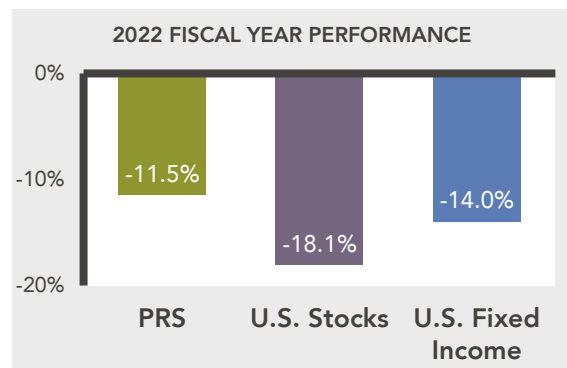


To: Trustees of the Police Retirement System of St. Louis
From: Marquette Associates, Inc.
Date: December 19, 2022
Re: Weathering the Storm

This memo is to outline a response to some inaccurate claims being made in the public arena about the investments of PRS. 2022 has been a very difficult investing environment for all public pension plans, as public equities and public fixed income both were down across the board. We are happy to report that the PRS portfolio has weathered the storm quite well and in fact performed better than 84% of U.S. public pension plans for your fiscal year ending September 30, 2022.

The below items outline responses to inaccurate claims being made:

- **Emerging Markets:** PRS is not heavily invested in emerging markets. To the contrary, emerging markets equities made up approximately just 4.4% of the total portfolio (~\$34M as of 9/30/22). This weighting is in line with other public pension plans throughout the country.
- **China:** PRS is also not heavily invested in China. PRS' China exposure mostly comes from of the emerging markets equity fund in the above bullet point. There may be an investment in a Chinese company here and there for some other managers, but that is not going to move the needle much. The emerging markets equity fund mentioned in the above bullet point has about 34% allocated to China (close to the emerging markets equity index they aim to beat). So that is about \$12M in investments with China. Of the entire PRS portfolio, that is about 1.5%. That is also in line, if not less, than many other public pension plans throughout the country.
- **"Green energy funds":** PRS does not invest in any dedicated "Green energy funds." If any investment manager sees an opportunity purely from an investment return standpoint, they have discretion to invest in a green energy opportunity because it makes business sense. To the contrary of the "Green energy fund" claim, PRS actually has some dedicated oil and natural gas fund investments.
- **Peer rankings:** While investment returns were negative this past fiscal year (along with all other public pension plans), the rankings for PRS relative to peers have been strong. In addition to PRS' performance being ranked at the 16th percentile this past fiscal year (better than 84% of other public pension plans nationwide), PRS' trailing rankings the past seven years are consistently in the top half of public pension plans, and usually in the top quartile.
- **"Risky investments":** With respect to a claim that PRS is comprised of "risky investments", the chart to the right shows PRS' returns versus two common public security benchmarks. In the past fiscal year the plan was down -11.5% net of fees, but fared quite well compared to them. During the past fiscal year, the U.S. stock market (the Russell 3000 index) was down -18.1% and the main index of fixed income (the Bloomberg Aggregate Bond Index), was down 14.0%. That bond index is generally considered to be far safer than stocks, and is comprised with approximately 40% of US Treasury Bonds.



PREPARED BY MARQUETTE ASSOCIATES

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