Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Performance Summary

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Macroeconomic Environment

The U.S. economy grew by 3.3% in 4Q23, once again surprising to the upside. While many forecasted a recession caused by the Fed's dedication to fighting inflation by raising interest rates, the economy grew 2.5% for the year, up from the 1.9% rate in 2022. The job market has generated 5.4 million new jobs since the end of 2019, before the start of the pandemic. Real wages and real income growth turned positive in mid-2023 as inflation subsided but demand for workers remained. Workers feel confident in the tight labor market, and this confidence is driving consumer spending. Consumption expenditures accounted for half of GDP growth in 3Q and almost 60% in 4Q. The economy seemed to get stronger by the quarter in 2023.

Underneath the mayhem that defined both 2022 and 2023—geopolitical uncertainty, spiking inflation, rising interest rates, and the volatility in the equity market—the U.S. and global economies remain in remarkably good shape. The U.S. economy weathered the rate hikes in 2022 and 2023 particularly well. The first reason that the economy did not slide into a recession is stimulus and lots of it, around the globe, which translated into pent-up demand. Second, the very tight labor market in the U.S. gives workers and their families confidence to spend. Third, despite the housing market taking a big hit as mortgage rates shot up, housing has not dragged down the economy as in rate hike episodes of yore. In addition, we do not have a mortgage crisis similar to the one that struck in 2008-09 and nearly took down the banking system.

Inflation shot up to 9% in mid-2022, but the rate of price increases began to ebb in the second half of 2022 and declined steadily to 3% by the end of 3Q23. Unfortunately, headline inflation ticked back up to 3.5% by the end of the year, so we are not out of the inflation woods yet. Even as the rate of price increases comes down, prices are now "permanently" higher unless we see deflation. The level of the CPI-U index is up 10% since the start of 2022.

One key factor keeping inflation from falling back toward the Federal Reserve's goal of 2% is the labor market. We ended 2023 with labor markets not only tight but tightening. Initial unemployment claims (measured on a weekly basis)—one of our few leading indicators—began climbing in 2Q, and by early spring weekly claims had surpassed the average set in 2019 of 218,000. As claims rose to 250,000 by August, the data appeared to show that interest rate hikes were finally starting to bite. Then initial claims fell back sharply, and we ended the year at 203,000. Continuing unemployment claims also began to rise from a very low level starting in 4Q22 and ended the year about 9% higher than the pre-pandemic level. So initial claims show workers holding onto jobs, but the continuing claims show workers have a bit more trouble finding jobs once laid off. However, the unemployment rate remains low at 3.7%. The tightness in the labor market is inconsistent with the Fed's goal of achieving its 2% inflation target. As continuing claims rose in 2023, bond markets read the data as the first sign of easing in the labor market, but the robust end-of-the-year GDP report, the lower initial claims, and the strong December job market report suggest labor market tightness is not yet easing.

It may take longer than many believed to unravel the current growth momentum in the U.S. economy. The Fed had stated earlier in 2023 a belief that rates would remain elevated, based on its economic expectation of "stronger for longer." After the Fed reversed course in the November and December FOMC meetings, signaling rate cuts were likely in 2024, the economy reverted to stronger for longer on its own.

Global Equities

The S&P 500 Index approached a record high as the year closed. Of note, 2023 was the first year since 2012 that the S&P failed to reach a high-water mark. That said, the index was up an impressive 11.7% in 4Q and 26.3% for the year. The tech sector was the clear winner for the quarter and the year (+17.2%; +57.8%) while Energy (-6.9%; -1.3%) was the only sector to register both a 4Q and 2023 decline. Small caps (R2000: +14.0%) outperformed large caps (R1000: +12.0%) for the quarter but lagged for the year (R2000: +16.9%; R1000: +26.5%). Growth outperformed value in 4Q (R1000 Growth: +14.2%; R1000 Value: +9.5%) and even more substantially for the year (R1000 Growth: +42.7%; R1000 Value: +11.5%). Index concentration continued to have a notable impact on returns in 4Q. The "Magnificent Seven," which comprise over 25% of the S&P 500, accounted for 76% of the 2023 return for the index. The index would have been up only about 10% for the year without these stocks, and the equal-weighted S&P 500 returned 11.9% in 4Q and 13.9% in 2023.

