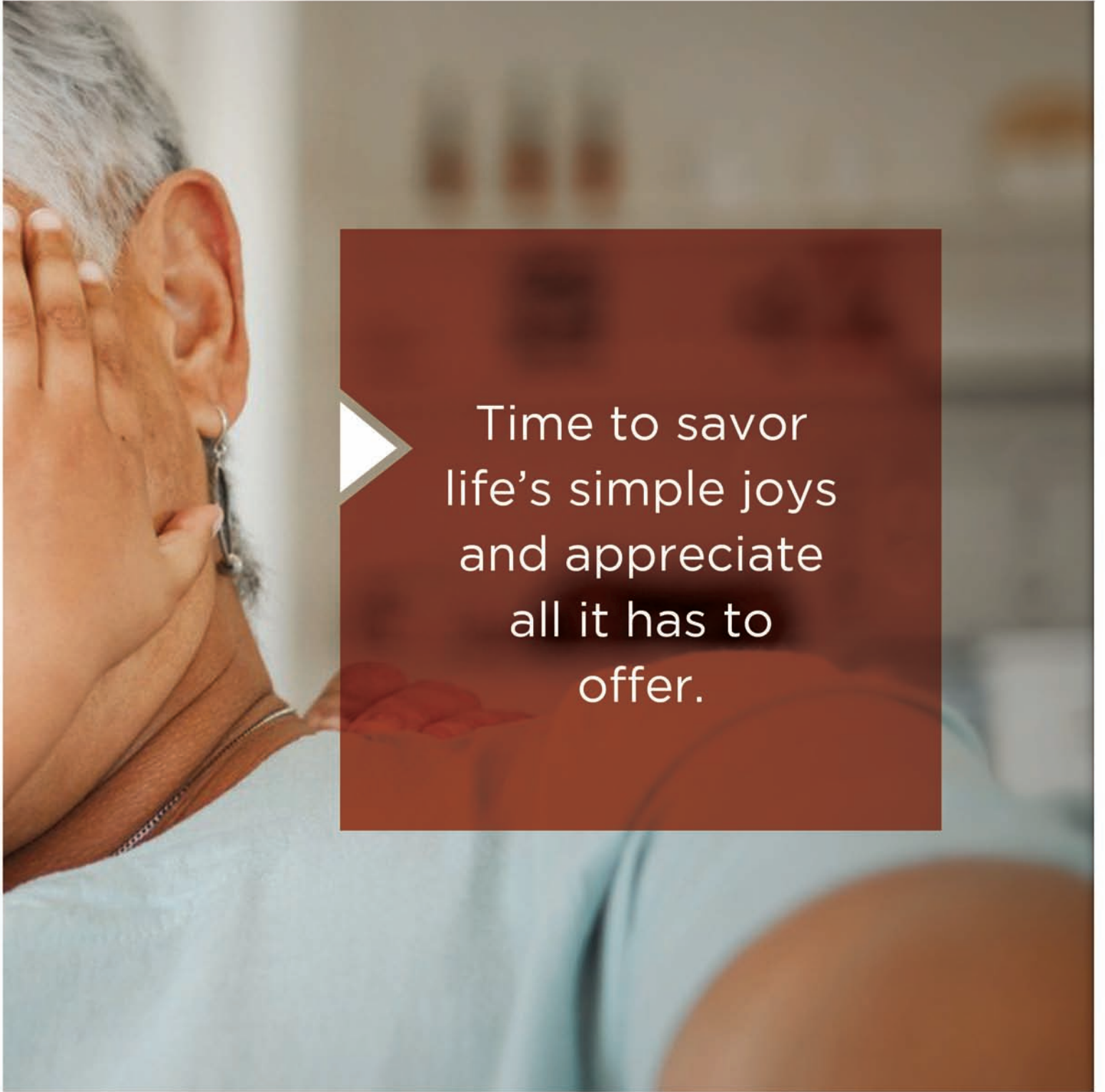


INVESTMENTS

- SECTION 3 -





Time to savor
life's simple joys
and appreciate
all it has to
offer.



HMEPS
HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

The Board of Trustees (“Board”) of the Houston Municipal Employees Pension System (“System”) has adopted an Investment Policy Statement (“IPS”) as a framework for the investment of the System’s assets. The authority to amend the IPS rests solely with the Board. The following provides an outline of the IPS.

