



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 19

MEETING DATE: October 15, 2025

SUBJECT: Investment Manager Compliance and Watch List Report—Third Quarter 2025

SUBMITTED FOR: ___ Action X Information

RECOMMENDATION

Receive and file the Investment Manager Compliance and Watch List Report for the quarter ended September 30, 2025.

PURPOSE

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

DISCUSSION

SCERS' Investment Manager transactions have been reviewed for compliance with their respective investment guidelines and objectives. No compliance violations have been found.

As of June 30, 2025, the following managers were on the Watch List:

- PSquared Asset Management (Absolute Return) – performance related
- LSV Asset Management (Global Equity) – organizational concerns

During the third quarter of 2025, Staff and Verus recommended the addition of Walter Scott & Partners (Global Equity) to the Watch List due to performance considerations. SCERS first invested with Walter Scott in March 2017, with the firm managing approximately \$486 million for SCERS, as of September 30, 2025. Walter Scott manages an International Developed Large Cap mandate for SCERS, within the International Equity sub-asset class of the Global Equity portfolio. There were no other changes to the Watch List during the third quarter. Therefore, managers on the Watch List going forward are:

- PSquared Asset Management (Absolute Return) – performance related

- LSV Asset Management (Global Equity) – organizational concerns
- Walter Scott & Partner (Global Equity) – performance related

Staff and the investment consultants will continue to monitor the performance and/or organizational concerns for SCERS’ investment managers and update the Watch List accordingly.

Staff will present and discuss the content of the Compliance and Watch List report during the October Board meeting.

ATTACHMENTS

- Board Order
- Quarterly Watch List and Compliance Report—Third Quarter 2025

Prepared by:

/S/

Brian Miller
Senior Investment Officer

Reviewed by:

/S/

Steve Davis
Chief Investment Officer

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
October 15, 2025

AGENDA ITEM:

**Investment Manager Compliance and Watch List Report—Third
Quarter 2025**

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to receive and file the Investment Manager Compliance and Watch List Report for the quarter ended September 30, 2025.

I HEREBY CERTIFY that the above order was passed and adopted on October 15, 2025 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Chris Giboney
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
Quarterly Investment Manager Watch List - September 2025

#	Investment Manager	Fund Type	Net Asset Value (as of September 2025, \$ thousands)	Reason	Effective (month - year)	Commentary
1	PSquared Asset Management	Absolute Return	\$ 53,492	Performance	Dec-24	PSquared manages an event driven absolute return fund (Event Opportunity Fund). The strategy has underperformed, delivering approximately -6% returns in calendar year 2024, which has resulted in underperformance since SCERS first invested in the strategy in August 2020. Since inception, the strategy has delivered approximately 1.0% annualized returns, trailing the HFRI Conservative Index and 3-Month T-Bills + 2% benchmarks. Assets under management have declined due to negative performance and client outflows. SCERS has approximately \$52 million invested with PSquared as of June 2025.
2	LSV Asset Management	Global Equity	\$ 728,288	Organizational	Dec-24	LSV Asset Management was added to the Watch List due to organizational concerns. In the fourth quarter of 2024, civil litigation was filed against LSV by four former partners. The litigation seeks monetary damages based on the valuation of the equity stakes sold by the departed partners. The claim is that LSV significantly undervalued the equity stakes of the partners. Staff will monitor LSV for a resolution to the litigation and any impact to the organization. SCERS first invested with LSV in January 2005 and has approximately \$673 million invested in the international developed large cap equity strategy as of June 2025.
4	Walter Scott	Global Equity	\$ 486,478	Performance	Sep-24	The Walter Scott strategy (international developed large cap) has significantly underperformed its benchmark over the past several quarters, leading to bottom quartile performance ranking over the trailing 1, 3, and 5 year periods. The Walter Scott strategy takes a fundamental, bottom-up approach to stock selection and portfolio construction. The strategy has relatively high active share and tracking error, which can result in meaningful departure from benchmark returns, requiring evaluation over a full market cycle. However, the recent performance is below expectations leading to the Watch List addition. SCERS has approximately \$486 million invested with Walter Scott as of September 2025.