Global ex-U.S. equities (MSCI ACWI ex USA: +9.8%) performed well in 4Q and for the year (+15.6%) but lagged the U.S. Weakness in the U.S. dollar helped 4Q returns across developed markets. As in the U.S., growth outperformed value in the quarter (MSCI ACWI ex USA Growth: +11.1%; MSCI ACWI ex USA Value: +8.4%). However, value outperformed growth for the full year (MSCI ACWI ex USA Growth: +14.0%; MSCI ACWI ex USA Value: +17.3%). Emerging markets (MSCI Emerging Markets: +7.9%) also did well but underperformed developed markets. China was a notable laggard (-4.2%; -11.2%). Latin America (+17.6%; +32.7%) was the best-performing region for the quarter and the year with Mexico (+18.6%; +40.9%) and Brazil (+17.8%; +32.7%) up strongly.

Global Fixed Income

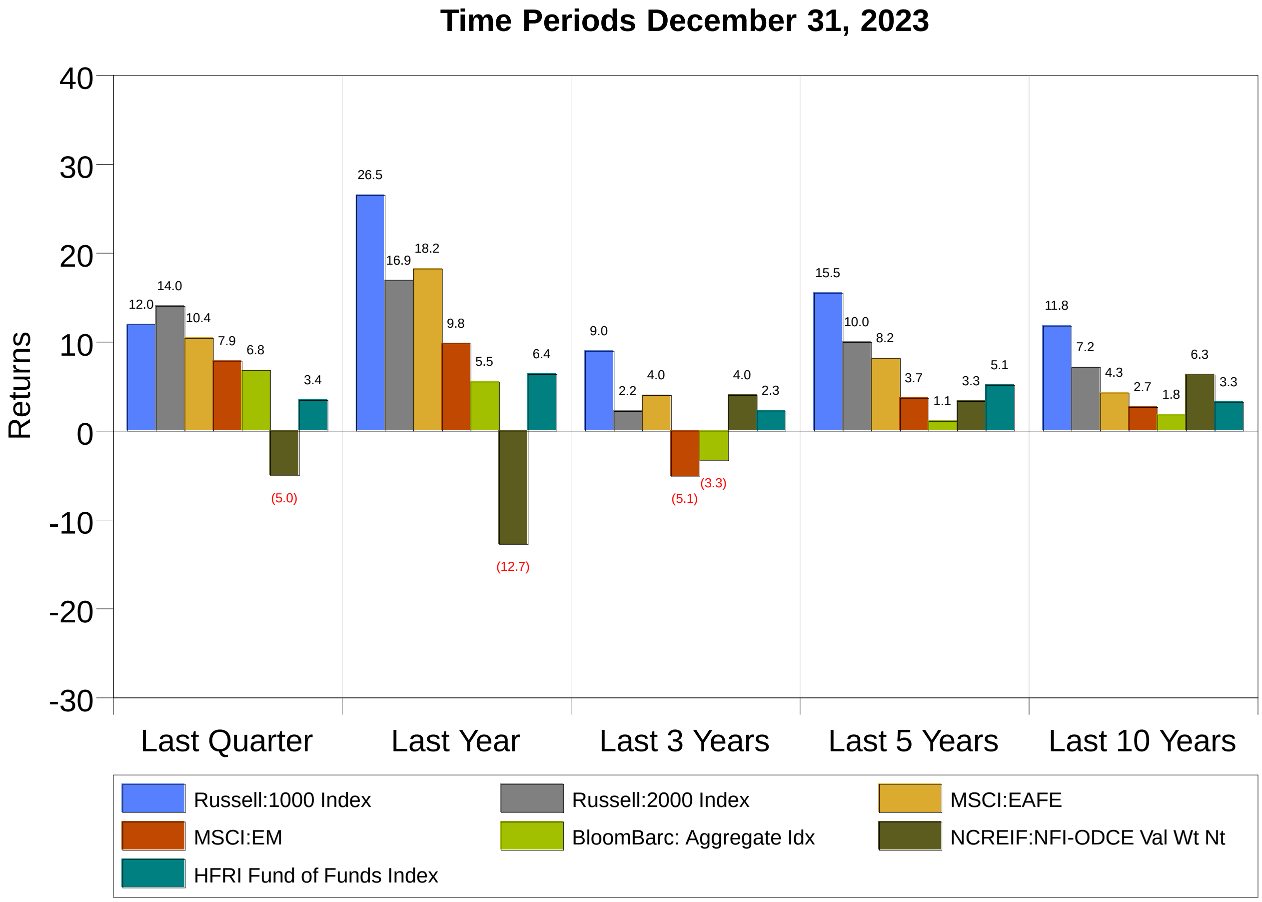
The 10-year U.S. Treasury yield was volatile in 2023—ranging from an April low of 3.31% post the regional banking "crisis" to the October high of 4.99% and subsequently declining into year-end for a 3.88% close. Falling rates drove returns for the Bloomberg US Aggregate to +6.8% in 4Q and +5.5% in 2023, a sharp contrast to the -1.2% YTD print as of 9/30. Corporate credit strongly outperformed U.S. Treasuries in 4Q (excess returns of 2.03%) and for the year (4.55%). High yield (Bloomberg US High Yield) climbed 7.2% for the quarter and was up an equity-like 13.4% for the year. The yield curve remained inverted, but to a much lesser extent; 0.35% between the 2-year and 10-year U.S. Treasury yields versus more than 1.00% earlier in the year.