PURPOSE

The IPS assists the Board in its role as fiduciary for the System’s investments by: a) specifying the Board’s expectations, objectives and guidelines for the System, b) clarifying the responsibilities of the Board, the staff, the consultants and vendors, c) setting forth an investment structure for managing the portfolio, d) encouraging effective communications, and e) establishing criteria to select, remove, monitor and evaluate performance of investment managers and vendors on a regular basis.

INVESTMENT OBJECTIVES

The investment objective of the total portfolio is to produce an annualized investment return over the long term that exceeds the actuarial return rate assumption for the System. This will help the Board to achieve its overall objective of providing adequate retirement benefits to the members of the System.

The System’s investment performance is compared to a policy portfolio comprised of market indices, which are consistent with the overall investment policy. The policy portfolio reflects a passive implementation of the target investment policy. Effective July 1, 2023, the Board approved an updated asset allocation for the System’s investment portfolio, along with an updated policy portfolio.

The System’s investment performance is also evaluated by comparing it to a group of its public fund peers. The public pension fund universe used for comparative purposes is the Wilshire TUCS Master Trusts – Public Universe.

ASSET ALLOCATION

The System’s asset allocation provides an efficient mix of assets that is designed to provide a return profile that is consistent with the System’s long-term portfolio risk and return objectives. The Board periodically undertakes strategic studies to address the appropriateness of asset classes to be considered for inclusion in the target asset allocation, and to define the targeted percentage to each asset class to achieve the desired level of diversification.

The System’s current asset allocation became effective July 1, 2023. This Investment Section reflects the asset allocation in effect during FY 2024.

DIVERSIFICATION

The System invests in six major asset classes (Global Equities, Fixed Income, Real Estate, Private Credit, Private Equity, and Inflation-Linked) as a method to maximize overall fund diversification. Further, the System engages the services of numerous professional investment managers (including in both public markets and private partnerships) with demonstrated skills and expertise in managing portfolios within each asset class. The managers retained are expected to utilize varied investment approaches that, when combined, will exhibit return characteristics that are similar to the asset class proxy utilized in the strategic asset allocation plan. As of June 30, 2024, the System utilized 88 investment managers, several of which manage multiple mandates. Cash inflows and outflows are directed within the targeted asset class to the various managers so that actual characteristics of the portfolio will be consistent with the strategic plan. Excluding passive strategies, no investment manager is permitted to manage more than 20% of the fair value of the System’s assets.

REBALANCING

The IPS requires a periodic adjustment, or rebalancing, of assets be made to ensure conformance with policy target levels. Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among the various asset classes that may occur over time. During fiscal year 2024, Staff directed the rebalancing of assets within the asset allocation targets in response to market dynamics and the System’s liquidity needs.

INVESTMENT MANAGER GUIDELINES – PUBLIC MARKETS

Investment managers are subject to guidelines and objectives incorporated in the investment management agreements entered into by the Board and the respective investment managers. Investment managers are expected to perform their fiduciary duties as prudent people skilled in such matters and, further, are expected

to comply with all applicable State and Federal statutes governing the investment of retirement funds. Within the context of the guidelines, investment managers have full discretion with respect to the purchase and sale of individual securities and portfolio weightings. Portfolios are to be managed in a manner similar to other portfolios within an organization with similar guidelines and performance objectives.

The Board requires that all investment managers seek best execution for all trades ordered on behalf of the System.

MANAGER EVALUATION

Managers of portfolios are evaluated quarterly against predetermined benchmarks such as an appropriate market index or a comparable peer group. All public market managers are required to provide written reports to HMEPS outlining actions taken within their respective portfolios and the portfolio's investment performance. In addition, System personnel and professional consultants engaged by the Board monitor managers' performance, material changes in the managers' organization and conformity with their guidelines and objectives.

Managers who do not meet expectations will be placed on probation (for public market managers) or watchlist (for private market managers). Staff and the consultant will increase monitoring of these managers, evaluating factors such as changes in the assets in the portfolio, changes in investment style, peer universe ranking and others.

