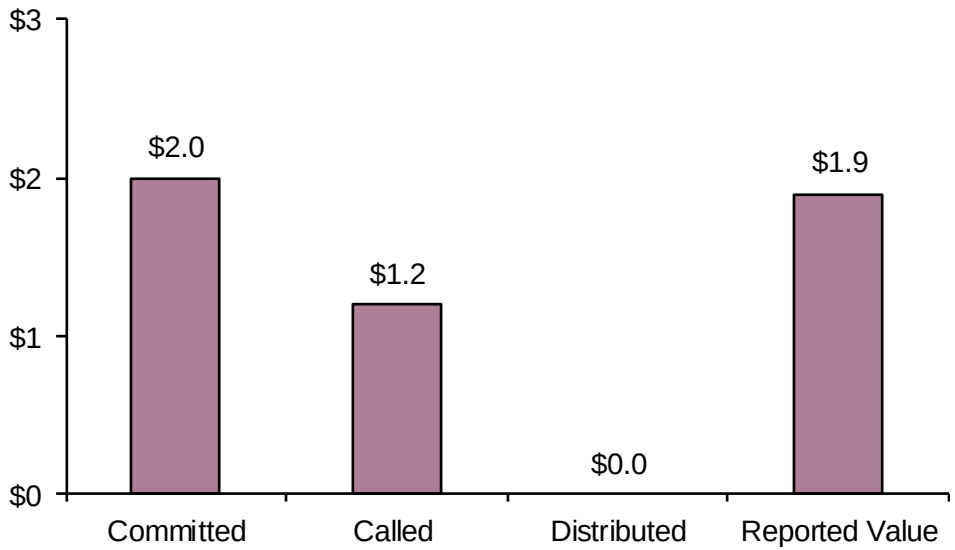
Process

- The partners leverage their collective experience and network with the local venture capital ecosystem to source investment ideas.
- Specifically, their partnership with the New Orleans BioInnovation Center and relationships with local Louisiana universities have been the biggest source of prior investments.

Fees and Liquidity

- The management fee is 2.5% on committed assets ($2 mm) during the first five years (investment period). The management fee is reduced by 10% each subsequent year to a floor of 1.5%. There is also a 20% performance fee with no hurdle rate.

Louisiana Funds



- As of December 31, 2017, Louisiana Fund II had called and invested $1.2 mm of the Retirement System's $2.0 mm commitment.
- The Fund has made investments in seven different companies.
- Approximately 80% of the Fund's unrealized value is in three companies:
  - BioStable Science and Engineering (34%)
  - Sinopsys Surgical (34%)
  - Bioceptive, Inc. (12%)

Sentinel

Background/Organization

- Sentinel Advisors is a New York-based real estate advisor with approximately $7.0 billion in firm wide assets, and over $1.6 billion in the Sentinel Real Estate Fund, LP, a core open-end commingled fund, which MERS is invested in. This is the Retirement System's only real estate investment in an open-end fund. There are close to 30 properties in the fund. MERS is one of 56 limited partners in the fund.

Team

- A team of ten senior professionals is in charge of the day-to-day operations of the Fund, led by two Co-Portfolio Managers. Each member of the team has been with the firm for at least ten years, while many have been with Sentinel in excess of twenty years.

Philosophy

- The Fund pursues a core strategy focused on apartment properties. Typically over 75% of the return on investment comes from income (i.e. rent) received from the properties, with the remainder from property price appreciation and improvement.
- Sentinel believes that investors in multifamily rental properties are well positioned to benefit from favorable demographic trends, including pent-up rental apartment demand, low new construction levels, and stabilizing economic and job growth.

Process

- Sentinel Real Estate Fund, LP is focused solely on the U.S. market, and will seek to be diversified throughout the country. Properties purchased generally range in size from $50 million to $100 million. At least 95% of the Fund must be invested in multifamily properties (nearly always in Class A buildings).

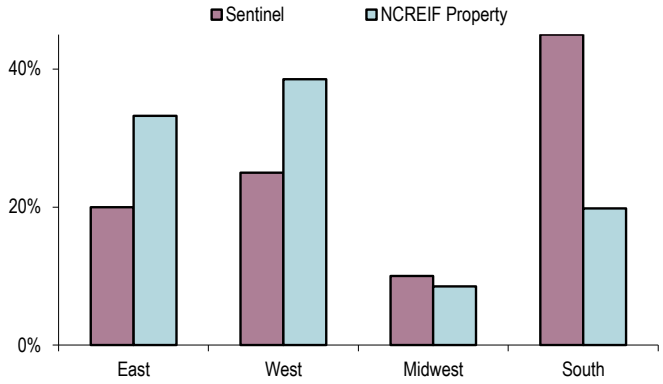
Fees and Liquidity

- 1.00% on assets under management.
- The strategy has quarterly liquidity but requires up to 27 months advance notice. Historically most redemption requests have been satisfied within 12 months.

Sentinel
Trailing Performance as of June 30, 2018

	1 YR	3 YR	5 YR	10 YR	SI[1]
Sentinel Real Estate Fund (net)	7.4	8.6	10.2	7.1	7.5
NCREIF ODCE Equal Weight (net)[2]	*7.3*	*9.3*	*10.5*	*4.0*	*6.1*
Excess Returns (net of fees)	*0.1*	*-0.7*	*-0.3*	*3.1*	*1.4*

Regional Exposure



- The Sentinel Real Estate Fund is regionally concentrated in the South and owns fewer buildings in expensive markets along the east coast and west coast.

[1] Inception March 2006.
[2] One quarter lagged.