The Bloomberg Global Aggregate ex USD Index rose 9.2% (hedged: +5.4%) in 4Q as rates fell and the U.S. dollar weakened. Full-year results (+8.3% hedged; +5.7% unhedged) were also positive but reflected an overall stronger greenback. Emerging market debt indices also posted solid returns. The hard currency JPM EMBI Global Diversified gained 9.2% in 4Q and 11.1% in 2023. The local currency-denominated JPM GBI-EM Global Diversified returned 8.1% in 4Q and 12.7% for the year.

Real Assets

Private real estate indices fell in 4Q23, mostly due to appreciation losses. The NCREIF Property Index was off 4.1% and the NCREIF ODCE Index dropped 4.8%. Real estate investment trusts (REITs), on the other hand, jumped and topped stock indices, both in the U.S. and globally. The FTSE EPRA Nareit Developed REIT Index, a measure of global real estate securities, rose 15.6% during 4Q23. U.S. REITs, as measured by the FTSE Nareit Equity REITs Index, increased 16.2%. The outperformance in the U.S stemmed from dampening inflation. Europe was the top-performing region, helped by currency tailwinds.

Fourth Quarter 2023 Market Performance



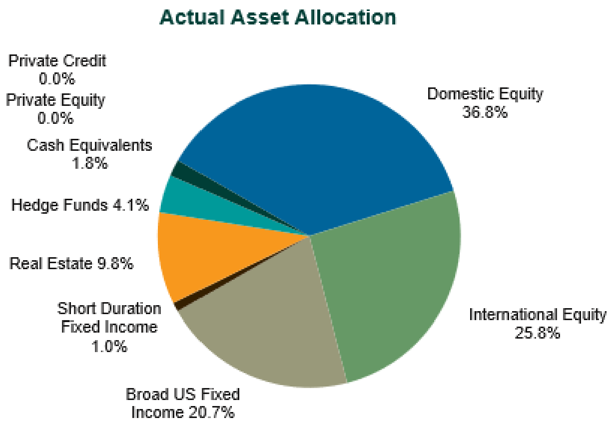
The Callan Periodic Table of Investment Returns
Fourth Quarter 2023