INVESTMENT PERFORMANCE EVALUATION

The Board reviews System investment performance on a periodic basis to evaluate conformity to the goals and objectives established in the strategic plan. The Board recognizes that financial markets from time to time may not support attainment of those goals and objectives. During such times, progress toward conformity is evaluated by comparing the System's performance to the policy portfolio and to the Wilshire TUCS Master Trusts – Public Universe. Investment results are calculated using a time-weighted rate of return.

PROXY VOTING

The Board authorizes each investment manager to vote all proxies relating to securities held on behalf of the System. Each manager is expected to promptly vote all proxies and related actions in a manner consistent with the long-term best interests of the System and its participants and beneficiaries. Each investment manager is required to keep detailed records of all voting of proxies and related actions and to comply with all related regulatory obligations. The System's management staff periodically reviews each investment manager's policies and actions with respect to proxy voting.

INVESTMENT

LONG-TERM RESULTS

The 10-year period ended June 30, 2024 encompassed the 2020-2022 Covid pandemic and recovery followed by geopolitical volatility in the wake of the Russian invasion of Ukraine. These catalysts have produced volatile returns for financial markets as a whole.

As shown in the investment results (Table 2), HMEPS' total fund performance compares very favorably to the median public fund, as represented by the Wilshire TUCS Master Trusts – Public Universe. Over the three-, five- and ten-year periods, HMEPS is in the top 5% of funds in the Wilshire TUCS Master Trusts – Public Universe. Due to the diversification of assets, the System's 5-year annualized return is 11.1%. The 10-year return stands at 8.9%.

FISCAL YEAR 2024 RESULTS

For the fiscal year ended June 30, 2024, the System's investment portfolio returned 10.5%.

The Investment Section was written by Chief Investment Officer Gregory Brunt, CFA, and Financial Analyst Mary Truong.

TABLE 1: ASSET ALLOCATION SUMMARY

Periods ending June 30, 2024

Asset Class	Assets		Performance			
	(\$ Millions)	(%)	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
Total Global Equity	1,380.5	31.8	14.1%	3.0%	8.4%	7.5%
Global Equity Policy ¹			16.0%	4.2%	9.0%	7.9%
Global Low Volatility Equity	303.3	7.0	9.6%	3.0%	5.1%	7.2%
MSCI ACWI Min Vol (Net)			9.1%	2.6%	4.7%	6.8%
Domestic Equity	631.5	14.5	20.3%	7.9%	12.6%	10.9%
Wilshire 5000			23.2%	8.4%	14.4%	12.4%
International Equity	445.7	10.3	9.0%	-3.3%	5.2%	3.9%
MSCI ACWI ex US (Net)			11.6%	0.5%	5.5%	3.8%
Global Fixed Income	229.1	5.3	7.4%	-0.1%	2.8%	3.4%
Global Fixed Income Policy ²			6.5%	-0.7%	1.8%	2.8%
Real Estate	418	9.6	-0.3%	6.0%	6.1%	8.1%
NCREIF Property			-5.5%	2.3%	3.4%	6.1%
Private Equity	1,157.6	26.7	5.2%	6.8%	15.7%	14.3%
S&P 500 + 3%			27.6%	13.0%	18.0%	15.9%
Inflation Linked	886.9	20.4	22.3%	21.5%	14.5%	6.3%
CPI + 4%			7.0%	9.0%	8.2%	6.8%
Private Credit	168.0	3.9	7.9%	9.1%	10.7%	n/a
CSFB Leveraged Loan Index			11.0%	6.0%	5.4%	n/a
Cash / Liquidation	99.7	2.3	n/a	n/a	n/a	n/a
Total Fund	4,339.8	100.0	10.5%	7.3%	11.1%	8.9%
Policy Benchmark			12.3%	6.4%	9.1%	7.9%
Median of Wilshire Public Fund Universe/TUCS ³			52 (104)	1 (91)	1 (84)	3 (72)