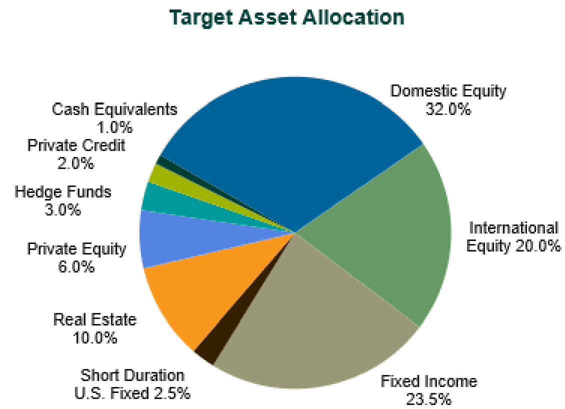
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Russell:1000 Index **13.2%**	NCREIF:NFI-ODCE Val Wt Nt **14.0%**	Russell:2000 Index **21.3%**	MSCI:EM **37.3%**	Cambridge:Gl PE & Cred **10.0%**	Russell:1000 Index **31.4%**	Cambridge:Gl PE & Cred **29.9%**	Cambridge:Gl PE & Cred **37.2%**	NCREIF:NFI-ODCE Val Wt Nt **6.5%**	Russell:1000 Index **26.5%**
Cambridge:Gl PE & Cred **11.9%**	Cambridge:Gl PE & Cred **8.8%**	Russell:1000 Index **12.1%**	MSCI:EAFE **25.0%**	NCREIF:NFI-ODCE Val Wt Nt **7.4%**	Russell:2000 Index **25.5%**	Russell:1000 Index **21.0%**	Russell:1000 Index **26.5%**	HFRI Fund of Funds Index (5.3%)	MSCI:EAFE **18.2%**
NCREIF:NFI-ODCE Val Wt Nt **11.5%**	Russell:1000 Index **0.9%**	MSCI:EM **11.2%**	Russell:1000 Index **21.7%**	BC Aggregate **0.0%**	MSCI:EAFE **22.0%**	Russell:2000 Index **20.0%**	NCREIF:NFI-ODCE Val Wt Nt **21.0%**	Cambridge:Gl PE & Cred **(7.7%)**	Russell:2000 Index **16.9%**
BC Aggregate **6.0%**	BC Aggregate **0.5%**	Cambridge:Gl PE & Cred **9.6%**	Cambridge:Gl PE & Cred **20.0%**	HFRI Fund of Funds Index (4.0%)	MSCI:EM **18.4%**	MSCI:EM **18.3%**	Russell:2000 Index **14.8%**	BC Aggregate **(13.0%)**	MSCI:EM **9.8%**
Russell:2000 Index **4.9%**	HFRI Fund of Funds Index (0.3%)	NCREIF:NFI-ODCE Val Wt Nt **7.8%**	Russell:2000 Index **14.6%**	Russell:1000 Index **(4.8%)**	Cambridge:Gl PE & Cred **16.4%**	HFRI Fund of Funds Index 10.9%	MSCI:EAFE **11.3%**	MSCI:EAFE **(14.5%)**	HFRI Fund of Funds Index 6.4%
HFRI Fund of Funds Index 3.4%	MSCI:EAFE **(0.8%)**	BC Aggregate **2.6%**	HFRI Fund of Funds Index 7.8%	Russell:2000 Index **(11.0%)**	BC Aggregate **8.7%**	MSCI:EAFE **7.8%**	HFRI Fund of Funds Index 6.2%	Russell:1000 Index **(19.1%)**	BC Aggregate **5.5%**
MSCI:EM **(2.2%)**	Russell:2000 Index **(4.4%)**	MSCI:EAFE **1.0%**	NCREIF:NFI-ODCE Val Wt Nt **6.7%**	MSCI:EAFE **(13.8%)**	HFRI Fund of Funds Index 8.4%	BC Aggregate **7.5%**	BC Aggregate **(1.5%)**	MSCI:EM **(20.1%)**	NCREIF:NFI-ODCE Val Wt Nt **(12.7%)**
MSCI:EAFE **(4.9%)**	MSCI:EM **(14.9%)**	HFRI Fund of Funds Index 0.5%	BC Aggregate **3.5%**	MSCI:EM **(14.6%)**	NCREIF:NFI-ODCE Val Wt Nt **4.4%**	NCREIF:NFI-ODCE Val Wt Nt **0.3%**	MSCI:EM **(2.5%)**	Russell:2000 Index **(20.4%)**	**PE Idx Not Yet Reported**

Forest Preserve Pension Fund Commentary

Asset Allocation

The Total Fund ended 2023 with a market value of $197.5 million, a $10.8 million increase from the third quarter ending value of $186.7 million. The Fund experienced investment returns of approximately $13.6 million and net outflows of $2.8 million. The target asset allocation was approved in September 2023. The Total Fund benchmark will be modified in accordance with the actual implementation of new asset classes (private equity and credit). This process reflects the practical implementation of non-publicly traded investments. The Forest Preserve Fund's largest overweights are to International Equity (+5.8%) and Domestic Equity (+4.8%). This is mostly offset by the underweights to Private Equity (-6.0%) and Private Credit (-2.0%), which are yet to be implemented.





Asset Class	$000s Actual	Weight Actual	Min Target	Target	Max Target	Percent Difference	$000s Target	$000s Difference
Domestic Equity	72,736	36.8%	28.0%	32.0%	36.0%	4.8%	63,210.56	9,525
International Equity	51,007	25.8%	16.0%	20.0%	24.0%	5.8%	39,506.60	11,500
Broad US Fixed Income	40,974	20.7%	19.5%	23.5%	27.5%	(2.8%)	46,420.26	(5,446)
Short Duration Fixed Income	1,921	1.0%	0.0%	2.5%	4.5%	(1.5%)	4,938.33	(3,017)
Real Estate	19,398	9.8%	6.0%	10.0%	14.0%	(0.2%)	19,753.30	(355)
Private Equity	-	0.0%	0.0%	6.0%	10.0%	(6.0%)	11,851.98	(11,852)
Hedge Funds	8,013	4.1%	0.0%	3.0%	6.0%	1.1%	5,925.99	2,087
Private Credit	-	0.0%	0.0%	2.0%	4.0%	(2.0%)	3,950.66	(3,951)
Cash Equivalents	3,484	1.8%	0.0%	1.0%	5.0%	0.8%	1,975.33	1,509
Total	197,533	100.0%		100%				

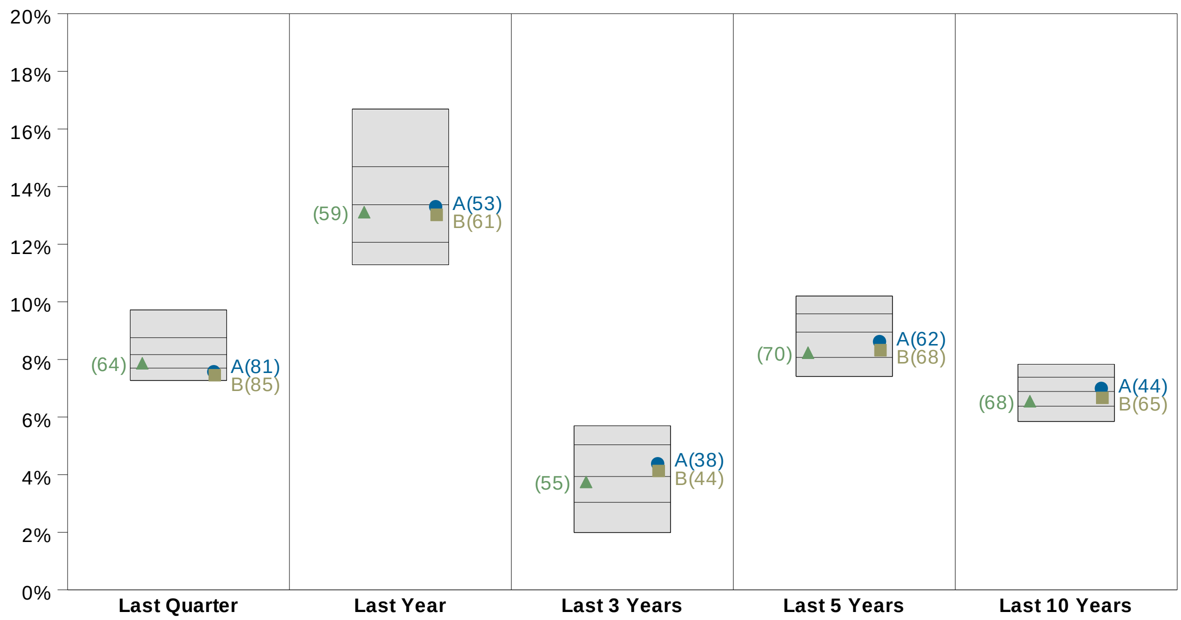
Forest Preserve Pension Fund Performance vs. Target