Please note that numbers may not add to 100% due to rounding

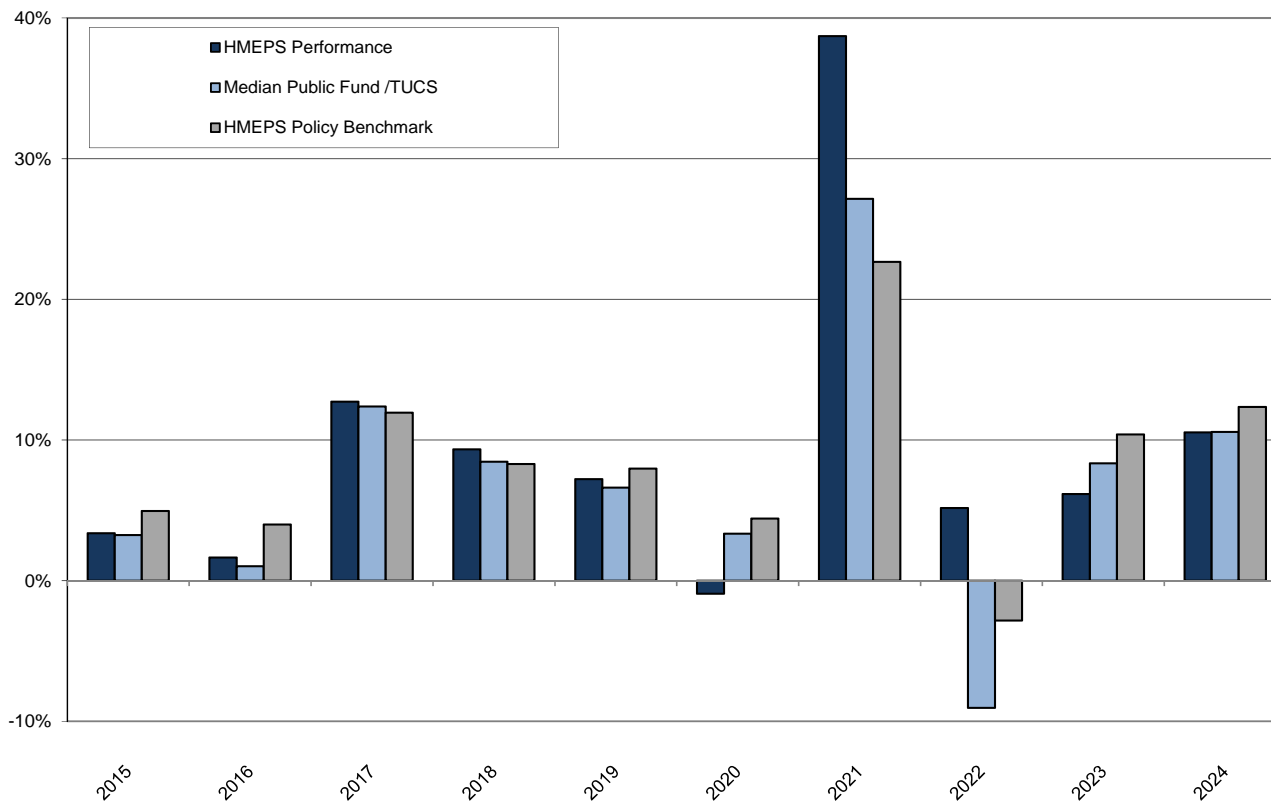
- Global Equity Policy: 3Q13-Present:** 75% MSCI All Country World IMI (Net), 25% MSCI All-Country World Minimum Volatility Index (Net).
- Global Fixed Income Policy:** 50% Bloomberg Barclays US Aggregate Bond Index, 50% ICE/BofAML High Yield Master II
- Wilshire TUCS:** Total returns of all public DB plans in the Master Trusts - Public composite, as of date noted; ranking is based on a percentile within the universe. Number in parentheses is number of observations for period.

SCHEDULE OF TOP INVESTMENTS AS OF JUNE 2024

Name of Investment	Base Market Value
BlackRock MSCI ACWI Minimum Volatility Index Fund	\$ 303,335,974.28
BlackRock S&P 500 Index Fund A	298,494,741.88
SSgA REIT Index Fund	143,982,582.12
SSgA Global Natural Resources Index	109,239,561.95
Valor M33 III, LP	68,123,659.99
Valor Equity Partners IV, LP	47,124,682.06
Schroder Emerging Markets Fund	40,362,491.95
Baillie Gifford Overseas, Ltd.	40,249,291.06
AG Direct Lending Fund IV, LP	39,978,814.64
New Enterprise Associates 14, LP	38,583,610.33