The Total Fund returned 7.45% for the quarter net of fees (NOF) and trailed the benchmark return of 7.87%. Over the trailing year, the Fund notched a 13.02% return versus the benchmark return of 13.11%. Over the trailing three-year period, the Fund returned 4.13% on an annualized basis and outperformed the benchmark return of 3.75%. The Total Fund edged the benchmark (8.24%) over the last five-year period, returning 8.32%. Over the trailing ten-year period, the Total Fund returned 6.67% and outperformed the benchmark return of 6.55%.

On a gross of fee basis (GOF), the Fund has outperformed its peer group median over the trailing three-, and ten-year periods.

Table 1.0

Performance vs Callan Public Fund Spons- Mid (100M-1B) (Gross)



		Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile		9.72	16.69	5.70	10.20	7.84
25th Percentile		8.75	14.69	5.04	9.58	7.39
Median		8.17	13.37	3.94	8.95	6.89
75th Percentile		7.70	12.07	3.04	8.07	6.38
90th Percentile		7.27	11.29	1.99	7.41	5.85
Total Forest (Gross)	● A	7.54	13.27	4.35	8.59	6.96
Total Forest (Net)	■ B	7.45	13.02	4.13	8.32	6.67
Total Forest Preserve Benchmark	▲	7.87	13.11	3.75	8.24	6.55

Table 1.1
Asset Class Performance vs. Target (Net of Fees)

	Market Value $(Dollars)	Ending Weight	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Domestic Equity	**$72,735,645**	**36.82%**	**11.68%**	**24.41%**	**8.56%**	**14.69%**	**11.10%**
Domestic Equity Benchmark (2)	-	-	12.07%	25.96%	8.54%	15.16%	11.39%
International Equity	**$51,007,009**	**25.82%**	**9.83%**	**17.94%**	**2.43%**	**7.71%**	**5.15%**
International Equity Bnmk (4)	-	-	9.75%	15.62%	1.55%	7.08%	3.83%
Fixed Income	**$42,894,931**	**21.72%**	**6.65%**	**5.39%**	**(2.17%)**	**1.48%**	**1.96%**
Fixed Income Benchmark (3)	-	-	6.49%	5.47%	(2.95%)	1.25%	1.88%
****Real Estate**	**$19,397,706**	**9.82%**	**(7.13%)**	**(11.97%)**	**4.24%**	**4.14%**	**5.99%**
NFI-ODCE Value Weight Net	-	-	(5.00%)	(12.73%)	4.01%	3.34%	6.33%
****Hedge Funds**	**$8,013,224**	**4.06%**	**3.19%**	**6.89%**	**5.94%**	**5.17%**	**4.98%**
90-Day Average SOFR + 4% (5)	-	-	2.31%	8.95%	6.44%	6.10%	5.53%
HFRI Fund of Funds Index (6)	-	-	0.66%	4.32%	2.72%	4.32%	3.15%
Cash Equivalents	**$3,484,223**	**1.76%**	**1.41%**	**5.26%**	**2.28%**	**2.04%**	**1.47%**
3-month Treasury Bill	-	-	1.37%	5.01%	2.15%	1.88%	1.25%
Total Forest Preserve Fund	**$197,532,738**	**100.00%**	**7.45%**	**13.02%**	**4.13%**	**8.32%**	**6.67%**
Total Fund Benchmark (1)	-	-	7.87%	13.11%	3.75%	8.24%	6.55%

**Represents trailing data.

Definitions for custom benchmarks can be found on the back page

Table 1.1 illustrates the Forest Preserve Pension Fund's asset class performance against associated benchmarks.

Domestic Equity returned 11.68% for the quarter and underperformed the benchmark return of 12.07%. Over the last year, Domestic Equity returned 24.41% and trailed the benchmark (25.96%). Domestic Equity outperformed the benchmark over the last three-year period but has modestly underperformed over longer periods.

International Equity returned 9.83% for the quarter and outperformed the benchmark return of 9.75%. Over the last year, International Equity finished with a return of 17.94% and outperformed the benchmark (15.62%). Over longer periods, International Equity outperformed the benchmark with positive contributions from active managers.

Fixed Income gained 6.65% in the quarter, just ahead of the benchmark return of 6.49%. Over the last year, Fixed Income returned 5.39% and lagged the benchmark return (5.47%). The allocation has outperformed the benchmark over longer periods.

Real Estate declined 7.13% for the quarter and underperformed the benchmark return of -5.00%. Over the last year, Real Estate posted a -11.97% return and outperformed the benchmark (-12.73%). Real Estate outperformed the benchmark over the trailing three- and five-year periods.

Hedge Funds returned 3.19% in the quarter and led the absolute return benchmark of 2.31%. Over the last year, Hedge Funds returned 6.89% and trailed the target return (8.95%). The allocation trails its benchmark across long-term periods.

Benchmarks

1. **Total Fund Benchmark:** Blend of asset class benchmarks at policy weights. The new long-term target allocation was approved in September 2023. The Total Fund benchmark will be modified in accordance with the actual implementation. This process reflects the practical implementation of non-publicly traded investments.

	Long Term Target	4Q 2023 Target
Russell 3000	32.0%	35.0%
MSCI ACWI ex US IMI	20.0	25.0
Bloomberg Aggregate	23.5	23.0
Blmbg Gov/Cred 1-3yr	2.5	2.0
Private Equity	6.0	0.0
90-Day Avg SOFR + 4.0%	3.0	4.0
Private Credit	2.0	0.0
NCREIF NFI-ODCE Val Wt Nt	10.0	10.0
Cash (90 day T-Bill)	1.0	1.0
Total Target	100.0%	100.0%

2. **Domestic Equity Benchmark:** Russell 3000 Index; Prior to 6/30/2016 Blend of 70% S&P 500 and 30% Russell 2500 Index; Prior to 12/31/2012 Blend of 55.6% S&P 500, 11.0% Russell 2000 Value, 16.7% Russell 1000 Growth, and 16.7% Russell 1000 Value.

3. **Fixed Income Benchmark:** Blend of 90% Bloomberg Aggregate Index, and 10% Bloomberg Gov/Credit 1-3 Year Index; Prior to 12/31/2019 Bloomberg Aggregate Index; Prior to 12/31/2012 Blend of 75% Bloomberg Aggregate Index, and 25% Bloomberg Gov/Credit Intermediate Index.

4. **International Equity Benchmark:** MSCI ACWI ex U.S.

5. **Hedge Funds:** 90-Day Average SOFR + 4%; Prior to 12/31/2022 LIBOR + 4%.

6. **HFRI Fund of Funds Composite Index:** Returns are lagged 1 month.