PERFORMANCE BY FISCAL YEAR

Last Ten Years



**TABLE 2: COMPARISON OF INVESTMENT RETURNS
YEARS ENDED JUNE 30**

(Calculated based on a time weighted rate of return based on the market rate of return)

Period Ending 06-30	HMEPS Total Fund	HMEPS Policy Portfolio	Median of Wilshire Public Fund Universe/ TUCS	HMEPS Global Equity	MSCI ACWI IMI (Net)	MSCI ACWI Min Vol	HMEPS Fixed Income	Bloomberg U.S. Aggregate Bond Index
2015	3.38%	4.96%	3.38%	2.22%	0.81%	6.59%	1.13%	1.86%
2016	1.65%	4.02%	1.07%	-0.31%	-3.87%	11.55%	3.33%	6.00%
2017	12.73%	11.95%	12.41%	16.34%	19.01%	6.05%	7.80%	-0.31%
2018	9.33%	8.29%	8.45%	9.81%	11.14%	7.33%	1.50%	-0.40%
2019	7.22%	7.97%	6.62%	6.05%	4.56%	13.00%	6.77%	7.87%
2020	-0.93%	4.42%	2.95%	0.00%	1.17%	-2.50%	4.33%	8.74%
2021	38.71%	22.66%	27.14%	36.97%	40.94%	19.35%	10.20%	-0.34%
2022	5.16%	-2.84%	-9.04%	-15.32%	-16.52%	-6.40%	-11.87%	-10.29%
2023	6.16%	10.43%	8.35%	13.02%	12.72%	5.79%	5.35%	-0.94%
2024	10.54%	12.35%	10.58%	14.12%	18.40%	9.08%	7.44%	2.63%
3 Yrs.	7.26%	6.43%	3.95%	2.98%	4.70%	2.60%	-0.08%	-3.02%
5 Yrs.	11.14%	9.09%	7.91%	8.39%	10.36%	4.68%	2.78%	-0.23%
10 Yrs.	8.94%	7.93%	7.26%	7.52%	8.17%	6.75%	3.42%	1.35%

Discussion of Investment Policies and Activities

Period ending 06-30	ICE BofAML U.S. High Yield Master II Index	HMEPS Private Equity	S&P 500 Index	HMEPS Real Estate	NCREIF Property Index	HMEPS Inflation-Linked	Consumer Price Index	HMEPS Private Credit	CSFB Leveraged Loan Index
2015	-0.55%	10.36%	7.42%	10.88%	12.96%	-9.14%	0.12%		
2016	1.71%	7.05%	3.99%	12.95%	10.64%	-12.18%	1.01%		
2017	12.75%	16.02%	17.90%	9.15%	6.98%	8.24%	1.63%		
2018	2.49%	17.22%	14.38%	9.87%	7.20%	5.78%	2.87%		
2019	7.60%	14.05%	10.42%	7.68%	6.50%	2.05%	1.65%	8.83%	4.15%
2020	-1.10%	3.44%	7.51%	-4.03%	2.69%	-28.17%	0.71%	3.96%	-2.27%
2021	15.62%	64.56%	40.79%	17.83%	7.37%	52.77%	5.32%	23.27%	11.67%
2022	-12.69%	22.39%	-10.62%	13.45%	21.45%	24.92%	9.06%	7.65%	-2.68%
2023	8.87%	-5.31%	19.59%	5.40%	-6.60%	17.32%	3.09%	11.70%	10.10%
2024	10.45%	-5.23%	24.56%	-0.26%	-5.53%	22.32%	2.98%	7.93%	11.04%
3 Yrs.	1.65%	6.84%	10.01%	6.04%	2.33%	21.48%	4.97%	9.08%	5.97%
5 Yrs.	3.30%	15.73%	15.05%	6.16%	3.39%	14.49%	4.17%	10.71%	5.36%
10 Yrs.	4.21%	14.29%	12.86%	8.11%	6.07%	6.25%	2.81%	n/a	n/a

ASSET CLASS FEES AND COMMISSIONS

Asset Class	Investment Management Fees	Profit Share/Carried Interest	Brokerage Fees/Commissions
Absolute Return	\$ 742,771	\$ 664,209	\$ -
Cash	221,829	-	-
Fixed Income	847,760	-	-
Inflation-Linked	6,996,908	8,329,353	-
Private Credit	5,056,960	2,184,554	-
Private Equity	11,477,894	12,189,829	-
Public Equity	3,965,153	-	539,890
Real Estate	5,394,776	(1,087,726)	-
Total	\$ 34,704,052	\$ 22,280,219	\$ 539,890

This data is not typically presented by fund managers in a standardized format. Due to variation in reporting methodologies, the data presented here is a compilation of information provided directly by fund managers and management's estimates based on information readily available as of the time of this report.

Profit share/carried interest as accrued (which differs from amounts actually paid) during the period.

SCHEDULE OF FEES AND COMMISSIONS PAID

In Fiscal Year 2024

Broker Name	Number of Shares	Commissions (\$)	Cents/Share
NORTHERN TRUST COMPANY, THE	3,279,025	\$ 65,503.66	2.00
J.P. MORGAN SECURITIES PLC	2,699,802	63,258.51	2.34
WELLS FARGO SECURITIES, LLC	1,323,334	37,913.53	2.87
JEFFERIES LLC	4,545,262	28,826.96	0.63
UBS SECURITIES LLC	1,932,003	26,393.41	1.37
MAXIM GROUP	1,235,763	26,336.75	2.13
STIFEL NICOLAUS + CO INC	850,205	25,462.17	2.99
MERRILL LYNCH INTERNATIONAL	944,361	23,018.22	2.44
MORGAN STANLEY CO INCORPORATED	1,378,694	22,216.32	1.61
GOLDMAN SACHS INTERNATIONAL	1,367,575	18,501.51	1.35
RBC CAPITAL MARKETS, LLC	843,188	16,629.69	1.97
CITIGROUP GLOBAL MARKETS INC	842,939	15,421.83	1.83
CACEIS BANK SPAIN SAU	597,820	12,234.14	2.05
INSTINET LLC	1,164,753	11,472.90	0.99
BNP PARIBAS SECURITIES SERVICES	1,498,360	10,037.48	0.67
NATIONAL FINANCIAL SERVICES LLC	534,427	9,845.60	1.84
CANACCORD GENUITY INC.	287,117	8,529.22	2.97
PIPER JAFFRAY & CO.	350,014	7,943.88	2.27
BARCLAYS CAPITAL	544,651	7,866.21	1.44
MACQUARIE SECURITIES LIMITED	3,972,425	6,834.04	0.17
INVESTEC BANK PLC	320,892	6,729.26	2.10
HSBC BANK PLC	1,092,192	6,687.66	0.61
EVERCORE GROUP L.L.C.	300,071	5,200.51	1.73
COWEN AND COMPANY, LLC	279,070	4,604.92	1.65
DAVIDSON D.A. + COMPANY INC.	114,465	4,578.60	4.00
DAIWA SECURITIES SB CAPITAL MARKETS	268,364	4,138.04	1.54
ROBERT W. BAIRD CO.INCORPORATED	93,177	3,697.29	3.97
NATIONAL BANK FINANCIAL INC	122,206	3,484.41	2.85
REDBURN (EUROPE) LIMITED	183,085	3,232.26	1.77
MIZUHO INTERNATIONAL PLC	122,422	2,928.74	2.39
LIQUIDNET INC	138,547	2,913.26	2.10
CJS SECURITIES INC	71,175	2,847.00	4.00
WILLIAM BLAIR & COMPANY L.L.C	69,025	2,761.00	4.00
JONESTRADING INSTITUTIONAL SERVICES, LLC	106,140	2,483.29	2.34
SANFORD C. BERNSTEIN AND CO. LLC	270,741	2,360.11	0.87
NEEDHAM AND COMPANY LLC	55,935	2,132.35	3.81
JOH. BERENBERG, GOSSLER & CO. KG	89,454	2,130.98	2.38
RAYMOND JAMES AND ASSOCIATES INC	75,444	2,126.88	2.82
CLSA LIMITED	2,639,508	2,078.18	0.08
Others	2,317,006	28,529.38	1.23
TOTAL	38,920,637	\$ 539,890.15	1.39

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